MOODY'S
RATINGS

Rating Action: Moody's Ratings assigns Aa1 to NYC Muni Water Authority's Fiscal 2027 Series AA bonds; outlook stable

21 Aug 2026

New York, August 21, 2026 -- Moody's Ratings (Moody's) has assigned a Aa1 rating to the New York City Municipal Water Finance Authority's (NY) approximately $700 million Water and Sewer System Second General Resolution Revenue Bonds, Fiscal 2027 Series AA. We maintain the long and short term ratings on the authority's outstanding debt. The authority has $34.1 billion of second resolution bonds outstanding. The outlook is stable.

RATINGS RATIONALE

The Aa1 rating reflects a claim on revenue generated by an essential service utility in a vast and diverse metropolitan area, the strong liquidity of the water and sewer system, and strong rate management by the New York City Water Board. The second resolution bonds are rated the same as the first resolution bonds despite being subordinate. There are currently no first resolution bonds outstanding, which provides holders of second resolution bonds access to the same revenue base.

On a bond resolution basis, coverage of annual debt service will remain very strong, given a gross revenue pledge and the authority's use of prior year surplus revenue to defease debt and lessen debt service requirements. Defeasance of debt has had no impact on liquidity, which itself is on a steady growth trend thanks to annual operating surpluses. On a net revenue basis, coverage is lower but still solid, projected at approximately 1.5 times for fiscal 2027, and well in line with coverage ratios maintained by other large municipal utility systems in the US. Additionally, the authority has established a bondholder-protective flow of funds, backed by early set-aside of debt payments that typically results in full funding of annual debt service requirements transferred to the trustee within the first several months of the fiscal year.

RATING OUTLOOK

The stable outlook reflects expectations that ongoing rate actions will remain sufficient to preserve strong liquidity and solid debt service coverage while supporting the system's substantial capital program. The outlook also incorporates the system's fundamental enterprise strengths as an essential, monopolistic service provider with independent rate setting capacity and other sector characteristics that have historically supported resilient revenue performance.

The authority's rating and stable outlook are higher than New York City's issuer rating and outlook, reflecting the water and sewer system's stronger fundamental credit profile. Its outlook remains stable, though a weakening of the city's credit that signals constraints on the authority's governance, financial flexibility, or rate-setting capacity could have negative impacts on the authority's credit quality.

FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATING

- Moderated borrowing or accelerated growth in revenue that brings the system's debt burden down to a level more in line with large system peers without adverse effects on system infrastructure

FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATING

- Drop in coverage below 1.3x combined first and second resolution bond debt service, as measured by us on a net revenue basis

- A fall in operating liquidity to under 250 days of operating expenses

- Growth in the system's debt burden to over 8x gross revenue

- The long-term rating on the second resolution bonds could be downgraded if the authority materially increased its issuance of first resolution bonds

PROFILE

The New York City Water and Sewer System serves approximately 9.6 million people, including about 8.6 million residents in the five boroughs of New York City and approximately one million people in Westchester, Putnam, Orange, and Ulster Counties. The system's service area spans more than 300 square miles and is supported by a 1.2 million-acre watershed. The system includes 19 water reservoirs, three controlled lakes, approximately 6,800 miles of water mains, more than 7,500 miles of sewers, and 14 wastewater resource recovery facilities. The New York City Municipal Water Finance Authority finances the system's capital program, the New York City Water Board establishes rates and charges, and the New York City Department of Environmental Protection operates and maintains the system.

METHODOLOGY

The principal methodology used in this rating was US Municipal Utility Revenue Debt published in March 2024 and available at https://ratings.moodys.com/rmc-documents/416489. Alternatively, please see the Rating Methodologies page on https://ratings.moodys.com for a copy of this methodology.

REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found on https://ratings.moodys.com/rating-definitions.

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