

## City of New York, NY – G.O.

### Issuer: City of New York, NY

Assigned	Ratings	Outlook
General Obligation Bonds, Fiscal 2026 Tax-Exempt Bonds, Subseries Series F-1	AA+	Negative
General Obligation Bonds, Fiscal 2026 Taxable Bonds, Subseries F-2	AA+	Negative
General Obligation Bonds, Fiscal 2026 Tax-Exempt Bonds, Series G	AA+	Negative
General Obligation Bonds, Fiscal 2026 Series 1	AA+	Negative
Affirmed	Ratings	Outlook
General Obligation Bonds	AA+	Negative ( <i>from Stable</i> )

### Methodology

- [U.S. Local Government GO Methodology](#)
- [ESG Global Rating Methodology](#)

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passed one-house proposals to increase various New York City taxes, Governor Hochul has publicly stated she would not support new State-authorized tax increases and City Council leadership has indicated opposition to a property tax increase. Even assuming such proposed actions take effect, the Preliminary Budget projects outyear gaps of \$6.7 billion in FY 2028, \$6.8 billion in FY 2029, and \$7.1 billion in FY 2030.

In KBRA's view, the Preliminary Budget's reliance on these contingent actions in lieu of durable spending controls increases the risk that structural imbalances could persist as the City's financial flexibility erodes. While KBRA recognizes that the City's annual budget process routinely involves policy adjustments between the Preliminary and Executive Budgets, the current financial plan reflects a reliance on revenue actions that have not yet been enacted and whose ultimate timing and magnitude remain uncertain. KBRA expects greater clarity regarding the City's fiscal trajectory following enactment of the State budget in April and release of the City's Executive Budget due May 1; however, the Negative Outlook reflects the policy approach and assumptions contained in the Preliminary Budget as currently proposed.

A positive aspect of the Preliminary Budget is the administration's decision to incorporate a substantial amount of previously underbudgeted recurring expenditures into the financial plan. Across fiscal years 2026 and 2027, the plan adds approximately \$7.5 billion to fund six major areas where prior budgets had not fully reflected ongoing costs, including cash assistance, rental assistance programs, homeless shelter operations, Department of Education due process cases, judgments and claims, and the City's structural subsidy obligation to the Metropolitan Transportation

**Rating Summary:** KBRA is revising the Outlook on New York City's general obligation bonds to Negative from Stable. The outlook revision reflects the City's FY 2027 Preliminary Budget (the "Preliminary Budget", or "the financial plan"), which improves fiscal transparency by incorporating substantial, previously underbudgeted recurring expenditures but also reveals a materially larger structural imbalance than previously reflected. In recent years, the City's financial plan benefited from the ability to prepay future-year expenses and otherwise manage recurring costs within the budget framework. The revised baseline suggests that this flexibility has diminished as expenditure growth has outpaced recurring revenue growth, leaving less capacity to use prepayments and similar budget management tools that have helped support structural balance in prior years.

The AA+ rating continues to reflect the City's role as an international business and cultural center, the historical resiliency of its broad and diverse economic base, its elevated, yet manageable debt profile, including favorable pension funding metrics, and the efficacy of institutionalized procedures in addressing near-term financial challenges.

The all-funds Preliminary Budget, the first step in the City's budget process, totals approximately \$122.4 billion in FY 2026, including \$91.2 billion of City-funded spending. To close a budget gap of \$5.4 billion in fiscal years 2026 and FY 2027, the Mamdani administration stated its intention to seek additional income tax-raising authorization. Such authorization would require the approval of the Governor, State legislature and City Council. Absent such action, the Preliminary Budget characterizes both a 9.5% property tax increase and the use of reserves as "last resort" gap closing measures. The administration's proposed revenue actions and policy decisions face significant political uncertainty. Although the State Senate has introduced a measure to raise income tax rates for taxpayers with at least \$5 million of taxable income, and both the Senate and Assembly have



Authority. The financial plan also includes roughly \$5.9 billion for other mandated or programmatic needs, including costs associated with the State class size mandate, Medicaid and other healthcare adjustments, early childhood education, supportive housing, and early intervention services. Most of the spending added to the FY 2026 and FY 2027 financial plan reflects funding for known recurring obligations rather than new programmatic initiatives. Incorporating these costs into the baseline improves fiscal transparency and reduces the likelihood that predictable expenditure pressures will require midyear adjustments. At the same time, the revised baseline highlights the extent to which structural expenditure growth has outpaced recurring revenue growth in recent years.

The Preliminary Budget underscores the continued growth of several large expenditure categories that contribute to structural imbalance. City-funded expenditures are projected to increase from \$91.2 billion in FY 2026 to approximately \$105.9 billion in FY 2028 and \$110.7 billion by FY 2030, reflecting sustained growth across education, social services, and fringe benefits. Education spending increases materially in the plan, driven by costs associated with the State class size mandate, due process cases, early childhood education initiatives, pupil transportation, and expanded summer programming. Social service spending also rises due to higher projections for cash assistance, rental assistance programs, and homeless shelter operations, including significant growth in CityFHEPS rental assistance costs. These trends illustrate that several of the City's largest expenditure drivers are shaped by factors outside the City's direct control, including legal obligations such as special education due process cases and shelter requirements, State policy mandates including the class size law and MTA funding commitments, and economically sensitive programs such as cash assistance, rental assistance, and homeless services. As such, the City's ability to moderate spending growth may be limited in the near-term.

The FY 2027 Preliminary Budget also reflects materially higher revenue projections than those included in the November 2025 financial plan. Similar to the plan's recognition of previously underbudgeted expenditures, the revised financial plan incorporates upward revisions to several of the City's key revenue sources. Forecast revenues have increased by approximately \$3.2 billion in FY 2026 and \$8.7 billion in FY 2027 relative to the prior plan, with additional increases projected in the outyears. These revisions reflect a combination of stronger tax revenue assumptions, proposed policy actions, and certain State-related adjustments. The revised forecast includes \$500 million of unrestricted State aid in FY 2026, projected State actions to decouple from corporate tax provisions of the federal One Big Beautiful Bill Act ("OBBA"), and the anticipated reversal of the State's distressed hospital sales tax intercept. Dominating the revenue forecast is amounts assumed from a 9.5% property tax rate increase in FY 2027 that would bring the average property tax rate to 13.45% from 12.283% of taxable assessed value, estimated to generate approximately \$3.7 billion annually beginning in FY 2027.

