

Research Update:

New York City Transitional Finance Authority Future Tax Secured Subordinate Fiscal 2026 Series G, H, I Bonds Rated 'AAA'

May 21, 2026

Overview

- S&P Global Ratings assigned its 'AAA' long-term rating to the **New York City Transitional Finance Authority's** (TFA) proposed \$1.13 billion fiscal 2026 future tax secured (FTS) subordinate bonds series G, subseries G-1 (tax-exempt); \$74.86 million fiscal 2026 FTS subordinate bonds series G, subseries G-2 (taxable); \$39.22 million fiscal 2026 FTS subordinate bonds, series H (tax-exempt); and \$900 million fiscal 2026 FTS subordinate bonds, series I (tax-exempt).
- The outlook is stable.

Rationale

Security

Personal income tax (PIT) revenue and, if needed, sales and use tax revenue generated within New York City secure the fiscal 2026 subseries G-1, subseries G-2, series H, and series I FTS subordinate bonds, as well as the TFA's FTS debt outstanding. The fiscal 2026 FTS subordinate bonds (series G, H, and I) are being issued as multi-modal bonds, initially in the fixed rate mode.

Proceeds from the subseries G-1, subseries G-2, and series H bonds will be used to redeem--at or prior to maturity--various bonds outstanding that were originally issued to finance or refinance general city capital expenditures. Proceeds from the series I bonds will be used to finance general city capital expenditures.

The long-term rating on TFA's subordinate FTS bonds outstanding is 'AAA'. The TFA has approximately \$59.6 billion of outstanding FTS subordinate bonds. There are no senior bonds outstanding.

Credit highlights

The 'AAA' long-term rating reflects our assessment of the authority's credit fundamentals, which are anchored by the city's substantial, diverse, and resilient economic base that supports the pledged PIT and sales tax revenues. In New York City's May 2026 financial plan, these pledged

Primary Contact

Thomas J Zemetis
New York
1-212-438-1172
thomas.zemetis
@spglobal.com

Secondary Contact

Victor M Medeiros
Boston
+ 1 (617) 530 8305
victor.medeiros
@spglobal.com

revenues are projected to grow by a 3.9% annual average in fiscal years 2026-2030. This anticipated growth and the city's proactive debt management planning underpin TFA's ability to maintain strong debt service coverage (DSC) even as we expect TFA to issue additional FTS subordinate bonds over the financial plan. Our analysis will continue to incorporate potential shifts in U.S. economic conditions, geopolitical developments, and policy changes that may affect economic activity and revenue performance.

In our view, New York City's 2025 economic data remained resilient, benefitting from robust wage growth and financial sector performance. While important pillars of New York City's economic base--including financial sector activity, business and residential investment, healthcare, and education--could continue to bolster gross metropolitan product growth at levels we believe will mirror U.S. GDP growth during the outlook period, we also believe that certain segments of the city's employment base, tourism industry, and other activities that drive wage growth and consumer spending could decelerate in the near-term.

S&P Global Economics' current U.S. economic outlook forecasts baseline U.S. real GDP growth will hold at 2.2% in 2026, 2.0% in 2027, 1.8% in 2028, and 1.9% in 2029 (for more information, see "[Economic Outlook U.S. Q2 2026: Curb Your Enthusiasm](#)," March 25, 2026). S&P Global Economics believes that the U.S. economy now appears at risk of losing several of the engines that were supporting expansion heading into 2026 due to heightened geopolitical risks from the Middle East conflict and higher energy prices that threaten to undermine economic activity. S&P Global Economics forecasts that this shock could push near-term headline inflation toward 4%, while core inflation will move moderately higher (3%) since the base case assumes the supply disruption will be temporary. In addition, sharply lower immigration is a major challenge to labor supply, especially with the labor force already structurally slowing from aging demographics. We continue to monitor how lower consumption and restrictive immigration dynamics, as well as Wall Street profits, could affect New York City's economy and the growth trajectory of pledged income and sales tax revenue.

