FitchRatings

RATING ACTION COMMENTARY

Fitch Rates New York City Muni Water Finance Auth's Revs 'AA+'; Outlook Stable

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Fitch Ratings - New York - 06 Mar 2026: Fitch Ratings has assigned the New York City Municipal Water Finance Authority's Fiscal 2026 series DD and Fiscal 2026 FF, subseries FF-1 and FF-2 water and sewer system second general resolution (SGR) revenue bonds a 'AA+' rating.

The Rating Outlook is Stable.

The 'AA+' rating reflects the combined credit quality of the authority and the New York City Water Board, with remote bankruptcy risk for either entity. The authority issues revenue bonds on behalf and in support of the expansive New York City water and sewer system. Fitch considers the likelihood of either the authority or water board filing for bankruptcy protection to be remote. Additionally, the likelihood of either entity being included in a city bankruptcy proceeding, should one occur, is considered remote.

RATING ACTIONS

ENTITY / DEBT	RATING	PRIOR
New York City Municipal Water Finance Authority (NY) [Water, Sewer]		

New York City Municipal Water Finance Authority (NY) /Water & Sewer Revenues (2nd Lien)/2 LT	LT	AA+ Rating Outlook Stable	Affirmed	AA+ Rating Outlook Stable

VIEW ADDITIONAL RATING DETAILS

The financial profile is very strong, assessed at 'aa', in the context of historically and projected very low leverage. This is measured as net adjusted debt to adjusted funds available for debt service (FADS) on a gross revenue basis. The credit profile is further supported by very strong revenue defensibility and operating risk profiles, both assessed at 'aa'.

The authority's most recent projections (as of June 2025) include the consolidated financials of the authority, board and system operations performed by the city's Department of Environmental Protection (DEP). These projections include fiscal years 2026 through 2030 (FYE June 30) and incorporate an enacted 3.7% rate increase for fiscal 2026, and anticipated increases ranging between 7.0% and 8.5% in each of the four remaining fiscal years of the forecast.

These anticipated revenue increases help to mitigate the impact of the maximum allowable rental payment to the city through fiscal 2030. The primarily debt-funded capital improvement program (CIP) remains robust, with capital spending projected at $15.5 billion over the five-year period. The preliminary CIP (February 2026) shows a modest increase relative to the prior plan. As projects move forward, Fitch expects further refinements to spending needs and cash flow projections during the authority's annual budget cycle.

Based on these assumptions leverage is anticipated to peak at almost 8.0x in fiscal 2028, falling to 7.8x in fiscal 2030 in Fitch's Analytical Stress Test (FAST) rating case. Fitch anticipates leverage to remain close to this range over the rating case scenario, higher than previously projected. A continued upward trend leading to expectations of leverage sustained above 8.0x could pressure the rating.

SECURITY

The SGR bonds are payable solely from and secured by a pledge of amounts on deposit in the first general resolution subordinated indebtedness fund established under the first resolution and all moneys and securities in any of the funds and accounts established under the second resolution, except the arbitrage rebate fund and the debt service reserve fund. All debt service payments are made prior to operation and maintenance and city rental payments.

KEY RATING DRIVERS

Revenue Defensibility - 'aa'

Very Strong Rate Flexibility, Favorable Service Area with Unique Economic Profile

The water board retains the legal authority to adjust rates as needed without external oversight. Revenue defensibility is further supported by the system's monopolistic provision of water and sewer services to its favorable service area. The service area is characterized by a stable customer base, median household income (MHI) approximately that of the nation and a weaker, but improving, unemployment rate relative to the nation.

Fitch also considers the city's unique economic profile as an international center for numerous industries and anchor for the service area. Rates are considered affordable for approximately 80% of the service area population, using Fitch's standard monthly usage of 7,500 gallons for water and 6,000 gallons for sewer. Anticipated rate increases are not expected to materially impact affordability. There is no customer concentration within the service area.

