KBRA Assigns AA+ Rating to the City of New York General Obligation Bonds, Fiscal 2027 Series A. Outlook is Stable

New York (July 31, 2026)

KBRA assigns a long-term rating of AA+ to the City of New York General Obligation Bonds, Fiscal 2027 Series A. The Outlook is Stable.

Concurrently, KBRA affirms the long-term rating of AA+ on outstanding City of New York General Obligation Bonds, and revises the Outlook to Stable from Negative. The Outlook revision reflects the timely adoption of a $125.8 billion FY 2027 budget (the "Adopted Budget") that addresses approximately $8 billion in previously underbudgeted annual expenditures, balances Fiscal Years 2026 and 2027, incorporates enacted State support, and adds to the General Reserve without broad service reductions. While structural imbalance persists, the Adopted Budget's approach for fiscal years 2026 and 2027, though heavily reliant on non-recurring resources and timing delays, is meaningfully improved from the Preliminary Budget framework of potential property tax increases and reserve draws that underpinned KBRA's Negative Outlook, assigned on March 20, 2026.

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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