Research Update:

New York City's Fiscal 2027 Subseries B-1, B-2, Series C, And Series 1 GO Bonds Assigned 'AA' Rating; Outlook Is Stable

September 3, 2026

Primary Contact

Thomas J Zemetis
New York
1-212-438-1172
thomas.zemetis
@spglobal.com

Secondary Contact

Victor M Medeiros
Boston
+ 1 (617) 530 8305
victor.medeiros
@spglobal.com

Overview

- S&P Global Ratings assigned its 'AA' long-term rating to New York City's $1.44 billion fiscal 2027 subseries B-1 (tax-exempt) general obligation (GO) bonds, $99.51 million fiscal 2027 subseries B-2 (federally taxable) GO bonds, and $37.25 million fiscal 2027 series C (tax-exempt) GO bonds.
- At the same time, we assigned our 'AA' long-term rating to the city's $341.99 million fiscal 2027 series 1 GO (tax-exempt) bonds, which will be issued in connection with the reoffering and redesignation of a portion of the city's fiscal 2017 series A, subseries A-1 tax-exempt GO bonds.
- The outlook is stable.

Rationale

Security

New York City's faith and credit, including the city's obligation to levy and collect ad valorem taxes without limitation as to rate or amount, secures the fiscal 2027 subseries B-1 and B-2 bonds, the series C bonds, and the series 1 bonds.

The city will use the proceeds from the subseries B-1, B-2, and series C bonds to refund certain GO bonds outstanding. The series 1 bonds will be used to pay the purchase price (par amount, plus accrued interest) of portions of the city's GO bonds, fiscal 2017 series A, subseries A-1 being converted and reoffered in the fixed-rate mode and are subject to mandatory tender on or about Sept. 23, 2026, the conversion date.

As of June 30, 2026, the city had $52.74 billion of GO debt outstanding.

Credit highlights

The rating reflects New York City's fundamental credit strengths, including a deep, dynamic, and resilient economy and tax base, as well as a robust governance framework that includes comprehensive financial planning and oversight, which underpin the city's ability to weather economic and fiscal uncertainties. We believe the city continues to walk a fiscal tightrope. Although the city's 2026-2030 financial plan more fully recognizes previously underbudgeted expenses and costs of complying with state and local mandates, we believe that potentially less predictable future federal and state funding presents risks. Important to our view of credit quality will be the city's ability to reduce its reliance on one-time and short-term budget measures, while identifying recurring revenue and expenditure controls to curb future gaps. Although New York City has been adept at managing evolving risks, we also continue to watch how geopolitical uncertainty will shape the city's economy and revenue forecasts, and whether this could widen structural budget gaps.

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. To accommodate past underbudgeting and new growth in spending, the fiscal 2027 budget incorporates a combination of new revenue sources, 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 our view, a supportive city-state funding and governance relationship played an important role in balancing the city’s adopted budget. The city received an approximately $8 billion infusion of one-time and short-term state funding, which we consider substantial, through unrestricted state aid for expenses, mandate relief, and other indirect statutory revenue authorizations (e.g., H.R. 1 tax decoupling and approval of a pied-a-terre tax). The city has since taken initial steps to administer the second home property surcharge (the pied-a-terre tax), but several plaintiffs filed litigation in state court challenging the city’s process in connection with implementing the surcharge. A lower court issued a temporary restraining order on the city from taking further action, but an appellate court has stayed the order pending appellate review, allowing the city to proceed with implementation. While we continue to monitor the outcome of the litigation, we understand that it does not challenge the legality of the surcharge under state law. However, we believe significant delays could affect timing and collection of pied-a-terre tax revenues and have budgetary implications for fiscal 2027.

The budget also preserves balances in the city's revenue stabilization fund (RSF) and retiree health benefit trust (RHBT), and the city will prepay $1.96 billion toward its fiscal 2027 debt service expenditures, albeit less than the $3.79 billion debt service prepayment for fiscal 2026. Based on S&P Global Ratings-calculated fiscal 2026 year-end balances, combined available reserves (inclusive of the RSF, RHBT, and fiscal 2026 surplus roll for fiscal 2027 debt service prepayment) decreased to $9.15 billion, or 7.3% of operating revenue. In our view, the reserve decline solely reflects the reduction of the surplus roll from the previous year, but the city has not made material deposits to the RSF or RHBT since fiscal 2022. Both the mayor and city comptroller have expressed support for institutionalizing reserve discipline to provide a buffer against potential future cuts to federal aid or tax revenue losses from economic or policy uncertainties. The mayor convened the Commission on Government Efficiency (or COGE), which was charged with identifying and recommending changes to the city charter. On July 23, 2026, the COGE released five proposals that will appear on the November 2026 ballot. One ballot proposal (Prop. 5) would establish a reserve target of 12% of the city's total tax revenue, while also requiring the city's office of management and budget--in consultation with the city comptroller--to establish a deposit formula governing mandatory contributions to the RSF. However, it does not explicitly include provisions that would tighten restrictions on reserve withdrawals. Although any charter amendment is subject to voter approval, we generally view formalization of reserve targets and mechanisms governing reserve deposits as credit supportive.

