FitchRatings

RATING ACTION COMMENTARY

Fitch Rates NYC Transitional Finance Auth $1.5B Fiscal 2027 Ser A Bonds 'AAA'; Outlook Stable

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Fitch Ratings - New York - 17 Jul 2026: Fitch Ratings has assigned a 'AAA' rating to New York City Transitional Finance Authority's (TFA) $1.5 billion future tax secured (FTS) subordinate bonds (tax-exempt), fiscal 2027A.

The bonds will sell via negotiation on July 21 and 22. Proceeds will be used for general capital purposes.

Fitch rates the TFA's outstanding subordinate lien FTS bonds 'AAA'.

The Rating Outlook is Stable.

RATING ACTIONS

ENTITY / DEBT	RATING TYPE	RATING	RATING ACTION	PRIOR
New York City Transitional Finance Authority (NY)				

New York City Transitional Finance Authority (NY) /NYC TFA Future Tax Secured - Subordinated/2 LT	LT	AAA Rating Outlook Stable	Affirmed	AAA Rating Outlook Stable

VIEW ADDITIONAL RATING DETAILS

The 'AAA' rating reflects very strong coverage of annual debt service from fiscal year 2025 pledged revenue of 7.6x. Resilience would remain strong even if TFA leveraged the pledged revenue up to 3.0x coverage (its legally permitted amount), although Fitch expects issuance to remain well below that level because excess revenue flows to the city for general operations.

RATING SENSITIVITIES

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

A sustained decline in pledged revenues that is more severe and prolonged than anticipated, combined with a significant increase in leverage resulting in maximum annual debt service (MADS) coverage levels below 3.0x.

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

Positive rating factors are not applicable as the bonds are already rated at Fitch's highest rating level.

DEDICATED TAX AND REVENUE BOND SECURITY

The bonds are payable from a subordinate lien on revenue derived from a personal income tax (PIT) and a sales and use tax (SUT; collectively, the pledged revenues) imposed by New York City, as authorized by New York state. Payment of the PIT and SUT revenue to the TFA is not subject to city or state appropriation.

SUT revenue will be available for the payment of debt service if PIT revenue is projected to be insufficient to provide at least 150% of MADS on the TFA's outstanding bonds.

The subordinate additional bonds test (ABT) requires that pledged revenues for the most recent fiscal year are at least 3.0x the sum of $1.32 billion (covenanted MADS for senior lien bonds) plus projected maximum annual subordinate debt service, including debt service on the bonds to be issued. Debt service on variable-rate bonds is assumed at the maximum rate for the purposes of the ABT. The TFA does not have any senior lien obligations outstanding.

DEDICATED TAX AND REVENUE BOND KEY RATING DRIVERS

Revenue Risk - 'aa'

Fitch assesses the revenue type at 'aa', reflecting the broad nature of the PIT and SUT revenues, notwithstanding the presence of financial activities that account for 25% of earnings in the city compared to 10% for the U.S. according to 2024 data. Fitch assesses the revenue sensitivity at 'a', taking into account historical declines in pledged revenues and the PIT exposure to financial activities. Revenue growth is assessed at 'aa' given that pledged revenues benefit from the city's unique economic profile, which reflects its identity as an international center for numerous industries, educational- and healthcare-related institutions, and a major tourist destination.

Pledged revenues reached record levels in fiscal 2025 and are projected to do so again in fiscal 2026 (up 10.5% yoy) supported by strong personal income performance from financial activities. Fitch expects future growth to moderate but remain solid between long-term inflation and U.S. GDP growth rates.

Resilience - 'aaa'

The high coverage levels from growing pledged revenues provide for very strong levels of resilience to changes in the economy and through downturns. Strong legal and practical protection against overleveraging also supports the 'aaa' level of resilience. A 10% stress was applied against the 3.0x ABT to inform the resilience assessment. Fitch believes issuance to the 3.0x ABT is highly unlikely given the city's debt issuance plans for pledged revenues, compliance with city debt policies and reliance on residual revenue for its operations after payment of TFA debt service. Fitch assumes the city would delay future borrowing if pledged revenues fell significantly short of management's expectations, preserving sufficient residual revenues to fund city operating expenses.

Exposure To Related Government Operations

The very strong legal structure insulates bondholders from the operating risk of New York City (Issuer Default Rating [IDR]: AA/Negative).

The bankruptcy-remote, statutorily defined nature of the issuer pursuant to state legislation and a bond structure involving a first-perfected security interest in the PIT and SUT revenue are key credit strengths. Payment of the PIT and SUT revenue to the TFA is not subject to city or state appropriation. Statutory covenants prohibit action that would impair bondholders.

As a true sale structure, TFA's rating is limited to six notches above New York City's IDR of 'AA'/Negative.

PROFILE

New York City serves as an international center for numerous industries and institutions and a major tourism destination. The city's economic profile features high wealth levels, and the local economy remains strongly linked to the financial sector. Estimated census figures for July 2025 report the city's population at 8,584,629, down 2.5% from 2020.

Date of Relevant Committee

21 May 2026

Sources of Information

In addition to 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

Fitch does not provide ESG relevance scores for New York City Transitional Finance Authority (NY).

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APPLICABLE CRITERIA

U.S. Public Finance Dedicated Tax and Revenue Bond Rating Criteria (pub. 01 May 2026)

U.S. Public Finance Local Government Rating Criteria (pub. 01 May 2026) (including rating assumption sensitivity)

ADDITIONAL DISCLOSURES

Solicitation Status

Endorsement Policy

ENDORSEMENT STATUS

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

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