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Research Update:

New York City Transitional Finance Authority's Fiscal 2027 Series A Future Tax Secured Subordinate Bonds Rated 'AAA'

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Overview

- S&P Global Ratings assigned its 'AAA' long-term rating to the **New York City Transitional Finance Authority**'s (TFA) proposed $1.5 billion future tax secured (FTS) subordinate bonds, fiscal 2027 series A (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 2027 series A FTS subordinate bonds, as well as the TFA's FTS debt outstanding. The bonds are being issued as multi-modal bonds, initially in the fixed rate mode.

Proceeds from the 2027 series A bonds will be used to finance general city capital expenditures.

The long-term rating on TFA's FTS subordinate bonds outstanding is 'AAA'. The TFA has $60.35 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 revenue. In New York City's June 2026 financial plan, this pledged revenue is projected to grow by a 2.2% annual average in fiscal years 2027 to 2030. This anticipated growth and the city's proactive debt management planning underpin TFA's ability to maintain strong debt service coverage even as we expect TFA to issue FTS subordinate bonds throughout 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.

On June 30, 2026, New York City adopted a $125.8 billion budget for fiscal 2027, reflecting a $1.1 billion (or 0.9%) increase in spending compared with the mayor's executive fiscal 2027 budget and a $9.9 billion (or 8.5%) increase compared with the previous fiscal year's adopted budget. The budget preserves balances in the city's revenue stabilization fund and retiree health benefit trust, and the city will prepay $1.96 billion toward the fiscal 2027 debt service expenditures--although this represents a decrease from the $3.79 billion debt service prepayment for fiscal 2026. To accommodate past underbudgeting and new growth in spending, the fiscal 2027 budget incorporates a combination of anticipated revenue growth, structural measures (such as projected citywide cost containment and agency savings initiatives), and short-term measures (including prior-year expense write-downs and re-estimates, as well as labor savings). In addition, the city received a substantial infusion of one-time and short-term state funding through unrestricted state aid for expenses, mandate relief, and other indirect statutory revenue authorizations (e.g., H.R. 1 tax decoupling and pied-a-terre tax). The city also received state authorization to extend the amortization schedule for four of its five pension systems from 2032 to 2037, which the city projects will provide approximately $1.6 billion in budget savings for fiscal 2027 and additional projected savings through fiscal 2032. While we believe this measure will increase total lifetime pension costs through the mid-2030s and will require prudent management, we view the pension reamortization plan as having no near-term credit impact given the city's well-funded pension systems, requirements to make full annual pension contributions, and still relatively short amortization schedule (shifting to 10 years from six years) for the unfunded pension liability.

Over the five-year financial plan, we will monitor the sustainability of state and federal aid, the trajectory of expenditure growth, and the outcome of forthcoming labor contract negotiations, all of which could affect fiscal 2028 budget negotiations and long-term fiscal stability. The June 2026 financial plan projects that structural out-year gaps will grow to approximately $6.4 billion (4.8% of operating fund expenditures) in fiscal 2028, $8.2 billion (6.0%) in fiscal 2029, and $8.5 billion (6.1%) in fiscal 2030, all decreases from the May 2026 financial plan. We believe the city continues to walk a fiscal tightrope, and important to our view of credit quality will be the ability to reduce one-time and short-term budget measures, while identifying recurring revenue and expenditure controls to curb out-year gaps.

In our view, the city's economy continues to exhibit resilience, although slowing employment growth may indicate more cautious hiring trends as private sector employers continue to navigate evolving macroeconomic conditions, trade and policy uncertainty, and AI-related capital investments. 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 those of GDP growth over the outlook period, we also believe that certain segments of the city's employment base, tourism industry, and other activities that fuel wage growth and consumer spending could decelerate in the near term.

According to S&P Global Ratings Economics, the U.S. economy is growing despite layered tariff-, energy-, and immigration-related supply shocks and higher inflation. The U.S. economic outlook forecasts baseline real GDP growth at 2.1% in 2026 before it slows to an average of 1.9% in 2027 and 2028. (For more information, see "**Economic Outlook U.S. Q3 2026: Resilient To Layered Supply Shocks**," June 24, 2026.) In S&P Global Ratings Economics' view, a central demand-growth risk to an already supply-constrained economy is the abrupt re-escalation of the U.S.-Iran conflict and disruptions to activity in the Strait of Hormuz, which could prolong geopolitical and trade uncertainty and thus reintroduce economic pressure. This would damage purchasing power and propagate supply-chain shortages well beyond crude oil into refined petroleum, AI-related high-tech, fertilizers, and other petrochemicals. In addition, sharply lower immigration is a major challenge to labor supply, especially with the labor force already structurally slowing from aging demographics. We monitor how restrictive immigration conditions and slowing population growth that would normally underpin growth in the city’s labor market and consumption base, coupled with potentially tighter financial conditions on Wall Street and corporate profits, could affect New York City's economy and the growth trajectory of pledged income and sales tax revenue.

Pledged revenue growth assumptions for fiscal years 2026 to 2030 reflect conservative economic growth expectations, and we view current and out-year expectations as reasonable compared with S&P Global Economics' forecasts. Forecast income and sales tax receipts (unaudited) for fiscal 2026 total $31.9 billion, or 10.5% above fiscal 2025 collections. This includes a 12.5% increase in PIT revenue and a 7.0% increase in sales tax revenue (compared with the substantial increases of 17.8% and 4.5%, respectively, in fiscal 2025). The city’s June 2026 financial plan conservatively projects combined pledged revenue for fiscal 2027 to increase to $32.3 billion, or 1.3% above fiscal 2026 pledged revenue, followed by growth of 3.0% for fiscal 2028, 1.9% for fiscal 2029, and 2.6% for fiscal 2030.

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 the issuance of the fiscal 2027 series A bonds, the TFA projects that it will issue approximately $5.6 billion of FTS subordinate bonds for general capital purposes over the remainder of fiscal 2027, and $8.6 billion, $8.0 billion, and $7.8 billion in fiscal years 2028 through 2030, sequentially. 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 2026 and had 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 2027 series A FTS subordinate bonds, fiscal 2025 pledged revenue provides MADS coverage of 5.6x based on the maximum rate on the variable-rate bonds and 5.8x based on the 4.25% budgeted adjustable rate. Considering TFA's debt issuance plans, we expect MADS coverage will be maintained at 4x subordinate-lien debt during the outlook period.
- Strong bond provisions that include what we consider a conservative additional bonds test of at least 3x MADS and MADS of $1.32 billion for senior-lien bonds (none outstanding), and at least 3x 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 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.
- We view the climate and other evolving risk 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.

Also supporting the high-investment-grade rating is the city's transfer of its rights, title, and interest in pledged revenue to the authority, which enhances the statutory and legal mechanisms that separate control of the revenue from the city and thus supports 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 rating. The New York City general obligation rating is 'AA,' reflecting our view of robust and well-embedded management practices offset by an elevated debt and liability burden.

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 "**Ratings Above The Sovereign--Corporate And Government Ratings: Methodology And Assumptions**" criteria, 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

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)		5.8
MADS year		2029

New York City Transitional Finance Authority--key credit metrics

Economy		**Very strong**
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

Note: 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 2025 information reported on a calendar-year basis, sourced from S&P Market Intelligence. 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 the fiscal 2027 series A future tax secured subordinate bonds.

Ratings List	
New Issue Ratings	
US$1,500,000,000 New York City Transitional Finance Authority, Future Tax Secured Subordinate Bonds (Tax-Exempt), Fiscal 2027 Series A, dated: Date of Delivery, due: November 1, 2056	
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.