Throughout the 2026-2030 financial plan, we will monitor the sustainability of revenue collections amid evolving economic conditions and the city's ability to implement initiatives that achieve durable, recurring savings and control long-term budget growth, which could affect fiscal 2028 budget negotiations and long-term fiscal stability. The June 2026 financial plan projects that structural 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. The city has targeted spending reductions of 1.5% (or $710 million) for fiscal 2026 and 2.5% (or $1.06 billion) for fiscal 2027. On July 28, 2026, the mayor announced the extension of the directive for each city agency to identify 2.5% in annual cost savings between fiscal years 2027 and 2030. For fiscal 2027, the expanded savings target is in addition to the 2.5% already in the adopted budget. Other key developments that could influence the trajectory of the city's fiscal 2028 budget cycle and financial plan, in our view, include the outcome of statewide and Congressional elections on the city-state and city-federal funding relationship, and the outcome of labor negotiations with some of the city's largest unions that could affect labor and fringe benefits cost growth.

In addition, New York City's budget has exposure to periodic events and uncertainties that have disrupted financial performance, complicating the city's ability to absorb these additional costs, given the balanced budget requirements under the Financial Emergency Act. In the future years of the city's financial plan, shifts in the federal funding and policy landscape pose potential long-term risks. Key provisions from the U.S. tax and spending bill--including reductions to Medicaid, supplemental nutrition assistance, and downstream effects of federal agency program and staffing cuts--feature a deferred implementation period, making it too early to determine the full budgetary and credit implications, if any, that these changes will have for the city. While recent federal delays, clawbacks, and reductions have marginally pressured city operations, we believe further retrenchment in areas where federal funding has traditionally played a large role could make it difficult for the city to budget and deliver essential services.

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 investment. According to S&P Global Ratings Economics, the U.S. economy is growing despite layered tariff, energy, and immigration supply shocks and higher inflation. The U.S. economic outlook forecasts baseline real gross domestic product (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, along with recent tariff increases, could erode purchasing power and propagate supply-chain shortages.

Important pillars of New York City's deep and diverse economic base--including healthy financial sector activity, business and residential real estate investment, healthcare, and education--continue to bolster gross metropolitan product growth at levels we believe will mirror those of GDP growth during the outlook period. The city's residential and commercial property have shown signs of a healthy bounce back compared with other large U.S. cities, with the full value of taxable real estate reaching $1.76 trillion for fiscal 2027 (or a 9.8% increase from the previous fiscal year). Tempering these strengths, in our view, is softening population growth that normally underpins growth in the city's labor market, business investment, and consumption base. When coupled with potentially tighter financial conditions on Wall Street and corporate profits and affordability pressures, this could blunt the city's economy and revenue growth trajectory. In addition, restrictive international immigration could lead to inflationary wage increases and rising production costs for certain sectors, including construction, leisure, and hospitality.

Fixed costs, including pension and other postemployment benefit (OPEB) costs, remain manageable relative to the revenue and economic base, but we believe future debt issuance to support New York City's substantial capital needs will keep per capita metrics elevated compared with those of its peers. To provide more room for the city to address its capital needs, New York State's enacted fiscal 2026 budget amended the New York City Transitional Finance Authority Act, increasing the amount of future tax-secured bonds authorized to be outstanding (will not be subject to the city's debt limit) to $30.5 billion from $27.5 billion, effective July 1, 2025, with the city expecting to issue additional debt to finance its share of the capital funding commitment toward the Metropolitan Transportation Authority's 2025-2029 capital program.

Despite economic uncertainty and elevated market volatility, the New York City Comptroller reported combined assets under management across the city's five public retirement systems reached $326.3 billion--following a robust 13% annualized return (net of fees) as of June 30, 2026--which we believe will further support the city's healthy pension funded levels in the near term. The city received state authorization and approval from four of its five pension system boards to extend the pension amortization schedule to 2037 from 2032, which the city projects will provide approximately $1.6 billion in budget savings for fiscal 2027 and additional projected savings through fiscal 2032. Although we believe this measure will increase the city's 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 effect. This is based on our view of city's well-funded pension systems, requirements to make full annual pension contributions, and its maintenance of a relatively short amortization schedule (shifting to 10 years from six years) to fully fund the remainder of the unfunded pension liability.