Beyond these policy-related adjustments, the Preliminary Budget reflects stronger projections for economically sensitive tax revenues relative to the November plan. In particular, the financial plan assumes continued strength in personal income tax and pass-through entity tax collections driven by elevated financial market activity and record Wall Street profitability in calendar year 2025. While recent economic conditions have supported robust tax collections, these revenue streams have historically exhibited volatility due to their sensitivity to financial market conditions and high-income taxpayer activity. The Preliminary Budget's relatively optimistic revenue assumptions, combined with increased spending, narrow the margin for error should economic conditions or financial market performance weaken.

Reserves presently total a record \$8.5 billion (approximately 10% of City Funds revenues). The Preliminary Budget reflects drawdowns of reserves totaling \$3.96 billion over fiscal years 2026 and 2027, including draws from the Rainy Day Fund ("RDF") and Retiree Health Benefits Trust ("RHBT") - characterized as "last-resort" measures that would be relied upon, together with a property tax increase, to support near-term budget balance in the absence of increases in income and corporate taxes - as well as draws from the General Reserve and Capital Stabilization Fund. While the plan indicates that draws from the RDF and RHBT of \$980 million and \$229 million, respectively, would be replenished in FY 2028, it does not yet identify specific actions to restore these balances while projected outyear gaps remain significant. In KBRA's view, the use of reserves to balance the budget would weaken the City's fiscal cushion at a time when it faces potential reductions in federal funding for transportation, social services, and healthcare, as well as possible macroeconomic headwinds. In addition, diminishing reserves would limit the City's ability to rely on traditional budget management tools, such as prepayments of future-year expenses, which have historically helped support structural balance in the financial plan. Periods of robust revenue growth—such as the City has recently experienced and projects to continue—are generally an appropriate time to strengthen reserve levels to provide protection against economic downturns or other unforeseen fiscal pressures.

The savings initiatives included in the Preliminary Budget are intended to moderate expenditure growth across City agencies. Under Executive Order 12, agency Chief Savings Officers have been directed to identify recurring efficiencies and operational savings, and the plan reflects new projected savings of approximately \$710 million in FY 2026 and \$1.06 billion in FY 2027, increasing modestly in the outyears. While the initiative signals an effort to address spending growth, the magnitude of projected savings is modest compared with the size of the City's expenditure base and the scale of projected outyear budget gaps. In addition, many of the savings are presented at a citywide level and have not yet been fully specified at the agency level. KBRA will look for greater clarity in the Executive Budget regarding the



implementation of recurring savings measures and the City’s broader strategy to moderate expenditure growth and restore structural balance.

In KBRA’s view, reliance on tax increases as a primary mechanism for restoring budgetary balance could present longer-term credit considerations. New York City residents and businesses already face one of the highest combined state and local tax burdens in the nation, and additional tax increases could affect the City’s competitiveness and affordability over time. Moreover, while tax increases may provide near-term revenue relief, they do not by themselves address the underlying trajectory of expenditure growth and therefore may not fully resolve the City’s structural imbalance absent accompanying expenditure actions. KBRA will continue to monitor the evolution of the City’s financial plan during the remainder of the budget cycle, including the development of recurring expenditure controls, the treatment and replenishment of reserves, and the extent to which enacted policy actions support a sustainable path to structural balance.

### Key Credit Considerations

The rating actions reflect the following key credit considerations:

#### Credit Positives

- The City’s role as an international business and cultural center and hub of the country’s largest metropolitan economy highlight the diversity and resilience of the resource base supporting the G.O. Bonds
- The City’s cash position is strong.
- Pension funded ratios have trended favorably in recent years. Annual debt service requirements are projected to remain below 15% of City tax revenues over the 2026-2030 forecast period.

#### Credit Challenges

- City tax revenues are subject to economic volatility.
- The City has very limited capacity to rely on prepayments as a budget management tool relative to prior financial plans.

### Rating Sensitivities

▪ Maintenance of sound revenue resiliency in the face of prevailing policy and economic headwinds.	<b>+</b>
▪ Adoption of a formalized reserve policy targeting reserve size and conditions for deposits and withdrawals.	
▪ Formalization, through incorporation to the City Charter, of the City’s policy of limiting debt service to 15% of tax revenues in each year of the Financial Plan.	
▪ Trend of decline in projected out-year budget gaps.	
▪ Budgetary instability, significant depletion of reserves or materially increased out-year budget gaps.	<b>-</b>
▪ Relaxation of, or diminished adherence to, well-established policies and procedures.	

<b>The City of New York, NY</b>	
<b>Key Facts (2025)</b>	
Net Indebtedness Per Capita <sup>1</sup>	\$13,501
Overall Debt as a % of Full Market Value	7.7%
Debt Amortization Within 10 Years	47.0%
Fixed Costs as a % of Governmental Expenditures	13.1%
General Fund Balance as a % of General Fund Expenditures	3.7%
Population (July 2024)	8,478,072
Population Estimate - Percentage Change (April 1, 2020-July 1, 2024) <sup>2</sup>	
City of New York	-3.7%
State of New York	-1.7%
United States	2.6%
Person Income Per Capita (2024) <sup>3</sup>	\$92,674
New York City as % of U.S.	127.0%

<sup>1</sup> For purposes of calculating debt per capita and debt as a percentage of full market value, KBRA considers Indebtedness of the City to include i) GO debt net of assets held for debt service and inclusive of net premiums (discounts), ii) capital leases, iii) PBC indebtedness subject to appropriation, which includes ECF, DASNY (Municipal Health Facilities Lease Revenue Bonds, Court Facilities Program Bonds and approximately half of rental payments for City University Construction Fund bonds relating to community college facilities), iv) IDA Stock Exchange Bonds; v) the amount of the City’s contingent obligations to HYIC and HHC as of fiscal year end June 30, 2025, subject to appropriation and vi) TFA-FTS Bonds. Although TFA-FTS indebtedness does not constitute debt of, and is not paid by the City, it is included in the debt ratios because it is payable from personal income tax revenues and, if necessary, sales tax revenues of the City which would otherwise be available for operations, and because of the TFA’s significant role in funding the City’s capital needs. The City’s obligations to cover contingent liabilities have not been triggered in recent years.