Operating Risk - 'aa'

Very Low Operating Cost Burden, Significant Capital Investment

In fiscal 2025, the system's operating cost burden was considered very low at $4,205 per million gallons (mg), consistent with the operating risk assessment. The life cycle ratio was a low 38% in fiscal 2024. Capex outpaces annual depreciation, with a five-year average of 170% for the five years ended in fiscal 2025.

The system's CIP for fiscal years 2026 through 2030 approximates $19.5 billion of system funds, while estimated actual spending is projected at about $15.5 billion for the same period. Almost half of the CIP is related to water pollution control projects, including plant upgrades and reconstruction and water quality mandates.

Water distribution approximates 20% of the CIP, water supply and transmission approximate 10%, and sewer programs are about 19%. Estimated capital spending averages over $3 billion annually during these five years, well above historical depreciation, supporting a continued low life cycle ratio.

Financial Profile - 'aa'

Declining Leverage Anticipated to Stabilize, Neutral Liquidity

The authority's leverage (on a gross lien basis) was 6.5x in fiscal 2025, declining from a peak of 8.3x in fiscal 2021. Fiscal 2025 results reflect increased revenue from collection efforts and reintroduction of lien sales. The liquidity profile is neutral to the assessment and reflects coverage of full obligations (COFO) of 1.5x and current cash on hand of 371 days, when incorporating carryforward revenues. (Carryforward revenues include available funds that are restricted at the end of the fiscal year.)

The FAST considers the potential trend of key ratios in a base case and stress case over a five-year period. The stress case is designed to impose capital costs 10% above expected base case levels and evaluate potential variability in projected key ratios. The FAST reflects Fitch's view of a reasonable scenario, which is generally informed by publicly available and/or management-provided information with respect to capex, user charges and rate of revenue and expenditure growth.

In the base case, leverage peaks at 7.8x by fiscal 2028, falling to 7.6x by fiscal 2030. In the stress case, which is also the rating case, leverage peaks at about 8.0x in fiscal 2028, before gradually declining to 7.8x by fiscal 2030.

After a sustained decline, leverage is expected to stabilize through the five-year period assuming continued successful collection efforts and maximum city rental payments. A reversal, or a continued upward trend, could pressure the rating. Fitch expects the liquidity profile to remain neutral to the assessment.

Asymmetric Additional Risk Considerations

No asymmetric additive risk considerations affected this rating determination.

RATING SENSITIVITIES

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

-- A continued upward trend leading to expectations of or actual leverage sustained above 8.0x in Fitch's rating case.

-- Sustained weakness in FADS stemming from a delay in rate-setting or an increase in expenses that weakens the liquidity position.

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

-- Leverage sustained below 5.0x in Fitch's rating case within the context of current revenue defensibility and operating risk assessments.

PROFILE

The authority issues bonds, notes and other financing instruments to fund capital improvements to the city's system. The water board leases the system from the city and is responsible for setting, levying and collecting customer rates and system revenues to transfer to the authority for bond repayment and to the city for O&M reimbursement and rental payments.

For additional information, please see Fitch's New Issue Report dated Nov. 6, 2025.

SUMMARY OF FINANCIAL ADJUSTMENTS

Fitch utilized restricted cash in its calculation of liquidity as these funds are restricted at year end for debt service.

DATE OF RELEVANT COMMITTEE

31-Oct-2025

Sources of Information

In addition to the 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

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' means ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit https://www.fitchratings.com/topics/esg/products#esg-relevance-scores.

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APPLICABLE CRITERIA

U.S. Public Sector, Revenue-Supported Entities Rating Criteria (pub. 10 Jan 2025) (including rating assumption sensitivity)

U.S. Water and Sewer Rating Criteria - Effective from February 2025 to February 2026 (pub. 24 Feb 2025) (including rating assumption sensitivity)

ADDITIONAL DISCLOSURES

Solicitation Status

Endorsement Policy

ENDORSEMENT STATUS

New York City Municipal Water Finance Authority (NY)	EU Endorsed, UK Endorsed

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