Pledged revenue growth assumptions for TFA's 2026-2030 financial plan reflect conservative economic growth expectations, and we view current and out-year expectations as reasonable compared with S&P Global Economics' forecasts. Actual income and sales tax receipts for fiscal 2025 totaled \$28.83 billion, or 12.7% above fiscal 2024 collections. The city's May 2026 financial plan projects combined pledged revenue for fiscal 2026 will accelerate to \$31.41 billion, or 8.9% above fiscal 2025 pledged revenue. While this outperforms the city's February 2026 financial plan estimates, it is below the prior year's percentage growth. This includes a 10.8% projected increase in PIT revenue and a 5.5% increase in sales tax revenue (compared with the substantial increases of 17.8% and 4.5%, respectively, in fiscal 2025).

New York State's fiscal 2026 budget amended the New York City Transitional Finance Authority Act, increasing the authorization of FTS bonds that are not subject to the city's debt limit to \$30.5 billion from \$27.5 billion, effective July 1, 2025. Following this issuance, the TFA projects it will issue approximately \$7.6 billion, \$8.6 billion, \$8.0 billion, and \$7.8 billion in fiscal years 2027 through 2030, sequentially, of FTS subordinate bonds for general capital purposes. We believe management will structure its debt plans to ensure that pledged revenue maintains very high debt service coverage in line with historical trends. We will monitor TFA's coverage metrics and whether this increased debt could materially reduce maximum annual debt service (MADS) coverage to less than 4x or substantially diminish the flow of excess tax revenue to the city after payment of debt service, which we believe could pressure the ratings.

The rating further reflects our view of the city's:

- Expanding and diversified economy, which exhibited growth trends similar to the broader national economic conditions in 2025 and has a population of approximately 8.58 million as of July 2025, from which pledged revenue is generated.
- Very strong 7.6x annual debt service coverage from fiscal 2025 actual pledged revenue of \$28.8 billion. Following the issuance of the fiscal 2026 series G, H, and I FTS subordinate bonds, fiscal 2025 pledged revenue provides MADS coverage of 5.7x based on the maximum rate on the variable-rate bonds and 5.9x based on the 4.25% budgeted adjustable rate. Considering TFA's future debt issuance plans, we expect MADS coverage will be maintained at 4.0x of subordinate-lien debt during the outlook period.
- Strong bond provisions that include what we consider a conservative additional bonds test of at least 3.0x MADS and MADS of \$1.32 billion for senior-lien bonds (none outstanding), and at least 3.0x the sum of covenanted MADS of \$1.32 billion on senior-lien debt plus annual debt service on subordinate debt for the subordinate-lien bonds.
- Low-to-moderate volatility in sales and use taxes, with the breadth of the city's sales and use tax base offsetting cyclical volatility associated with PIT revenue.
- General creditworthiness, which will remain a consideration as pledged revenue could become pressured if New York City's economy and finances deteriorate.

Also supporting the high-investment-grade rating is the city's transfer of its rights, title, and interest in pledged revenue to the authority that enhances the statutory and legal mechanisms that separate control of the revenue from the city, supporting an obligor linkage we view as remote. However, risks to the priority-lien rating remain in the form of its linkage to the city's creditworthiness, which is equivalent to the general obligation (GO) rating. The New York City GO rating is 'AA,' reflecting our view of robust and well-embedded management practices offset by an elevated debt and liability burden.

On May 12, 2026, the city released a \$124.7 billion executive budget for fiscal 2027, reflecting a 1.8% decrease in spending compared to the mayor's preliminary fiscal 2027 budget, released in February 2026. The executive budget proposal closes near-term gaps in fiscals 2026 and 2027 through a combination of structural savings and revenue enhancements, additional state funding assistance and mandate relief, adjustments to the city's pension system amortization schedule for near-term savings, and other temporary measures. However, the May 2026 financial plan update projects out-year gaps will grow to approximately \$7.1 billion in fiscal 2028, \$9.1 billion in fiscal 2029, and \$9.8 billion in 2030. We believe the city continues to walk a fiscal tightrope, and outcomes will be shaped by mayor-council negotiations on fiscal 2027 budget solutions, capital commitments, and the scale out-year gaps between now and July 1, 2026.

Environmental, social, and governance

We view the environmental, social, and governance factors that could affect the TFA's economic base on which pledged revenue is collected as similar to those of the city, particularly should exposure to extreme weather events and other chronic physical climate risks disrupt economic activity or pledged revenue collections. We view the governance structure of the TFA's FTS statutory and legal mechanisms positively, as it protects the rights of bondholders and limits the city's ability to divert revenue prior to debt service payment.

