City of New York, NY – G.O.

Issuer: City of New York, NY		
Assigned	**Ratings**	**Outlook**
General Obligation Bonds, Fiscal 2025 Series G, Subseries G-1	AA+	Stable
Taxable General Obligation Bonds, Fiscal 2025 Series H	AA+	Stable
General Obligation Bonds, Fiscal 2012 Series D, Subseries D-3A (Existing Issue Reoffered)	AA+	Stable
Affirmed	**Ratings**	**Outlook**
General Obligation Bonds	AA+	Stable

Methodology

- U.S. Local Government GO Methodology
- ESG Global Rating Methodology

Analytical Contacts

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Rating Summary: The rating recognizes the City of New York's ("the City's") preeminent role as a domestic and international center of business, culture and tourism, the historic resiliency of its broad and diverse economic base, its elevated, yet manageable debt profile, management's track record of fiscal discipline, and the efficacy of institutionalized procedures in confronting near-term financial challenges. Counterbalancing factors include federal funding uncertainty, ongoing spending pressures that contribute to outyear budgetary imbalances, and a geographic footprint that is increasingly vulnerable to extreme weather events.

Federal corruption charges against New York City Mayor Eric Adams were dropped on April 2, 2025. KBRA will continue to monitor the potential effects of governance issues on the City's overall credit profile.

General Obligation Bonds ("G.O. Bonds") of the City are 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 (the "Act"), a general debt service fund ("the Fund") is established for G.O. 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.

Proceeds of the Fiscal 2025 Series G, Subseries G-1 Bonds and the Fiscal 2025, Series H Bonds will be used for capital purposes and the payment of certain costs of issuance. The outstanding Fiscal 2012 Series D, Subseries D-3A Bonds are expected to be converted from variable rates to a fixed rate mode.

Although outmigration since 2020 has contributed to a 3.7% decline in population, New York City remains the most populous city in the U.S., with an estimated population of 8.48 million as of July 2024. Most sectors of the City's expansive economy have fully rebounded from the severe economic dislocation of the COVID-19 pandemic, buoyed by federal stimulus aid, continued Wall Street profitability, robust consumer spending, and tourism. Private-sector job growth, though mostly attributable to low wage healthcare, leisure and hospitality sectors, outpaced that of both the State and the nation in 2024, and the City forecasts growth in high average wage sectors to pick up in 2025 and beyond, notwithstanding an expected slowdown in overall private sector employment in 2025. The City's labor force participation rate climbed to a record high 62% in Q3 2024. Risks to continued labor market growth include growing baby boomer retirements and the impact of the recent acceleration of Federal deportation initiatives and greater restrictions on legal immigration.

The FY 2025 final property tax assessment roll ("billable assessed value") from the Department of Finance is $299.4 billion, an increase of $12.5 billion or 4.35% YoY. Total taxable billable assessed value is expected to increase by 2.4% in 2026 to $307.3 billion. The City, like other large U.S. urban areas, continues to experience a lag in the recovery of the commercial office real estate sector related to hybrid work. While large block leases in Class A properties have pushed office vacancy rates below their 2024 Q2 peak of 22.8%, the Financial Plan's forecast for a decline to an 18.3% vacancy rate by 2029 is still well above the 11.4% historic average from 1979 to 2023.[1] The City forecasts FY 2025 real property tax revenue of $34.2 billion, up 4.1% YoY. KBRA continues to expect that the effect on New York City property tax receipts of declining commercial property valuations will be manageable.

A diverse revenue portfolio that includes local taxes, user charges, and federal and State unrestricted and categorical grants contributes to budgetary stability. The FY 2026 Preliminary Budget Financial Plan ("the Financial Plan") projects a 5.6% YoY increase in total FY 2025 tax revenues to $78.4 billion, with optimism regarding key economic drivers

[1] Office market statistics per Financial Plan and based on 1985-2024 data published by Cushman & Wakefield, as captioned in POS.

including employment, wages, tourism, and growth in home prices driving continued growth in PIT, PTET and business tax collections throughout the forecast period. The Financial Plan includes additional funding of $1.2 billion in FY 2025 to maintain certain DOE and social service spending that had been met with temporary stimulus funds and adds more than $500 million to meet various federal and state mandates, including $241 million for the MTA contribution for which one-time funding was used in fiscal years 2024 and 2025. The provision of ongoing City funding sources for these programs helps offset fiscal cliff risk and contributes to long-term structural budget balance.

The Financial Plan projects balanced FY 2025 and 2026 budgets, the result of improved tax collections and the attainment of $2.7 billion in budgetary savings resulting primarily from reductions in asylum seeker costs. Changes in shelter policies and other City actions to reduce the number of asylum seekers under its care has enabled a reduction in planned asylum seeker costs over the Financial Plan period relative to prior projections. The Financial Plan currently envisions total asylum seeker expenditures of $3.3 billion in FY 2025, of which 58% ($1.9 billion) would be City funded and 40% ($1.3 billion) would be State funded. The asylum seeker budget is reduced to $2.7 billion in FY 2026, $2.6 billion in FY 2027 and $850 million in each of fiscal years 2028 and 2029. Federal funding anticipated over the Financial Plan period totals $119 million, or 1.2% of total asylum seeker plan costs. Out-year state funding (for FY 2026 and beyond) is subject to additional appropriation. Additionally, the City saved over $400 million in the labor reserve in FY 2025 and over $270 million in pension costs in FY 2026.