<sup>2</sup> Source: 2025 ACFR, Bureau of Economic Analysis and U.S. Census Bureau

<sup>3</sup> Source: Bureau of Economic Analysis, U.S. Census Bureau



Rating Determinants (RD)	
1. Management Structure and Policies	AA+
2. Debt and Additional Continuing Obligations	AA
3. Financial Performance and Liquidity Position	AA+
4. Municipal Resource Base	AA+

For a discussion of ESG management considerations, see KBRA’s report dated [February 28, 2025](#).

## RD 1: Management Structure and Policies

KBRA views the City management structure and adopted policies as affording a strong framework for day-to-day operations and service delivery, financial monitoring and oversight, and long-term financial and capital planning. Sound financial management practices mandated under the City Charter and the Act require balanced budgets, with year-end results required to be balanced under generally accepted accounting principles (“GAAP”), and a four-year Financial Plan, updated quarterly, that must show current year balance and balance in the following fiscal year. Fiscal monitoring of the Financial Plan is also performed by the City and State Comptrollers. City-wide cash flow reports are generated monthly, and the Financial Management System provides current information on the operating and capital budgets. Capital planning is comprehensive as illustrated by a four-year Capital Commitment Plan that is modified three times per year, and a ten-year capital strategy that is updated every two years.

The City operates on a July 1 through June 30 fiscal year. General Fund cash and cash equivalents of nearly \$17.7 billion as of FYE 2025 far exceed pre-pandemic levels.

## RD 2: Debt and Additional Continuing Obligations

General Obligation Bonds (“G.O. Bonds”) of the City are secured by the City’s faith and credit pledge. All City taxable real property is subject to the levy of ad valorem taxes, without limitation as to rate or amount, for payment of debt service. Pursuant to the Financial Emergency Act for the City of New York (the “Act”), a general debt service fund (“the Fund”) is established for G.O. Bonds and certain notes. Payments of the City real estate tax must be deposited into the Fund upon receipt and retained under a statutory formula. Since its inception in 1978, the Fund, which is held by the State Comptroller as Custodian, has been fully funded at the beginning of each payment period.

KBRA considers net indebtedness to include i) General Obligation indebtedness of the City, ii) indebtedness and certain contract liabilities of public benefit corporations (“PBC’s”) to which the City has entered into agreements to make payments, subject to appropriation, for debt service on certain obligations, and iii) other issuer’s indebtedness for which the City is either directly or contingently obligated either to make payment of debt service subject to appropriation, or to restore capital reserves. TFA-FTS Bonds do not constitute debt of and are not paid by the City. However, because TFA- FTS Bonds are secured by personal income tax and, if necessary, sales tax revenues which would otherwise be available for City operations, certain of KBRA’s debt metrics include such obligations as indebtedness of the City.

Net indebtedness<sup>1</sup> totaled \$117.4 billion as of June 30, 2025, and was comprised primarily of GO debt (39.8%), capital lease obligations (10.7%) and TFA-FTS debt (47.3%). From FY 2020 through FY 2025, net indebtedness of the City<sup>2</sup> grew at a compound annual growth rate (“CAGR”) of 7.5%. Growth in capital leases over the period reflects the adoption, in FY 2022, of GASB Statement No. 87, which resulted in the re-characterization of certain contracts that meet GASB 87’s definition of a lease as long-term liabilities.

The level of outstanding net indebtedness reflects the City’s vast capital funding responsibilities, which are far greater in scope than those of other major U.S. cities and translate into a very high debt burden, both on a per capita basis and as a percentage of the full market value of real property. FY 2025 net indebtedness (inclusive of restated capital lease obligations) equated to a high \$13,437 per capita and an above average 7.6% of the full value of real property.

KBRA calculates the City’s FY 2025 debt service obligation at 3.2% of governmental expenditures. This calculation considers only debt service on those obligations for which the City is directly (but not contingently) obligated to make payments in amounts equal to debt service, or for which it is obligated to make debt service subject to appropriation. Such obligations include City GO Bonds, DASNY Municipal Health Facilities Improvement Lease Revenue Bonds, and Industrial Development Authority (“IDA”) Stock Exchange Bonds. TFA-FTS debt service is not included in this calculation.

<sup>1</sup> Net indebtedness is assumed to be net of assets held for debt service and inclusive of premiums for GO, TFA-FTS, IDA and HYIC Construction Loan.

<sup>2</sup> Inclusive of indebtedness related to the Industrial Development Authority Stock Exchange Bonds, Hudson Yards Infrastructure Corporation, Health + Hospitals Corp., and PBC indebtedness related to NYC Educational Construction Fund and DASNY conduit debt (Municipal Health Facilities Improvement Lease Revenue Bonds, Court Facilities Program and Community College Facilities).

Long-term debt may only be issued to fund capital projects and certain pollution remediation costs, and to provide capital grants to other entities. New York State’s constitutional debt limit and Local Finance Law restrict the amount of indebtedness that the City may contract to no more than 10% of the most recent five-year average full value of City taxable real estate. The constitutional debt limit as of February 28, 2026 was \$140.6 billion. Indebtedness counting against the debt limit as of this date (including outstanding GO debt, capital contract liabilities and outstanding TFA debt above \$30.5 billion<sup>3</sup>) totaled \$105.2 billion, leaving remaining debt incurring power of approximately \$35.4 billion.

**Figure 1**

**New York City**

**FY 2025 Debt Ratios<sup>1</sup>**

Net Indebtedness of the City and Certain Other Entities Per Capita	\$13,501
Indebtedness of the City and Certain Other Entities as a % of Full Market Value	7.7%
Debt Service on GO and other absolute, unconditional obligations <sup>2</sup> as % of Governmental Expenditures	3.2%
Net Pension Liability as Percentage of Full Market Value	1.8%
Fixed Cost as % of Governmental Expenditures	13.1%

1. For purposes of calculating debt per capita and debt as a percentage of full market value, KBRA considers Indebtedness of the City to include i) GO debt net of assets held for debt service and inclusive of net premiums (discounts), ii) capital leases, iii) PBC indebtedness subject to appropriation, which includes ECF, DASNY (Municipal Health Facilities Lease Revenue Bonds, Court Facilities Program Bonds and approximately half of rental payments for City University Construction Fund bonds relating to community college facilities), iv) IDA Stock Exchange Bonds; v) the amount of the City’s contingent obligations to HYIC and HHC as of June 30, 2025, subject to appropriation and vi) TFA-FTS Bonds. Although TFA-FTS indebtedness does not constitute debt of, and is not paid by the City, it is included in the debt ratios because it is payable from personal income tax revenues and, if necessary, sales tax revenues of the City which would otherwise be available for operations, and because of the TFA’s significant role in funding the City’s capital needs. The City’s obligations to cover contingent liabilities have not been triggered in recent years.  
 2. For purposes of calculating debt service as a percentage of governmental expenditures, KBRA considers only debt obligations for which the City is directly (but not contingently) responsible, or for which it is obligated to make debt service payments subject to appropriation. Such obligations include City GO Bonds, DASNY Municipal Health Facilities Improvement Lease Revenue Bonds, and IDA Stock Exchange Bonds.

