



Rating Action: Moody's Ratings assigns Aa1 to NYC Muni Water Authority's Fiscal 2026 Series BB bonds; outlook stable

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New York, January 07, 2026 -- Moody's Ratings (Moody's) has assigned a Aa1 rating to the New York City Municipal Water Finance Authority's (NY) \$800 million Water and Sewer System Second General Resolution Revenue Bonds, Fiscal 2026 Series BB. We maintain the long and short term ratings on the authority's outstanding debt. The authority has \$190 million of first resolution and \$34.1 billion of second resolution bonds outstanding. The outlook is stable.

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. 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.

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 RATING

- 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

FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATING

- 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

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 this rating was US Municipal Utility Revenue Debt published in March 2024 and available at <https://ratings.moodys.com/rmc-documents/416489>. Alternatively, please see the Rating Methodologies page on <https://ratings.moodys.com> for a copy of this methodology.

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Chandra Ghosal
Lead Analyst

Henrietta Chang
Additional Contact

Releasing Office:
Moody's Investors Service, Inc.
250 Greenwich Street
New York, NY 10007
U.S.A

JOURNALISTS: 1 212 553 0376
Client Service: 1 212 553 1653

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