FitchRatings

RATING ACTION COMMENTARY

Fitch Rates New York City Muni Water Finance Auth's Revs 'AA+'; Outlook Stable

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Fitch Ratings - New York - 03 Sep 2026: Fitch Ratings has assigned a 'AA+' rating to about $700 million water and sewer system second general resolution (SGR) revenue bonds fiscal 2027 series AA issued by the New York City Municipal Water Finance Authority (the authority). The bonds are anticipated to be sold through negotiated sale the week of September 14. Fitch has also affirmed the authority's outstanding Fitch-rated SGR revenue bonds and associated bank bonds ratings at 'AA+'.

The Rating Outlook is Stable.

RATING ACTIONS

ENTITY / DEBT	RATING TYPE	RATING	RATING ACTION	PRIOR
New York City Municipal Water Finance Authority (NY) [Water, Sewer]				
New York City Municipal Water Finance Authority (NY) /Water & Sewer Revenues (2nd Lien)/2 LT	LT	AA+ Rating Outlook Stable	Affirmed	AA+ Rating Outlook Stable
New York City Municipal Water Finance Authority (NY) /Water & Sewer Revenues/1 LT	LT	AA+ Rating Outlook Stable	Affirmed	AA+ Rating Outlook Stable

VIEW ADDITIONAL RATING DETAILS

The 'AA+' rating on the SGR revenue bonds reflects the combined credit quality of the New York City Municipal Water Finance Authority and the New York City Water Board (water board), with remote bankruptcy risk for either entity. The authority issues revenue bonds for the New York City water and sewer system (the system). Fitch considers bankruptcy risk for both the authority or water board to be remote. Additionally, the likelihood of either entity being included in a city bankruptcy proceeding, should one occur, is considered remote.

The authority's financial profile is very strong, assessed at 'aa', in the context of historically and projected very low leverage, measured as net adjusted debt to adjusted funds available for debt service (FADS) on a gross revenue basis. Leverage was 6.5x in fiscal 2025 (FYE Jun 30) and is expected to rise to a peak of 7.8x by fiscal 2028 in Fitch's Analytical

Stress Test (FAST) rating case and remain near that level through fiscal 2030. The credit profile is further supported by very strong revenue defensibility and operating risk profiles, both assessed at 'aa'. A large portion of annual debt service obligations is consistently funded well in advance of scheduled payment dates by the restricted revenue fund, which includes current year revenues and carryforward surplus cash.

SECURITY

SGR bonds are payable solely from, and secured by, a pledge of amounts on deposit in the first general resolution subordinated indebtedness fund established under the first resolution, and all moneys and securities in the funds and accounts established under the second resolution, except the arbitrage rebate fund and the debt service reserve fund. All debt service payments occur before operation and maintenance and city rental payments.

KEY RATING DRIVERS

Revenue Defensibility - 'aa'

Favorable Service Area with Unique Economic Profile

The water board retains the legal authority to adjust rates as needed without external oversight. Revenue defensibility is also supported by the system's monopolistic provision of water and sewer services to its favorable service area. The service area has a stable customer base, median household income (MHI) approximately that of the nation and a midrange unemployment rate relative to the nation.

Fitch considers the city's unique economic profile as an international center for many industries and anchor for the service area. Rates are affordable for about 80% of the service area population, based on Fitch's standard monthly usage of 7,500 gallons for water and 6,000 gallons for sewer. Anticipated rate increases are not expected to materially impact affordability. The service area has no customer concentration.

Operating Risk - 'aa'

Costs, Investment Levels Support Assessment

In fiscal 2025, the system's operating cost burden was considered very low at $4,205 per million gallons (mg), consistent with the operating risk assessment. The life cycle ratio was a low 38% in fiscal 2025. Capex exceeded annual depreciation, with a five-year average of 170% for the five years ended in fiscal 2025.

The system's capital improvement program (CIP) for fiscal years 2026-2030 appropriated about $19.8 billion of system funds, while estimated actual spending is projected at about $15.4 billion for the same period. Nearly half of the CIP is related to water pollution control projects, including plant upgrades and reconstruction and water quality mandates, followed by water distribution projects. Estimated capital spending averages over $3 billion annually during these five years, well above historical depreciation, supporting a continued low life cycle ratio.

Financial Profile - 'aa'

Declining Leverage Anticipated to Stabilize, Neutral Liquidity

The authority's leverage (on a gross lien basis) was 6.5x in fiscal 2025, declining from a peak of 8.3x in fiscal 2021. Fiscal 2025 results reflect higher revenue from collection efforts and reintroduction of lien sales. The liquidity profile is neutral to the assessment and reflects coverage of full obligations (COFO) of 1.5x and current cash on hand of 371 days, when incorporating carryforward revenues. (Carryforward revenues include available funds that are restricted at the end of the upcoming fiscal year.)

In the FAST stress scenario, considered the rating case, the leverage ratio peaks at 7.8x in fiscal 2028, then declines slightly to 7.7x by fiscal 2030. After a sustained decline, leverage is expected to stabilize through the five-year period, assuming continued successful collection efforts and maximum annual city rental payments, not to exceed 15% of annual debt service. A reversal and upward trend could pressure the rating. Fitch expects the liquidity profile to remain neutral to the assessment.

Asymmetric Additional Risk Considerations

No asymmetric additive risk considerations affected this rating determination.

RATING SENSITIVITIES

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

--A upward trend leading to expectations of or actual leverage sustained above 8.0x in Fitch's rating case;

--Sustained weakness in FADS stemming from a delay in rate-setting or increased expenses that weaken the liquidity position.

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

-- Leverage sustained below 5.0x in Fitch's rating case.

PROFILE

The authority issues bonds, notes and other financing instruments to fund capital improvements to the city's system. The water board leases the system from the city and sets, levies, and collects customer rates and system revenues to transfer to the authority for bond repayment and to the city for operations and maintenance reimbursement and rental payments.

Retail water and sewer service is provided to approximately 840,000 accounts and about 8.6 million residents in the city. The service area includes the city's five boroughs and communities in Westchester, Putnam, Orange and Ulster counties.

SUMMARY OF FINANCIAL ADJUSTMENTS

Fitch utilized restricted cash in its calculation of liquidity as these funds are restricted at year end for debt service.

Sources of Information

In addition to the 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.

CLIMATE VULNERABILITY SIGNALS

The results of our Climate.VS screener did not indicate an elevated risk for New York City Municipal Water Finance Authority, NY (Water, Sewer).

ESG CONSIDERATIONS

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' means ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit https://www.fitchratings.com/topics/esg/products#esg-relevance-scores.

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APPLICABLE CRITERIA

U.S. Water and Sewer Rating Criteria (pub. 17 Feb 2026) (including rating assumption sensitivity)

U.S. Public Sector, Revenue-Supported Entities Rating Criteria (pub. 01 May 2026) (including rating assumption sensitivity)

ADDITIONAL DISCLOSURES

Dodd-Frank Rating Information Disclosure Form

Solicitation Status

Endorsement Policy

ENDORSEMENT STATUS

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

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The complete span of best- and worst-case scenario credit ratings for all rating categories ranges from 'AAA' to 'D'. Fitch also provides information on best-case rating upgrade scenarios and worst-case rating downgrade scenarios (defined as the 99th percentile of rating transitions, measured in each direction) for international credit ratings, based on historical performance. A simple average across asset classes presents best-case upgrades of 4 notches and worst-case downgrades of 8 notches at the 99th percentile. For more details on sector-specific best- and worst-case scenario credit ratings, please see Best- and Worst-Case Measures under the Rating Performance page on Fitch's website.

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