Source: ACFRs, U.S. Census Bureau.

The City’s capital planning process includes a Ten-Year Capital Strategy (published biennially along with the Executive Budget pursuant to City Charter), a four-year capital plan (updated three times per year pursuant to City Charter) and the current year Capital Budget. The City released the current capital plan for FY 2026 and the four-year plan for fiscal years 2027-2030, (collectively, “the 2026-2030 Capital Commitment Plan”) in February, 2026.

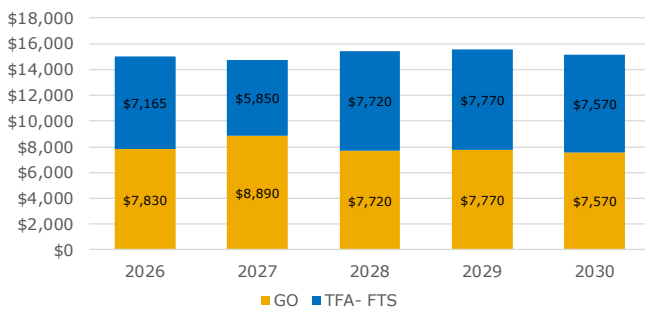
The 2026-2030 Capital Commitment Plan authorizes City-funded capital commitments of \$98.9 billion and City-funded capital expenditures of \$91.7 billion. The vast majority of expenditures are to be City funded, with remaining funding to come from Federal, State, and other reimbursable capital sources.

Capital expenditures are initially paid from the General Fund and reimbursed with bond proceeds, with portions of multiple projects funded with each bond issuance. The FY 2026-2030 Financing Program contemplates the issuance of \$75.9 billion of long-term borrowing<sup>4</sup> including \$39.8 billion GO bonds and \$36.1 billion TFA-FTS bonds.

**Figure 2**

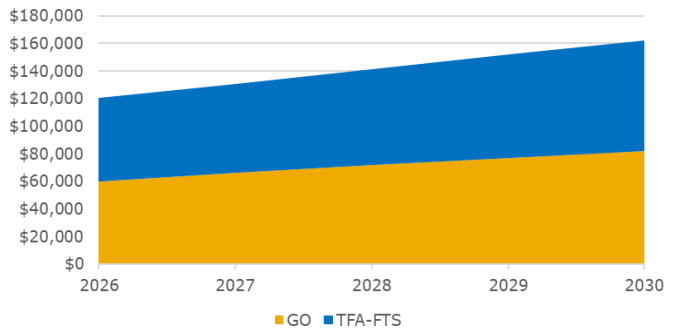
**FY 2026-2030 Financial Plan**

**GO and TFA- FTS Annual Debt Issuance (\$ millions)**



**Figure 3**

**GO and TFA-FTS Outstanding Debt (\$ millions at Year End)**



Source: February 2026 Financial Plan Detail FY 2026-2030

Factoring in planned G.O. and TFA-FTS borrowings, annual debt service<sup>5</sup> is expected to increase from \$8.5 billion or 7.0% of budgeted governmental expenditures in FY 2026 to \$12.3 billion, or 8.8% of projected governmental expenditures (12.6%

<sup>3</sup> Capital commitments are funded with both GO and TFA Bonds. The New York City Transitional Finance Authority Act, as amended, permits TFA to have \$30.5 billion of Future Tax Secured Bonds outstanding as of July 1, 2025, and to issue additional Future Tax Secured Bonds provided that such amount of additional bonds, together with the amount of indebtedness contracted by the City, does not exceed the City debt limit.

<sup>4</sup> Does not include approximately \$15.0 billion of Water Authority Bonds.

<sup>5</sup> Including primarily GO and TFA-FTS debt service, prior to budget stabilization and discretionary transfers for debt service.



of projected tax revenues) by FY 2030, remaining manageable and below the City's debt affordability policy cap of 15% of tax revenues assuming revenue projections are met.

Local Finance Law limits the issuance of variable rate debt to 25% of the general debt limit.<sup>6</sup> The City, per its debt policy, seeks to maintain variable rate exposure at no more than 20% of outstanding debt across both the G.O. and TFA-FTS credits. As of June 30, 2025, approximately 90.1% of outstanding G.O. debt and 93.9% of outstanding TFA-FTS debt was fixed rate. Variable rate demand bonds ("VRDBs") with accompanying bank facilities represent the majority of the City's variable rate portfolio. As of December 31, 2025, the outstanding notional amount on City swap agreements in connection with G.O. debt and City-related DASNY debt was \$137.1 million, with a negative mark to market value of \$5.8 million. All outstanding derivative instruments include ratings-based collateral posting requirements on the part of both the City and the counterparty.

The City Comptroller is the legal custodian of the assets of the City's five primary Public Pension Funds, which include the New York City Employees' Retirement System ("NYCERS"), Teachers' Retirement System of the City of New York (TRS), New York City Police Pension Fund (Police), New York City Fire Pension Fund (Fire) and the New York City Board of Education Retirement System (BERS), collectively, (the "Systems"). The Police and Fire pension funds are single employer plans, while the other three are cost-sharing plans for which the City holds primary responsibility. Institutionalized governance, including oversight of actuarial practices and assumptions, and the City's decades-long policy of fully funding the actuarially determined contribution have contributed to stable pension funding progress and favorable pension metrics. The Systems' FY 2025 aggregate net pension liability ("NPL") of \$27.1 billion equated to a favorably low 1.8% of full market value, \$3,192 per capita and 3.6% of personal income.