The long-term rating reflects our view of New York City's:

- Economic dynamism, resilience, and diversity. The city is the largest commercial and population center in the U.S. and a globally recognized economic hub. The metropolitan statistical area has per capita personal income and gross metropolitan product metrics that compare favorably with those of the U.S. The economy is anchored by the presence of first-class universities and healthcare providers, an expansive and active finance and venture capital industry, and the city's attractiveness as a leisure and business travel destination.
- History of achieving balanced financial performance through a combination of better-than-forecast revenue due to the city's post-pandemic resilience and robust business income and personal income tax revenue, cost-saving measures, and significant inflows of federal and state aid that supported financial stability. Our assessment of New York City's financial performance also factors in exposure to disruptive events and financial uncertainties that can affect economically sensitive revenue sources and materially increase costs, which can make balancing the budget more difficult.
- Large financial reserves of almost $11 billion (9.4% of general fund expenditures) at fiscal year-end 2025 (including an approximately $3.8 billion surplus roll), which provide an important buffer against potential budgetary pressures. However, we believe a decreased surplus roll and the RSF's and RHBT's stagnant balances (since 2022) will reduce reserve ratios relative to the city's fast-growing operating expenditures and revenue.

- Sophisticated management with comprehensive financial policies, long-term financial planning, and practices that we believe support effective monitoring of the budget and also include risk management strategies to mitigate cybersecurity threats, preparedness for physical risk events, and transparency for stakeholders. New York City benefits from a governance structure under the Financial Emergency Act that requires maintenance of a balanced budget, and its strong planning practices mitigate risk and ensure that the financial plan addresses future budget gaps. The city established a formal rainy-day reserve in fiscal 2021, bolstering our view of governance, but has not yet created a regular mechanism for annual reserve contributions.
- Nominally large but manageable debt service costs relative to the city's budget. Debt service costs remain below the 15% of tax revenue threshold, although the inclusion of pension and OPEB contributions pushes costs to 23.3%. Combined debt and pension liabilities compared with the revenue base are approximately 120% of total government fund revenue and less than 10% of the full value of the city's taxable real estate, which we view as comparable with other large U.S. cities. In our view, a very high net OPEB liability of almost $96.4 billion in fiscal 2025 partially offsets this and precludes a higher rating during the two-year outlook horizon. In June 2025, the New York Court of Appeals reversed a lower court's ruling that blocked the city from implementing a plan to move retirees to Medicare Advantage from the city's health benefits program. However, the city decided as a policy matter not to proceed with implementation. The city is exploring solutions to address its large OPEB liabilities and is making payments under its OPEB plan.
- Institutional framework that we consider more predictable than is typical for New York municipalities, coupled with the city's autonomy to raise property tax rates above the annual property tax levy limitations imposed on other New York municipalities, and the city's status as one of only two in the state that levies a New York Legislature-approved personal income tax surcharge on residents, which provides additional revenue flexibility to match rising expenditures. For more information on our institutional framework assessment for New York municipalities, see "Institutional Framework Assessment: New York Local Governments," Sept. 10, 2024.
- We believe New York City's exposure to the Atlantic coastline presents chronic and acute physical climate risks that are elevated compared with those of peers and could more materially affect credit quality in the longer term, should mitigation and adaptation plans fail. However, the city is ahead of its peers in planning for and mitigating these risks, such as its integration of climate scenarios underpinned by local scientific projections into its climate resilience design guidelines that consider climate hazards, including heat, precipitation, flooding, and sea-level rise. The city is pursuing infrastructure projects to raise seawalls, floodgates, and berms, as well as other measures that could help protect vulnerable areas and buffer residents from the effects of physical climate risks. In our view, the city's development of key performance indicators to monitor its sustainability and resilience efforts, and the publication of annual reports showing progress toward these goals further underpins our view of the city's transparency and accountability.

Outlook

The stable outlook reflects our view of New York City's resilient economy, and our expectation that steady economic and revenue growth conditions during the outlook horizon will continue to support its budgetary needs. The outlook further incorporates the city's robust governance framework and financial management, in conjunction with internal and independent oversight, that underpin the city's ability to navigate uncertainties and maintain financial stability amid current financial challenges, shifting geopolitical risks, and federal and state funding dynamics.

Downside scenario

We could lower the rating if New York City's revenue performance falters compared with projections and the adaptability of the city's governance and policy frameworks to reduce or eliminate current and future structural budget gaps proves ineffective. If this occurred, it could lead the city to use one-time solutions and draw on liquidity to address imbalances, resulting in an erosion of its reserve position to a level we believe materially diminishes its capacity to absorb an economic downturn. We could also lower the rating if national macroeconomic weakness or an exogenous shock event impedes the city's economic, revenue, and expenditure growth expectations, or if longer-term population trends alter the city's property tax values or financial forecast.

