

Research Update:

New York City Municipal Water Authority Series 2026 Revenue Bonds And Series 2022 DD Remarketed Securities Rated 'AA+'

March 5, 2026

Overview

- S&P Global Ratings assigned its 'AA+' rating to the [New York City Municipal Water Finance Authority](#)'s \$887.3 million series 2026 DD fixed-rate water and sewer system second general resolution revenue bonds, and \$105.1 million series 2026 FF-1 and \$105.1 million series 2026 FF-2 adjustable rate remarketed securities (ARRS), issued for New York Water (NYW).
- We also assigned our 'AA+' rating to [New York City Municipal Water Finance Authority](#)'s \$86 million series 2022 DD (April 7, 2026 remarketing) ARRS bonds, issued for NYW, which will be remarketed as fixed-rate bonds.
- 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.
- Furthermore, 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 short-term rating on the liquidity provider.
- The outlook, where applicable, 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 rating difference between the first and second general resolution bonds, primarily due to the significantly stronger coverage provided by the first-lien bonds. While the amount of debt outstanding on the first resolution bonds represents only 0.6% of first and second resolution bonds outstanding, the combined par amount is substantial. NYW has approximately \$190 million

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in first general resolution bonds and \$33.1 billion in second general resolution bonds outstanding as of fiscal year-end 2025.

NYW will use the series 2026 DD, FF-1 and FF-2 proceeds to refund several first resolution and second resolution bonds outstanding. Jeffries LLC will be the remarketing agent for the series 2026 FF-1 bonds and Morgan Stanley & Co. LLC will be the remarketing agent for the series 2026 FF-2 bonds. These FF-1 and FF-2 bonds will initially bear interest at the ARRS daily rate. The series 2022 DD bonds will be remarketed on April 7, 2026, as fixed rate bonds. Our assessment of the ARRS bonds considers them as contingent liabilities, but they only account for 0.6% of total long-term debt. The maximum interest rate payable on the ARRS bonds is the lesser of 12% per annum (the ARRS non-remarketed rate) and the maximum rate permitted by law.

Current law does not authorize NYW or the board to declare bankruptcy. While we do not rate to recovery, the presence of a statutorily perfected lien and limitations around bankruptcy are 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 historically used carryforward cash balances to fund debt service well in advance of payment dates, which functions as a de facto set-aside payment for all bonds. Management projects that debt service coverage (DSC) without set-asides will narrow through the forecast period, although we note a track record of positive budget variances with still robust DSC. In addition, the security structure and robust system liquidity offset the weaker margins. The rating also incorporates our assessment of the first resolution debt's considerable financial strength, characterized by a lien-based DSC that exceeds 3x because there is significantly less debt on that lien, and maintenance of unrestricted liquidity above \$1 billion for at least the past five fiscal years. As of June 30, 2025, unrestricted cash and investments totaled \$2.4 billion.

Upward rating potential on the subordinate lien rating is mitigated by the presence of significant accounts receivable. We believe the next several fiscal years will be critical from a financial perspective as the city reauthorized lien sales, resulting in a material increase of \$180 million in revenues during fiscal 2025. Prior to the most recent lien sale in fiscal 2026, tax lien sales for utility collections last occurred in fiscal 2019. The current authorization extends from the start of fiscal 2025 to the end of calendar year 2028, which we view positively. Since fiscal 2022, however, accounts receivable past 30 days delinquent have increased by more than 45%, totaling \$1.51 billion on Dec. 31, 2025, despite a 6.2% decline in the number of accounts delinquent over the same period. The reduction in the number of delinquent accounts demonstrates the city is making progress in its overall collection strategy, including lien sales, heightened enforcement efforts, service shutoffs, and flexible payment terms; however, this level of accounts receivable, gauged as a percentage of operating revenues, remains a significant outlier. We understand that a large percentage of accounts receivable come from multifamily and commercial properties.

We also will be monitoring the system's capacity to increase rates in line with current projections for a 7% rate increase in fiscal 2027 and annual 8.5% rate increase from 2028 to 2030. Although there have been exceptions, particularly during the pandemic, NYW generally implements rate increases to support all the costs, maintenance of carryforward, cash-funded capital projects, and lien-based debt coverage metrics well above minimum covenants. Our rating is currently supported by management's practice of incorporating these factors in its rate-setting and taking a long-term view on operations and cost recovery. A shift in rate-setting priorities could have a negative impact on the rating if financial margins and carryforward begin to erode.