While outyear gaps were reduced to $4.2 billion in FY 2027 (25% below the November 2024 plan), $5.4 billion in FY 2028 (14% below November), and $5.1 billion in FY 2029 (43% below November), expenditure pressures persist. The 2025-2029 Financial Plan projects a 2.09% CAGR in spending, roughly twice the rate of growth in revenues, which are projected to grow at a CAGR of 1.04%. Nevertheless, given the City's gap closing flexibility, KBRA views the magnitude of Financial Plan budgetary shortfalls as manageable and consistent with historic norms.

Sound reserves and contingencies enhance budgetary flexibility. Projected FY 2026 reserves of $8.5 billion (including the Capital Stabilization, Rainy Day Fund, General Reserve and Retiree Health Benefits Trust) are equivalent to 7.4% of projected FY 2026 general fund revenues (9.8% of general fund revenues excluding state/federal grants and inter-fund receipts). No appropriation of reserves is planned through FY 2029. KBRA notes, however, that the City has made no material additions to the $2 billion Rainy Day Fund in either of the last two fiscal years despite an ample revenue surplus. Moreover, in our view, finances would benefit from policies that establish targets for reserves and conditions for draws. Cash balances of approximately $13.2 billion as of the end of December 2024 provide strong liquidity.

Federal categorical grants support the City's departments of Education, Social Services, Homeless Services, Health & Mental Hygiene, Housing Preservation & Development and the Administration for Children's Services. These grants comprise $9.7 billion or 8.3% of the FY 2025 operating budget, exclusive of federal emergency aid[2]. While the possibility such funding may be at risk of curtailment is not reflected in the current Financial Plan, KBRA expects that management will take timely actions to maintain structural balance should a reduction in Federal categorical funding occur. Other areas of reliance on federal funding include City capital and infrastructure initiatives and FEMA Public Assistance for national disaster recovery. Any risk to FEMA funds in the event of a catastrophe could create vulnerabilities for City operations and the Financial Plan.

The Office of the City Comptroller estimates that, in total, over $100 billion in federal funds flow to the City on an annual basis. Most federal transfers fall outside of the City's operating and capital budgets. Such transfers support public entities including the NYC Housing Authority ("NYCHA"), the Metropolitan Transportation Authority ("MTA"), the City University of New York ("CUNY"), and NYC Health + Hospitals ("HHC"). Federal funding support is also provided to individuals for Social Security, cash assistance, Supplemental Nutrition Assistance Program benefits and healthcare coverage under Medicare, Medicaid and the ACA. Additionally, Federal discretionary spending is used to fund special education, Title I education, Section 8 housing vouchers, Child Care and Development Block Grants, Special Supplemental Nutrition Program for Women, Infants and Children, and the Community Development Block Grant. Significant reductions in federal mandatory or discretionary spending, particularly those impacting entitlement programs like Medicaid, would likely have negative implications for City finances and the quality of life of City residents.

On September 25, 2024, New York City Mayor Eric Adams was indicted on federal charges of bribery, conspiracy, fraud and soliciting illegal foreign campaign donations, to which he pled not guilty. Amid the investigations, six Adams administration senior aides and officials resigned, and four of the City's eight deputy mayors, including the First Deputy Mayor, announced their resignations. New deputy mayors have since been appointed.

A February 14, 2025 order by the U.S. Justice Department for prosecutors to drop federal corruption charges against the Mayor led to increased calls by many local elected officials and civic leaders for him to step down or be removed from office. On April 2, 2025, corruption charges against the Mayor were dismissed with prejudice by a Manhattan federal judge, precluding the Government from bringing the charges in the indictment against the Mayor in the future.

[2] Federal pandemic aid to the City totaled $26.5 billion through FY 2025.

KBRA continues to anticipate that the transition of key senior leadership positions within the Administration as a result of the indictment and its aftermath will have limited impact on the work of the more than 300,000 civil servants responsible for the City's day-to-day operations, including that of OMB and Comptroller's office professional staff responsible for the administration of City finances, debt management and budgeting.

The Stable Outlook reflects the resilient performance of the City's diverse revenue portfolio, underscored by the well-established fiscal oversight and tracking mechanisms embedded in the Act and the City Charter. We expect the recent trend of positive operating performance, record reserves, and ample budgetary flexibility to provide a satisfactory buffer against a possible economic downturn. Budgetary uncertainty posed by potential reductions in federal categorical and discretionary funding represents a key risk to the City's otherwise positive financial and economic outlook.

