

City of New York, NY – G.O.

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METHODOLOGIES

[Public Finance: U.S. Local Government General Obligation Rating Methodology](#)

[ESG Global Rating Methodology](#)

Ratings

Description	Rating Action	Rating/Outlook or Watch
Issuer: City of New York, NY		
Taxable General Obligation Bonds, Fiscal 2026 Series H, Subseries H-1	Assigned	AA+/Negative
General Obligation Bonds	Affirmed	AA+/Negative

Rating Summary

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 Negative Outlook, revised from Stable by KBRA on March 20, 2026, 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.

Proceeds of the Taxable General Obligation Bonds, Fiscal 2026 Series H, Subseries H-1 will be used for capital purposes and the payment of certain costs of issuance. The City expects to use a minimum of \$500,000,000 of the proceeds of the Subseries H-1 Bonds to reimburse itself for prior spending for housing by the City’s Department of Housing Preservation and Development.

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 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 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 contingent actions in lieu of durable spending controls increases the risk that structural imbalances could persist as the City's financial flexibility erodes. While the City's annual budget process routinely involves policy adjustments between the Preliminary and Executive Budgets, the 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 (already delayed beyond its constitutional April 1 target date) and the release of the City's Executive Budget due May 1; however, the Outlook reflects the policy approach and assumptions contained in the Preliminary Budget as 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 areas where prior budgets had not fully reflected ongoing costs, including cash assistance, rental assistance, homeless shelter operations, Department of Education due process cases, judgments and claims, and the City's structural subsidy obligation to the Metropolitan Transportation 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 in fiscal years 2026 and 2027 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 projects City-funded expenditures to increase from \$91.2 billion in FY 2026 to approximately \$105.9 billion in FY 2028 and \$110.7 billion by FY 2030, driven by sustained growth across education, social services, and fringe benefits. Material education spending increases reflect 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 increases due to higher projections for cash assistance, rental assistance programs, and homeless shelter operations, including significant growth in CityFHEPS rental assistance costs. With many of the largest expenditure drivers shaped by legal obligations, State policy mandates, and economically sensitive programs, the City's ability to moderate spending growth may be limited in the near term.

The Preliminary Budget forecasts revenues to increase by approximately \$3.2 billion in FY 2026 and \$8.7 billion in FY 2027 relative to the November 2025 plan, with further increases projected in the outyears. These revenue revisions reflect a combination of stronger tax revenue assumptions, proposed policy actions, and certain State-related adjustments, including \$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 ("OBBBA"), and the anticipated reversal of the State's distressed hospital sales tax intercept. Dominating the revenue forecast are 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, generating an estimated \$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, it 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 identify specific actions to restore these balances while projected outyear gaps remain significant. We view the proposed use of reserves to balance the budget as weakening 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.

The savings initiatives in the Preliminary Budget are intended to moderate expenditure growth across City agencies. Under the Mayor’s Executive Order No. 12, agency Chief Savings Officers submitted proposals identifying recurring efficiencies and operational savings, and the plan projects related savings of approximately \$710 million in FY 2026 and \$1.06 billion in FY 2027, increasing modestly in the outyears. City Hall and the Office of Management and Budget are reviewing the proposals for inclusion in the Executive Budget. While the agency savings 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. 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.

A reliance on tax increases as a primary mechanism for restoring budgetary balance may 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. We 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 was assigned because of 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 highlights 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.

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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.

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Rating Sensitivities

- Maintenance of sound revenue resiliency in the face of prevailing policy and economic headwinds.
 - 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.
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- Budgetary instability, significant depletion of reserves or materially increased out-year budget gaps.
 - Relaxation of, or diminished adherence to, well-established policies and procedures.

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Key Ratios

The City of New York, NY	
Net Indebtedness Per Capita ¹	\$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 2025)	8,584,629
Population Estimate - Percentage Change (April 1, 2020-July 1, 2025 ²)	
City of New York	-2.5%
State of New York	-1.0%
United States	3.1%
Personal Income Per Capita (2024) ³	\$92,674
New York City as % of U.S.	127.0%

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 fiscal year end June 30, 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 Source: 2025 ACFR, Bureau of Economic Analysis and U.S. Census Bureau

³ Source: Bureau of Economic Analysis, U.S. Census Bureau



Rating Determinants

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+

The abovementioned Rating Determinants, a Bankruptcy Assessment, and ESG management considerations are discussed in prior KBRA reports, the most recent of which is dated [March 23, 2026](#).

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