The FY 2025 pension contribution of \$9.9 billion equated to a moderate 7.1% of governmental expenditures. In recent years, the City has limited growth in the pension liability through the imposition of new benefit tiers for newly hired employees. The City and State have not, however, taken steps to transition the pension plans of new employees to a defined contribution system. The State Constitution limits changes to benefits for current employees.

The OPEB plan includes i) direct, pay-go funding of OPEB from general City resources, and ii) the New York City Retiree Health Benefits Trust ("RHBT"), which holds and disburses accumulated assets in an irrevocable trust and is dedicated solely to the payment of OPEB costs. The balance of the RHBT at FYE 2025 was \$5.2 billion, or 3.7% of Governmental Fund expenditures. OPEB contributions reimburse the RHBT on a pay-go basis and may provide additional contributions for the payment of future benefits. The FY 2025 OPEB contribution of \$4.0 billion equated to 2.9% of governmental expenditures. The plan fiduciary net position (funded status) was 5.1% of the total OPEB liability of \$101.7 billion.

Total City fixed costs (including G.O. debt service, pension contributions and OPEB contributions) were a manageable 13.1% of FY 2025 governmental expenditures<sup>7</sup>. Notwithstanding the broad scope of its capital funding responsibilities, New York City's fixed cost burden compares favorably to that of other major cities and reflects actions to consistently fund the full pension ADC.

### **RD 3: Financial Performance and Liquidity**

General Fund revenue sources include local taxes, user charges, miscellaneous revenues, and federal and state categorical and unrestricted grants. The City functions as an all-purpose government without overlapping county or school district jurisdictions and, as such, is exposed to a larger array of spending obligations and potentially unanticipated mandates from the federal and State governments than a city with more narrowly defined obligations. In addition to its share of Medicaid funding and support of public assistance, the City provides operating and capital support to the Metropolitan Transportation Authority ("MTA") and subsidies to New York City Health + Hospitals.

The City's economy expanded strongly in 2025, supported by robust financial markets, strong consumer spending, and increased business investment. These conditions drove significant tax revenue growth, particularly in economically sensitive non-property taxes, which increased 10.8% and helped lift total tax collections by 8.3% to \$80.3 billion. The City's General Fund had a surplus of \$3.8 billion before discretionary and other transfers and achieved balanced operating results<sup>8</sup>. Economic momentum carried into the first half of 2026, with non-property tax collections rising 10.1% compared with the same period in the prior year. Reflecting these trends, the Preliminary Budget revises revenue projections upward.

<sup>6</sup> The TFA may issue up to 20% of its debt capacity as variable rate bonds pursuant to Public Authorities Law.

<sup>7</sup> TFA-FTS debt service is not included in KBRA's calculation of the fixed cost ratio.

<sup>8</sup> The General Fund achieved balanced results in accordance with GAAP except for the application of GASB-49 and without regard to certain permitted fund balance carry-forwards.

## FY 2027 Preliminary Budget Five Year Financial Plan

### FY 2026 Gap Closing Measures

After accounting for approximately \$6.6 billion in previously underbudgeted expenditures and \$911 million in Health Stabilization Fund costs, FY 2026 is technically balanced using a combination of tax revenue changes, state actions, unrestricted state aid and non-tax revenues totaling approximately \$3.2 billion; projected savings from agencies, the NYCE health PPO, and debt service totaling \$1.2 billion, re-estimates of prior years' expenses and receivables, and \$2.53 billion in reserve draws. (Figure 4)

### FY 2027 Gap Closing Measures

After accounting for approximately \$7.4 billion in previously underbudgeted expenditures and \$1.1 billion in Health Stabilization Fund costs, FY 2027 is technically balanced using a combination of assumed YoY growth in real estate, income based and consumption and use taxes, state actions, non-tax revenues, and the proposed \$3.7 billion in increased property tax revenue; as well as projected savings from agencies and the NYCE health PPO totaling \$1.9 billion, reserve draws totaling \$1.6 billion, and \$238 million of prepayments, including an incremental \$164 million prepayment in FY 2027. The prepayment is significantly lower than in prior years, evidencing the City's limited capacity to use prepayments to achieve structural balance, as had been its practice. For context, the City's FY 2026 budget was balanced using a \$3.8 billion prepayment from FY 2025. The decline in prepayments underscores the extent to which expenditure growth outpaced revenue growth in recent years.

Figure 4

<b>Preliminary Budget February 2026 Financial Plan (City Funds - \$ in Millions)</b>					
<b>Gap to be Closed versus November 2025 Financial Plan</b>					
	<b>FY 2026</b>	<b>FY 2027</b>	<b>FY 2028</b>	<b>FY 2029</b>	<b>FY 2030</b>
Gap to be Closed - November 2025 Financial Plan	-	(4,691)	(6,273)	(6,296)	(9,169)
<b>Revenue Changes</b>					
Tax Revenues	2,447	4,140	2,951	2,245	5,055
State Action: Fiscal Impact of de-coupling from OBBBA	-	723	1,010	520	317
State Action: Sales Tax Distressed Hospital Intercept	150	150	113	-	-
State Tax Programs	(3)	(64)	(71)	(78)	(82)
Unrestricted State Aid	500	-	-	-	-
Non-Tax Revenues	56	25	5	5	5
Property Tax Increase	-	3,700	3,601	3,707	3,814
<b>Total Revenue Changes</b>	<b>3,150</b>	<b>8,674</b>	<b>7,609</b>	<b>6,399</b>	<b>9,109</b>
<b>Expense Changes</b>					
Agency Expense Changes	6,610	7,405	7,895	7,907	8,043
Health Stabilization Fund Cost	911	1,144	1,227	1,319	1,424
NYCE PPO Health Savings	(411)	(791)	(840)	(891)	(953)
State Actions: Article 6, Youth Programming and School Aid	(360)	(457)	(457)	(457)	(457)
Pension	16	(99)	10	11	(19)
Debt Service	(40)	40	90	114	177
General Reserve	(1,150)	(1,100)	-	-	-
Retiree Health Benefits Trust	-	(229)	229	-	-
Rainy Day Fund	(980)	-	980	-	-
Capital Stabilization Fund	(250)	(250)	-	-	-
Labor Reserve Savings	(150)	(400)	-	-	-
Projected Agency Savings	(710)	(1,060)	(1,080)	(1,090)	(1,110)
OTPS Inflation Adjustment	-	(56)	(56)	(56)	(56)
Re-estimate of Prior Year's Expenses and Receivables	(500)	-	-	-	-
<b>Total Expense Changes</b>	<b>2,986</b>	<b>4,147</b>	<b>7,998</b>	<b>6,857</b>	<b>7,049</b>
Gap to be Closed	164	(164)	(6,662)	(6,754)	(7,109)
FY 2026 Prepayment	(164)	164	-	-	-
<b>Gap to be Closed - February 2026 Financial Plan</b>	<b>-</b>	<b>-</b>	<b>(6,662)</b>	<b>(6,754)</b>	<b>(7,109)</b>