Key Credit Considerations

The rating was assigned because of the following key credit considerations:

Credit Positives

- New York City's role as an international business and cultural center, and its position as the hub of the country's largest metropolitan economy highlight the diversity and resilience of the resource base supporting the Bonds.
- Institutionalized, long-range financial management and capital planning practices support financial stability.
- Total reserves, pension funded ratios, and unfunded liabilities have trended positively in recent years, while annual debt service requirements continue to be maintained at below 15 percent of City tax revenues.

Credit Challenges

- The City's currently strong fiscal position and ability to achieve budgetary balance while maintaining essential quality of life programs and services would be compromised in the event of significant federal funding reductions or changes in federal policy. The Financial Plan does not address the potential for adverse federal action relating to funding declines.
- Federal immigration reforms have the potential to shrink the City's population and labor market with negative implications for the larger economic outlook despite a potential salutary effect on expenditures.
- The City's location and topography create exposure to rising sea levels, coastal and inland flooding and extreme heat, the mitigation of which is expected to entail substantial long-term city, state, and federal investment.

Rating Sensitivities

▪ Maintenance of sound fiscal posture, budgetary flexibility, employment growth and revenue resiliency in the face of prevailing economic, policy, and social headwinds. ▪ Adoption of a formalized reserve policy targeting the size of reserves and conditions for deposits and withdrawals ▪ 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. ▪ Trend of reduced or eliminated projected out-year budget gaps.	**+**
▪ Secular economic decline and/or deterioration in a key economic segment, of sufficient magnitude to challenge budgetary balance. ▪ Relaxation of, or less adherence to, well-established policies and procedures.	**-**

The City of New York, NY	
Key Facts (2024)	
Net Indebtedness Per Capita[1]	$13,458
Overall Debt as a % of Full Market Value	7.6%
Debt Amortization Within 10 Years	44.4%
Fixed Costs as a % of Governmental Expenditures	12.9%
General Fund Balance as a % of General Fund Expenditures	3.1%
Population Estimate - Percentage Change (2014-2023)[2]	
City of New York	-4.6%
State of New York	-2.2%
United States	4.9%
Per Capita Income (2023)[3]	
New York City as % of State	109.5%
New York City as % of U.S.	129.1%

[1] For purposes of calculating debt per capita and debt as a percentage of full market value, KBRA considers Indebtedness of the City to include i) GO debt net of assets held for debt service and inclusive of net preimums (discounts), ii) capital leases, iii) PBC indebtedness subject to appropriation, which includes ECF, DASNY (Municipal Health Facilities Lease Revenue Bonds, Court Facilities Program Bonds and approximately half of rental payments for City University Construction Fund bonds relating to community college facilities), iv) IDA Stock Exchange Bonds; v) the amount of the City's contingent obligations to HYIC and HHC as of fiscal year end June 30, 2024, subject to appropriation and vi) TFA-FTS Senior and Subordinated Bonds. Although TFA-FTS indebtedness does not constitute debt of, and is not paid by the City, it is included in the debt ratios because it is payable from personal income tax revenues and, if necessary, sales tax revenues of the City which would otherwise be available for operations, and because of the TFA's significant role in funding the City's capital needs. The City's obligations to cover congtingent liabilities have not been triggered in recent years.

[2] *Source: City of New York 2024 ACFR, Bureau of Economic Analysis and U.S. Census*

[3] *Source: Bureau of Economic Analysis, U.S. Census Bureau*

Rating Determinants (RD)	
1. Management Structure and Policies	AA+
2. Debt and Additional Continuing Obligations	AA
3. Financial Performance and Liquidity Position	AA+
4. Municipal Resource Base	AA+

A detailed discussion of the abovementioned rating determinants, KBRA's bankruptcy assessment and ESG Management considerations can be found in prior reports, the most recent of which is dated February 28, 2025.

ESG Management

KBRA typically analyzes Environmental, Social, and Governance (ESG) factors through the lens of how issuers plan for and manage relevant ESG risks and opportunities. More information on KBRA's approach to ESG risk management in public finance ratings can be found here. Over the medium-term, public finance issuers will likely need to prioritize ESG risk management and disclosure with the likelihood of expansions in ESG-related regulation and rising investor focus on ESG issues.

KBRA analyzes many sector- and issuer-specific ESG issues but our analysis is often anchored around three core topics: climate change, with particular focus on greenhouse gas emissions; stakeholder preferences; and cybersecurity. Under environmental, as the effects of climate change evolve and become more severe, issuers are increasingly facing an emerging array of challenges and potential opportunities that can influence financial assets, operations, and capital planning. Under social, the effects of stakeholder preferences on ESG issues can impact the demand for an issuer's product and services, the strength of its global reputation and branding, its relationship with employees, consumers, regulators, and lawmakers, and, importantly, its cost of and access to capital. Under governance, as issuers continue to become more reliant on technology, cybersecurity planning and information management are necessary for most issuers, regardless of size and industry.