Rating above the sovereign

We rate the TFA bonds above the sovereign because we believe the authority could maintain better credit characteristics than the U.S. in a stress scenario, based on the locally derived

pledged revenue for bondholders and our view that pledged revenue supporting debt service on the bonds is at limited risk of negative sovereign intervention. The rating above the sovereign is based on our criteria "[Ratings Above The Sovereign--Corporate And Government Ratings: Methodology And Assumptions](#)," Nov. 19, 2013.

Outlook

The stable outlook reflects our view of growth in the TFA's pledged revenue, which has shown resilience through multiple economic cycles, including the pandemic shock. As a result, we expect the authority's annual debt service coverage and MADS coverage will remain extraordinarily strong.

Downside scenario

We could lower the rating or revise the outlook to negative in the unlikely event that pledged revenue falls substantially short of the forecast or the TFA accelerates borrowing that leads to MADS coverage that is materially lower than 4x.

New York City Transitional Finance Authority--key credit metrics

Economic data	
Economy	Very strong
EBI level per capita as % of U.S.	112
Population (obligor)	8,584,629
Broad and diverse MSA	Yes
Population (MSA)	20,112,448
Financial data	
Revenue volatility	Low-very low
Coverage and liquidity	Very strong
Baseline coverage assessment	Other
MADS coverage (x)	5.9
MADS year	2029
Annual debt service coverage (x)	7.6
Two-year pledged revenue change (%)	4.7
Bond provisions	
ABT (x)	3.0
ABT type	MADS
ABT period	Historical
DSRF type	None
Obligor relationship	
Obligor linkage	Remote
PL rating limit (number of notches above OC)	4

Data points and ratios might reflect analytical adjustments. ABT--Additional bonds test. DSRF--Debt service reserve fund. EBI--Effective buying income. MADS--Maximum annual debt service. MSA--Metropolitan statistical area. OC--Obligor creditworthiness. PL--Priority lien. Economic data reflects 2024 information reported on a calendar-year basis sourced from S&P Market Intelligence. Population data reflects July 1, 2025 (latest data available), U.S. Census Bureau estimates. Annual debt service coverage and MADS coverage are based on actual fiscal 2025 revenue and pro forma debt service (assuming an interest rate of 4.25% on variable-rate bonds outstanding), inclusive of TFA's fiscal 2026 subseries G-1, fiscal 2026 subseries G-2, fiscal 2026 series H, and fiscal 2026 series I future tax secured subordinate bonds.

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Ratings List

New Issue Ratings

US\$1,133,425,000 New York City Transitional Finance Authority, Future Tax Secured Subordinate Bonds, Fiscal 2026 Series G, Subseries G-1, Tax-Exempt Bonds, dated: Date of Delivery, due: November 1, 2039

Long Term Rating AAA/Stable

US\$74,855,000 New York City Transitional Finance Authority, Future Tax Secured Subordinate Bonds, Fiscal 2026 Series G, Subseries G-2, Taxable Bonds, dated: Date of Delivery, due: November 1, 2027

Long Term Rating AAA/Stable

US\$39,215,000 New York City Transitional Finance Authority, Future Tax Secured Subordinate Bonds, Fiscal 2026 Series H, Tax-Exempt Bonds dated: Date of Delivery, due: November 1, 2039

Long Term Rating AAA/Stable

US\$900,000,000 New York City Transitional Finance Authority, New York, Future Tax Secured Subordinate Bonds, Fiscal 2026 Series I, Tax-Exempt Bonds, dated: Date of Delivery, due: November 1, 2054

Long Term Rating AAA/Stable

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at <https://disclosure.spglobal.com/ratings/en/regulatory/ratings-criteria> for further information. A description of each of S&P Global Ratings' rating categories is contained in "S&P Global Ratings Definitions" at <https://disclosure.spglobal.com/ratings/en/regulatory/article/-/view/sourceId/504352>. Complete ratings information is available to RatingsDirect subscribers at www.capitaliq.com. All ratings referenced herein can be found on S&P Global Ratings' public website at www.spglobal.com/ratings.

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