Source: New York City OMB

### Financial Plan Assumptions

For FY 2026, the all-funds budget totals \$122.4 billion. (Figure 5). Revenues include projected total City tax revenue of \$84.3 billion, a 5.0% increase from 2025. FY 2026 personal income taxes, including pass-through entity taxes ("PTET"), are projected to increase more than 10% YoY, reflecting strong bonus payments and non-wage income tied to financial market activity. Solid growth in other economically sensitive revenues, including unincorporated business taxes and real estate transaction taxes, is also expected, while sales and hotel taxes are forecast to rise at more moderate rates consistent with steady consumer spending and tourism activity.



Over the FY 2026-FY 2030 financial plan period, projected revenue growth includes proposed incremental property tax revenue of approximately \$3.7 billion per year beginning in FY 2027. The financial plan assumes a 3.2% CAGR in general property taxes, and a 2.4% CAGR in non-property taxes over the period. Growth in non-property taxes is based on an assumption of continued economic and financial sector expansion on top of record Wall Street profits in calendar year 2025. In KBRA’s view, the forecast for non-property tax revenue growth may be aggressive given prevailing macroeconomic trends and relative to OMB’s historically conservative projections.

In addition to City tax revenues and other miscellaneous City funds, FY 2026 all-funds revenue includes projected State, Federal and other categorical grants and interfund revenues totaling \$31.2 billion. Federal categorical grants provide 7.3% of FY 2026 all-funds revenues and from 5.7% to 5.4% of annual revenues in Fiscal Years 2027-2030.

Projected financial plan expenditures grow at a 3.4% CAGR from \$122.4 billion in FY 2026 to \$140.1 billion in FY 2030. On average, education (including K-12 and CUNY) and health and welfare spending account for 30.6% and 22.4%, respectively, of financial plan expenditures over the period. Approximately 50% of FY 2026 financial plan expenditures (exclusive of debt service) are categorized as personal service (salaries, wages, pensions, fringe benefits and RHBT), and 50% are other than personal service (“OTPS”). OTPS is projected to decline to approximately 40% of expenditures (exclusive of debt service) by FY 2030.

Financial Plan expenditure assumptions reflect salaries and wages associated with current and projected headcount levels as well as wage adjustments from implemented collective bargaining agreements. A Reserve for Collective Bargaining includes funding for approximately 2% of the City’s workforce with unsettled contracts for the 2021-2026 round of collective bargaining. Following the expiration of the 2021-2026 round of collective bargaining, the Reserve contains funding for assumed 1.25% annual wage increases. Pension and other fringe benefits in the Financial Plan reflect actuarial estimates based on the most recent round of collective bargaining, as well as adjustments for headcount and the cost of pension benefit enhancements from recently enacted state legislation, as well as a \$279 million annual reserve for potential audit-recommended changes beginning in FY 2028. The Preliminary Budget Five Year Financial Plan shows outyear budget deficits of \$6.7 billion in FY 2028, \$6.8 billion in FY 2029, and \$7.1 billion in FY 2030. (Figure 5)

**Figure 5**

<b>Five Year Financial Plan Revenue and Expenditures</b>					
<b>All Funds - \$ in Millions</b>					
<b>Revenues</b>	<b>FY 2026</b>	<b>FY 2027</b>	<b>FY 2028</b>	<b>FY 2029</b>	<b>FY 2030</b>
<b>Taxes</b>					
General Property Tax	35,361	36,649	37,753	38,868	40,169
Other Taxes	47,868	50,164	50,809	51,319	52,625
Tax Audit Revenue	959	879	879	879	879
Tax Programs	147	86	42	(78)	(82)
Property Tax Increase	-	3,700	3,601	3,707	3,814
<b>Subtotal: Taxes</b>	<b>84,335</b>	<b>91,478</b>	<b>93,084</b>	<b>94,695</b>	<b>97,405</b>
Miscellaneous Revenues	8,642	8,092	8,104	8,148	8,173
Unrestricted Intergovernmental Aid	502	-	-	-	-
Less: Intra-City Revenue	(2,275)	(1,946)	(1,938)	(1,931)	(1,929)
Disallowances Against Categorical Grants	(15)	(15)	(15)	(15)	(15)
<b>Subtotal: City Funds</b>	<b>91,189</b>	<b>97,609</b>	<b>99,235</b>	<b>100,897</b>	<b>103,634</b>
Other Categorical Grants	981	1,022	1,009	1,006	1,006
Inter-Fund Revenues	808	800	801	804	804
Federal Categorical Grants	8,889	7,260	7,179	7,155	7,165
State Categorical Grants	20,503	20,310	20,709	20,341	20,415
<b>Total Revenues</b>	<b>122,370</b>	<b>127,001</b>	<b>128,933</b>	<b>130,203</b>	<b>133,024</b>
<b>Expenditures</b>					
<b>Personal Service</b>					
Salaries and Wages	35,027	36,184	37,976	38,774	39,614
Pensions	10,495	10,533	11,519	10,983	10,524
Fringe Benefits	15,881	16,483	17,267	17,989	18,823
Retiree Health Benefits Trust	-	(229)	229	-	-
<b>Subtotal: Personal Service</b>	<b>61,403</b>	<b>62,971</b>	<b>66,991</b>	<b>67,746</b>	<b>68,961</b>
<b>Other than Personal Service</b>					
Medical Assistance	6,437	6,790	6,940	7,090	7,240
Public Assistance	2,764	2,746	2,746	2,746	2,746
All Other	50,017	47,050	47,863	48,323	49,385
<b>Subtotal: Other than Personal Service</b>	<b>59,218</b>	<b>56,586</b>	<b>57,549</b>	<b>58,159</b>	<b>59,371</b>
Debt Service <sup>1,2</sup>	8,503	9,528	10,563	11,533	12,280
FY 2025 Budget Stabilization <sup>1</sup>	(3,787)	-	-	-	-
FY 2026 Budget Stabilization <sup>2</sup>	238	(238)	-	-	-
Capital Stabilization Reserve	-	-	250	250	250
General Reserve	50	100	1,200	1,200	1,200
Rainy Day Fund	(980)	-	980	-	-
Less: Intra-City Expenses	(2,275)	(1,946)	(1,938)	(1,931)	(1,929)
<b>Total Expenditures</b>	<b>122,370</b>	<b>127,001</b>	<b>135,595</b>	<b>136,957</b>	<b>140,133</b>
<b>Gap to be Closed</b>	<b>-</b>	<b>-</b>	<b>(6,662)</b>	<b>(6,754)</b>	<b>(7,109)</b>

