KBRA Assigns AA+ Rating, Stable Outlook to the City of New York General Obligation Bonds

New York (September 3, 2026)

KBRA assigns a long-term rating of AA+ with a Stable Outlook to the City of New York General Obligation Bonds, Fiscal 2027 Series B, General Obligation Bonds, Fiscal 2027 Series C (Tax-Exempt), and General Obligation Bonds, Fiscal 2027 Series 1 (Tax-Exempt). The Fiscal 2027 Series B Bonds consist of Subseries B-1 (Tax-Exempt) and Subseries B-2 (Taxable).

Proceeds of the Fiscal 2027 Series B and Fiscal 2027 Series C Bonds will be used, together with other funds, to redeem certain outstanding General Obligation Bonds of the City and to pay certain costs of issuance. Proceeds of the reoffering of the fixed-rate Fiscal 2027 Series 1 Bonds will be used to pay the purchase price of the mandatorily tendered Fiscal 2017 Series A, Subseries A-1 Bonds and certain costs of issuance.

At June 30, 2026 there were approximately $52.74 billion of General Obligation Bonds outstanding, secured by the City's faith and credit pledge. All City taxable real property is subject to the levy of ad valorem taxes, without limitation as to rate or amount, for payment of debt service. Pursuant to the Financial Emergency Act for the City of New York, a general debt service fund (the Fund) is established for General Obligation Bonds and certain notes. Payments of the City real estate tax must be deposited into the Fund upon receipt and retained under a statutory formula. Since its inception in 1978, the Fund, which is held by the State Comptroller as Custodian, has been fully funded at the beginning of each payment period.

A detailed discussion of key rating determinants pertaining to the City of New York General Obligation Bonds is provided in prior KBRA reports, the most recent of which is dated August 3, 2026

Key Credit Considerations

The rating actions reflect 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.
- Pension funding metrics are favorable, and pension governance is institutionalized.
- Budget transparency has improved, reducing the risk that predictable recurring costs will re-emerge as midyear budget shocks.

Credit Challenges

- Significant long-term structural budgetary imbalance persists, driven by recurring spending for programs with rapidly growing costs, such as rental assistance, non-asylum shelter costs, DOE due process cases, class-size implementation, SNAP administrative funding cuts and overtime.
- The Adopted Budget's reliance on one-time or temporary resources, expense write-downs, and expenditure delays contribute to future structural imbalance.
- Federal funding and policy risks remain material fiscal overhangs.

Rating Sensitivities

For Upgrade

- Adoption of a formalized reserve policy targeting reserve size and conditions for deposits and withdrawals.
- Maintenance of sound revenue resiliency in the face of prevailing policy and economic headwinds.
- Trend of decline in projected out-year budget gaps as a function of an increase in recurring revenues and/or a decline in recurring expenditures.
- 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.

For Downgrade

- Budgetary instability, significant depletion of reserves or materially increased out-year budget gaps.
- Relaxation of, or diminished adherence to, well-established policies and procedures.

To access ratings and relevant documents, click here.

Methodology

- Public Finance: U.S. Local Government General Obligation Rating Methodology

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Disclosures

A description of all substantially material sources that were used to prepare the credit rating and information on the methodology(ies) (inclusive of any material models and sensitivity analyses of the relevant key rating assumptions, as applicable) used in determining the credit rating is available in the Information Disclosure Form(s) located here.

Information on the meaning of each rating category can be located here.

Further disclosures relating to this rating action are available in the Information Disclosure Form(s) referenced above. Additional information regarding KBRA policies, methodologies, rating scales and disclosures are available at www.kbra.com.

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