Upside scenario

Although unlikely during the outlook period, should the city's economic trajectory and financial reserves remain stable, and we come to view debt and OPEB liabilities metrics as materially improved from their elevated levels, we could raise the rating or revise the outlook to positive.

New York City--credit summary

Institutional framework (IF)	1
Individual credit profile (ICP)	2.25
Economy	1
Financial performance	3
Reserves and liquidity	2
Management	1
Debt and liabilities	4.25

New York City--key credit metrics

	Most recent	2025	2024	2023	2022
Economy					
GMP per capita % of U.S.*	144	144	142	143	146
Metro area PCPI % of U.S.*	128	128	128	129	130
Market value ($000s)	1,764,774,962	1,514,172,563	1,414,550,158	1,392,696,289	1,271,275,008
Market value per capita ($)	205,574	176,382	164,543	165,132	152,018
Top 10 taxpayers % of taxable value	10.4	10.4	10.2	9.2	9
City unemployment rate (%)	5.2	5.2	5.0	5.0	5.6
Local median household EBI % of U.S.	97	--	97	101	103
Local per capita EBI % of U.S.	105	--	105	112	115
Local population	8,584,629	8,584,629	8,596,825	8,433,834	8,362,665
Financial performance					
Operating fund revenues ($000s)	--	117,208,228	112,387,407	107,779,550	106,795,525
Operating fund expenditures ($000s)	--	117,538,683	112,539,397	107,714,699	105,487,753
Net transfers and other adjustments ($000s)	--	205,907	217,898	169,391	147,672

New York City--key credit metrics

	Most recent	2025	2024	2023	2022
Operating result ($000s)	--	(30,455)	65,908	234,242	1,455,444
Operating result % of revenues	--	(0.2)	0.1	0.2	1.4
Operating result three-year average %	--	0.0	0.5	0.4	0.3
Reserves and liquidity					
Available reserves % of operating revenues	7.3	9.4	10.1	11.8	12.6
Available reserves ($000s)	9,153,000	10,980,972	11,399,240	12,755,406	13,445,348
Debt and liabilities					
Debt service cost % of revenues	11.7	11.7	10	11.2	11.4
Net direct debt per capita ($)	13,431	13,431	12,667	12,030	11,184
Net direct debt ($000s)	115,296,132	115,296,132	105,294,603	99,346,568	93,228,845
Direct debt 10-year amortization (%)	40	46	50	--	--
Pension and OPEB cost % of revenues	12	12	11	11	13
NPLs per capita ($)	3,828	3,828	4,260	4,830	5,055
Combined NPLs ($000s)§	32,864,113	32,864,113	35,413,950	39,884,157	42,136,889

*2025 and 2026 (most recent) GMP and PCPI data are forecast. §Pension calculations reflect information for the NYC City Police Pension Fund and NYC Fire Pension Fund, NYC Teachers Retirement System, NYC Employee Retirement System, and NYC Board of Education Retirement System reported as of June 30, 2025. Financial data may reflect analytical adjustments and are sourced from issuer audit reports or other annual disclosures. Economic data is generally sourced from S&P Global Market Intelligence, the Bureau of Labor Statistics, Claritas, and issuer audits and other disclosures. Local population is sourced from Claritas. Claritas estimates are point in time and not meant to show year-over-year trends. GCP--Gross county product. PCPI--Per capita personal income. EBI--Effective buying income. OPEB--Other postemployment benefits. NPLs--Net pension liabilities.

Ratings List	
New Issue Ratings	
US$1,436,575,000 The City of New York, General Obligation Bonds, Fiscal 2027 Series B, Subseries B-1 (Tax-Exempt), dated: Date of Delivery, due: August 1, 2041	
Long Term Rating	AA/Stable
US$341,985,000 The City of New York, General Obligation Bonds, Fiscal 2027 Series 1 (Tax-Exempt), dated: Date of Delivery, due: August 1, 2037	
Long Term Rating	AA/Stable
US$37,250,000 The City of New York, General Obligation Bonds, Fiscal 2027 Series C (Tax-Exempt), dated: Date of Delivery, due: February 1, 2037	
Long Term Rating	AA/Stable
US$99,505,000 The City of New York, General Obligation Bonds, Fiscal 2027 Series B, Subseries B-2 (Taxable), dated: Date of Delivery, due: August 1, 2027	
Long Term Rating	AA/Stable