1. FY 2025 Budget Stabilization totals \$3.787 billion, including G.O. of \$1.443 billion and TFA-FTS of \$2.344 billion.

2. FY 2026 Budget Stabilization totals \$238 million.

Source: New York City OMB



## Property Tax Cap

The State Constitution limits the amount of revenue the City can raise from property taxes for operating purposes to 2.5% of the average full market value of taxable real estate in the City for the current and last four fiscal years (the “operating limit”). The City’s FY 2026 levy within the operating limit was approximately 93.6% of the allowable cap, indicating remaining capacity, particularly as property values are likely to continue to expand.

While the Preliminary Budget does not explicitly demonstrate that the proposed property tax levy would remain within the operating limit, the City retains substantial ability to increase property tax rates, because the cap applies to the operating levy rather than the tax rate itself. Additionally, part of the levy could support debt service, which is exempt from the constitutional cap and thus unlimited. Finally, the Preliminary Budget’s proposed increase in the average tax rate from 12.283% to 13.450% is applied to assessed value, not full value, while the constitutional test is applied to full value, which is roughly double the assessed value base. The proposed property tax rate increase therefore does not translate directly into operating limit pressure. Rates of other taxes are set at the state level.

## Financial Reserves and Liquidity

Pursuant to the Preliminary Budget, FY 2026 budget reserves, which reached a record \$8.5 billion, will be drawn upon to achieve budgetary balance in fiscal years 2026 and 2027. The General Reserve will be reduced by \$1.2 billion in FY 2026 and \$1.1 billion in FY 2027. The RHBT will be reduced by \$229 million in FY 2027 and restored in FY 2028. The Rainy Day Fund (also known as the Revenue Stabilization Fund), will be reduced by \$980 million in FY 2026 and restored in FY 2028. The financial plan does not specify funds for the restoration of either the RHBT or the Rainy Day Fund in FY 2028, when a significant budget gap is projected.

KBRA has long noted a reduction in reserves as a key factor that could result in a rating downgrade. We view the maintenance of robust reserves as critical to the City’s financial flexibility, particularly in view of potential risks to federal funding and the City’s economy.

Cash balances remain elevated by historical standards, and the City has had no need for cash flow borrowing in recent years. The City began FY 2026 with close to \$18.5 billion in unrestricted cash and cash equivalents on hand, equating to 48 days cash on hand, and projects strong cash balances throughout the remainder of FY 2026.

## RD 4: Municipal Resource Base

The City is an international hub for business, culture, tourism and entertainment. The New York Metropolitan Area GDP of approximately \$2.3 trillion (2023) makes it by far the largest regional economy within the U.S., contributing roughly 8% to 9% of U.S. GDP<sup>9</sup>. The City retained its top ranking on A.T. Kearney’s 2025 Global Cities Index for the ninth consecutive year, based on business activity, human capital, information exchange, cultural experience, and political engagement. It is the banking and securities capital of the world, with Manhattan home to the world’s two largest stock exchanges, the New York Stock Exchange and the NASDAQ, and to 43 of the State’s 53 Fortune 500 headquarters, many of the remainder of which are based throughout the broader New York-Newark-Jersey City MSA.

Financial and professional services, education, healthcare, hospitality, wholesale and retail trade, information services, and technology are key sectors of the City’s diverse economic base. Noteworthy in recent years is the emergence of the digital/information technology sector, where continued employment expansion is expected in 2026 despite significant layoffs in the tech and media sectors.

## Population & Demographics

With a population of approximately 8.478 million as of July 1, 2024, the City is the most populous in the U.S. While population has grown since the 2010 decennial census, a plateau was reached in 2017, based on intercensal estimates, which may reflect pandemic-related population declines, and a slowing of net migration and international migration. In addition, the City’s relatively high cost of living and shortage of affordable housing are deterrents to population growth.

For 2015-2024 period, City personal income, unadjusted for inflation, grew at a CAGR of 4.6%, versus 5.4% for the U.S. The City’s total personal income per capita grew at a CAGR of 5.0% for this period and in 2024, was 127% of the U.S. average. Educational attainment is strong relative to the State and U.S., though the level of poverty (at 18%) is considerably higher than the State and national average.

## Employment

The City added 685,792 private sector jobs from 2020 through 2025 (19% growth). Employment growth in the City, though slowing in 2025, continued to outpace the nation on a year-over-year basis. Private sector employment in the City increased by 45,100 jobs (an increase of 1.1%) in 2025 driven by job increases in the education, healthcare and information sectors. An April 2025 restructuring of the State’s Consumer Directed Personal Assistance Program

<sup>9</sup> Based on latest available data from the U.S. Bureau of Economic Analysis.



(“CDPAP”) that enables Medicaid recipients to hire friends and family as home health aides, may impact employment growth in the City’s healthcare sector.

While most private sector employment contracted in 2025, the financial sector demonstrated strong profitability for the second consecutive year, supporting wage growth in high-earning sectors. The City projects below-average growth in private sector employment through 2030, due primarily to labor supply challenges.

Service-producing sectors accounted for 4.0 million jobs and 83% of total 2024 employment. High levels of employee compensation in certain service sectors, including financial activities and professional and business services (27% of the total City employment share), affect earnings and average wage rates, which are higher in the City than in the nation. The City’s relatively high concentration of earnings related to the securities industry makes its tax base more vulnerable to financial market volatility than the rest of the U.S.

