

# MOODY'S

## RATINGS

### **Rating Action: Moody's Ratings assigns Aa1 to NYC TFA's (NY) Future Tax Secured Subordinate Bonds, Fiscal 2026 Series G, H & I; outlook negative**

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22 May 2026

New York, May 22, 2026 -- Moody's Ratings (Moody's) has assigned Aa1 ratings to the New York City Transitional Finance Authority's (NY) (TFA) \$1.1 billion Future Tax Secured Subordinate Bonds, Fiscal 2026 Series G, Subseries G-1 (Tax-Exempt); \$74.8 million Future Tax Secured Subordinate Bonds, Fiscal 2026 Series G, Subseries G-2 (Taxable); \$39.2 million Future Tax Secured Subordinate Bonds, Fiscal 2026 Series H (Tax-Exempt); and \$900 million Future Tax Secured Subordinate Bonds, Fiscal 2026 Series I (Tax-Exempt). We maintain Aa1 ratings on approximately \$59 billion of outstanding subordinate future tax secured bonds. The bonds are scheduled to price May 26 and May 27. The outlook is negative.

#### RATINGS RATIONALE

The Aa1 subordinate lien rating, one notch higher than New York City's issuer rating, reflects very strong debt service coverage, 7.6x in fiscal 2025, provided by the pledge of City of New York personal income tax and sales tax revenue.

The bonds benefit from TFA's legal insulation from New York City bankruptcy risk and strong cash flow protections. The state collects the pledged taxes and pays the personal income tax directly to the trustee; the sales tax is paid to the trustee if income tax revenue falls below 150% of maximum annual debt service. The trustee makes quarterly set-asides for debt service, before tax revenue flows to the city for its operations, ensuring robust coverage.

TFA, a separate legal entity from the city, cannot file for bankruptcy, which is a key strength that allows TFA's future tax secured bond rating to exceed the city's issuer rating. The subordinate lien is open subject to a 3 times additional bonds test, including \$1.32 billion of annual senior debt service, even though there are no senior bonds outstanding. New York State reserves the right to repeal the statutes imposing the pledged revenue.

The city's Aa2 issuer rating reflects New York City's very large and diverse economic base-anchored by near-historic-high employment, a deep and highly skilled labor force, global financial and cultural prominence, and extensive institutional and transportation infrastructure-which provides substantial capacity to generate revenue across economic cycles. Very strong financial governance and disciplined budget practices further support the rating, balancing an above-average debt burden and growing expenditure demands stemming from the city's broad operational responsibilities.

#### RATING OUTLOOK

TFA's future tax secured bonds carry the same outlook as the city's issuer rating. The negative outlook reflects New York City's updated spending projections, which give rise to larger multi-year budget gaps than previously forecast. That the city projects large and persistent imbalances under still-favorable economic and revenue conditions highlights the extent of its underlying structural budget challenges. Over the next 12 months, the outlook will be influenced by the city's ability to narrow projected gaps through recurring measures and demonstrate progress toward restoring structural balance within its financial plan. Gap-closing strategies that rely on non-recurring measures, including the use of reserves, would limit financial

flexibility, especially if economic growth slows sharply or an outright downturn materializes. State-level proposals to enhance revenue or other spending policy changes that benefit the city could have a stabilizing effect over time, if enacted.

#### FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATINGS

- An upgrade of New York City's issuer rating

#### FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATINGS

- A downgrade of New York City's issuer rating
- Significant weakening of the pledged revenue or large additional bond issuance that materially dilute debt service coverage

#### PROFILE

TFA was created by the state legislature in 1997 as a public benefit corporation of the state to provide a method of financing New York City's vital capital construction program but outside the constraints of the debt limit imposed on the city by the state constitution.

New York City is the largest city in the US by population (8.58 million estimated as of July 2025) and by the size of its economy (real GDP of \$1.1 trillion as of 2024). New York City's GDP is larger than all but four states. The size and scope of the city's operations are broader than most local governments: in addition to the city government, New York City is five counties and the nation's largest public school system, with approximately one million students.

#### METHODOLOGY

The principal methodology used in this rating was US Cities and Counties published in December 2025 and available at <https://ratings.moodys.com/rmc-documents/455983>. Alternatively, please see the Rating Methodologies page on <https://ratings.moodys.com> for a copy of this methodology.

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