When accounting for all utility operating expenses, including subordinate expenses such as the base rental charge, which we view as a transfer out, projected all-in DSC is somewhat lower than that of similarly rated peers. On this all-in net revenue basis of coverage, our calculations indicate DSC has been about 2x historically. To maintain this level DSC, our review indicates the system will likely need to outperform projections through a combination of positive operating variances (through rate revenue or other revenue and expense line items), debt-refinancing opportunities, or lower base-rental payments paid to the city. Management's projections assume the maximum full base-rental payment request for future fiscal years, with base rental payments most recently having occurred in fiscal 2024, 2025 and 2026. Without considering carryforward balances, our calculations indicate that projected total annual revenues would generate margins that just exceed 1x total operating and debt service costs. This demonstrates 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.

The rating also reflects our view of the following key credit factors:

- NYW has a broad and diverse economic and customer base, with no comparably sized peers. There is continued variability between counties served, with some county unemployment rates being slightly above the national level, with continued weakness in income and population growth.
- Rates are affordable, with annual increases projected at 7.0% for fiscal 2027 and 8.5% annually between fiscal years 2028 to 2030, following an approved 3.7% rate increase for fiscal 2026. Rate-setting is flexible, with the ability to increase rates within 30 days, which we view favorably.
- The management team and board are seasoned and effective, and possess a keen sense of fiduciary duty and operational and financial acumen. This supports our credit view and our confidence in NYW's ability to navigate substantial complexities during the two-year outlook, including a sizable capital plan, labor challenges, uncertainties related to collections and lien policy, and increasing pressure from climate change, all in a challenging economic environment.
- Extremely strong liquidity, both actual and on a days' cash on hand basis, provides critical financial flexibility and supports credit strength. The ability to maintain significant cash balances directly influences DSC through the annual carryforward of balances. However, while this practice offers a more level rate structure, if the use of rolling cash balances leads to rate increases being postponed, we would view it as indicative of potential structural issues, which could pressure credit quality.

Environmental, social, and governance

NYW faces numerous ongoing environmental, social, and governance factors that affect our analysis. We believe the system has outsized environmental risks, given the scale of regulatory and climate-resilience efforts required to maintain its infrastructure at adequate levels.

With separate entities for operations, governance, and finance, the management and governance structure allows for critical and apolitical decision-making, with a focus on financial integrity and maintaining operations at a high level. We believe governance efforts are sophisticated, which aids management in 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, supported by strong collaboration with the city. Given the age of the system and the regional climate risks, the capital plan incorporates infrastructure projects for system resilience and includes additional climate-resiliency measures.

Management continuously refines and improves its asset-management program, including well-defined policies that provide a uniform approach for evaluating capital assets and systematically scheduling preventive maintenance and upgrades. We consider this a critical factor in our asset adequacy assessment and our view of governance, given the advanced age of NYW's infrastructure and the potential risk for catastrophic failures.

Median household effective buying income varies widely between boroughs. The city's Department of Environmental Protection has a bill pay assistance program for low-income, senior, and disabled customers that we consider at least as robust as peer city programs.

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 management will retain the financial capacity and autonomy to navigate 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 the city still faces challenges with delinquent accounts.

Downside scenario

We view NYW's budgeting practices as generally conservative and supportive of the current rating. However, a general misalignment between revenue and revenue requirements, or a reduction in enforcement efforts that lead to consistently weaker finances than historical trends, could pressure the rating. We believe management is able and willing to adjust rates to meet its capital and operating needs, as evidenced by the board's track record of rate adjustments, usually occurring annually as needed. However, we will monitor the need for additional rate increases, any indication of reduced rate-setting flexibility, a change to enforcement actions, or impaired management autonomy.

We could also lower the rating if economic conditions, as evidenced by the city's request for base-rental payments in fiscal years 2024 and 2025, impact 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

	Fiscal year-end				Median (AAA)
	Most recent	2025	2024	2023	
Economic data					
MHHEBI of the service area as % of the U.S.	97.3				114.0
Unemployment rate (%)	5.4				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
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)		2.2	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\$887,330,000 New York City Municipal Water Finance Authority, New York, Water and Sewer System Second General Resolution Revenue Bonds, Series 2026DD, dated: Date of delivery, due: June 15, 2046

Long Term Rating AA+/Stable

US\$86,010,000 New York City Municipal Water Finance Authority, New York, Water and Sewer System Second General Resolution Revenue Bonds, Series 2022DD, dated: Date of delivery, due: June 15, 2033

Long Term Rating AA+/Stable

Ratings List

US\$105,060,000 New York City Municipal Water Finance Authority, New York, Water and Sewer System Second General Resolution Revenue Bonds, Series 2026FF-1, dated: Date of delivery, due: June 15, 2041

Long Term Rating	AA+/Stable
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US\$105,060,000 New York City Municipal Water Finance Authority, New York, Water And Sewer System Second General Resolution Revenue Bonds, Series 2026FF-2, dated: Date of delivery, due: June 15, 2041

Long Term Rating	AA+/Stable
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Ratings Affirmed

Water & Sewer

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