The New York City average unemployment rate for FY 2025 was 5.2% (seasonally adjusted), and broadly stable over the year. Nationally, the unemployment rate drifted upward through 2025, but averaged 4.3%, leaving the City roughly 0.9 above the national average. The gap relates to the City’s higher labor force participation volatility and greater concentration in cyclically sensitive sectors. Importantly, the City’s unemployment rate stabilized rather than widened in 2025, suggesting labor market conditions are not deteriorating relative to the U.S., but have not converged.

Tourism recovered to its second-highest level in 2024 and remained resilient in 2025. The tourism sector may face headwinds over the forecast period in view of recent U.S. trade and immigration policies and other geopolitical considerations.

**Tax Base/Assessed Valuation**

Growth in the estimated actual value of taxable property slowed in 2025 to 0.87% YoY (5-year CAGR of 2.6%). The City assesses property at approximately 45% of FMV for commercial and industrial property , 6% of FMV for Class 1 residential property and 45% of FMV for Class 2 residential property. Residential and commercial property accounted for 47% and 44% of 2025 total taxable assessed value, respectively.

Property tax collections averaged approximately 98.4% of the tax levy from fiscal year 2016-2025. The City’s ten largest real estate taxpayers accounted for 10.4% of 2025 taxable assessed value.

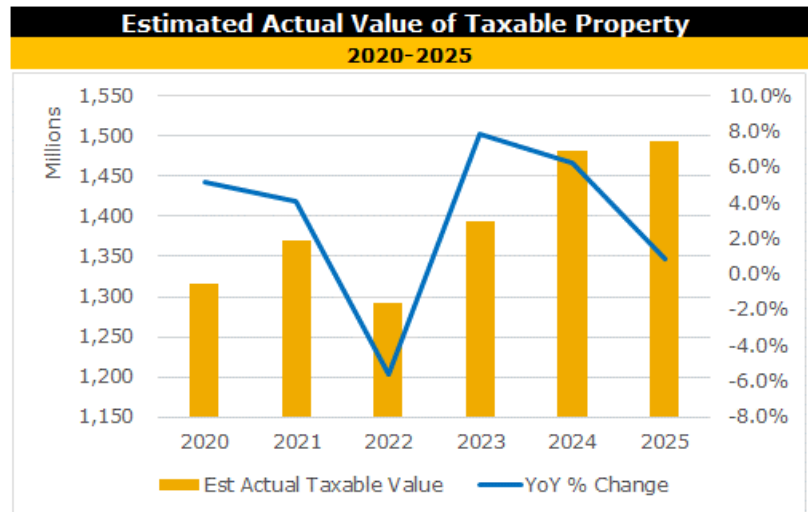
**Office Vacancy**

Office leasing activity across all office classes in Manhattan reached nearly 31 million square feet (msf) in December 2025, up from 23 msf in 2024 and approaching pre-pandemic average levels of 31.1 msf. In Q4 2025, demand from the financial services, insurance, and real estate sectors accounted for 37% of leasing activity, while the technology, advertising, media and information services sector accounted for 34%. The Class A vacancy rate continued to fall from its 2024 peak of 22% to 19.5% in 2025 but remains approximately twice the pre-pandemic average.

**Home Values**

Prior to the outbreak of the COVID-19 pandemic, home value appreciation within the New York MSA had surpassed that of the State and nation, even factoring in the annual declines in home values experienced in the years following the Great Recession. By 2014, home values within the MSA began to exhibit gradual year-over-year improvement and as of Q4 2024, were 51.9% above the prior Q1 2007 peak. In comparison, State and U.S. home values were 69.2% and 80.8%, respectively, above their prior peaks. Looking only at the period from the start of the pandemic in March 2020, home values in the MSA have increased 50.8%, lagging the State and the U.S., at 61.4% and 57.3%, respectively.

**Figure 6**

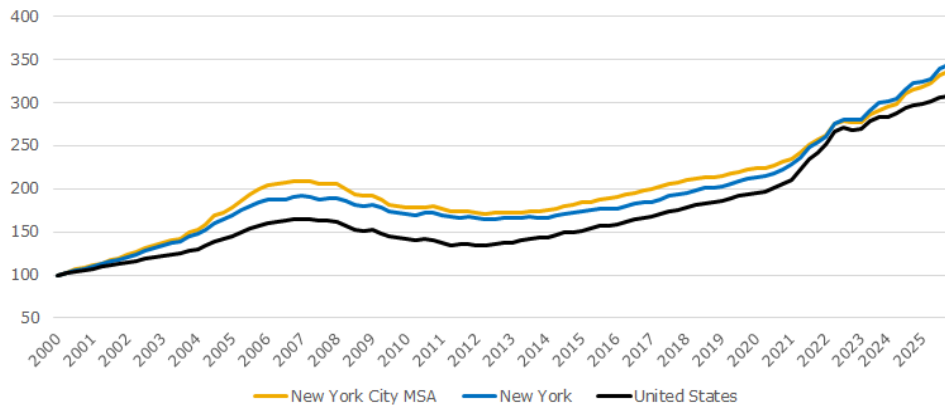


Source: New York City ACFRs



**Figure 7**

**New York City MSA, New York State and U.S Home Values Indexed to 2000Q1  
2000 Q1 to 2025 Q4**



Source: Federal Housing Finance Agency

## Bankruptcy Assessment

KBRA has consulted outside counsel regarding municipal bankruptcy in the State of New York. To be a debtor under the municipal bankruptcy provisions of the U.S. Bankruptcy Code (Chapter 9), a local governmental entity must, among other things, qualify under the definition of “municipality” in the Bankruptcy Code, and must also be specifically authorized to file a bankruptcy petition by the State of formation. The City is a municipal corporation and city of the State of New York organized and existing under state law and thus is a “municipality” as defined under the Bankruptcy Code. As to authorization, New York’s Local Finance Law contains specific authorization for any “municipality” in the State (defined in the Finance Law as a county, city, town, or village), or its emergency financial control board, to file a petition under any provision of Federal bankruptcy law for the composition or adjustment of municipal indebtedness. The City, or its Control Board on behalf of the City, is thus authorized to file a petition under Chapter 9.

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