

KBRA Assigns AA+ Rating, Stable Outlook to the City of New York General Obligation Bonds

New York (October 3, 2025)

KBRA assigns a long-term rating of AA+ with a Stable Outlook to the City of New York (the City) General Obligation Bonds, Fiscal 2026 Series D and Fiscal 2026 Series E. The Fiscal 2026 Series D Bonds are tax-exempt. The Fiscal 2026 Series E Bonds consist of Taxable Bonds, Subseries E-1 and Taxable Social Bonds, Subseries E-2. Proceeds of the Series D Bonds and the Subseries E-1 Bonds will be used for capital purposes. Proceeds of the Subseries E-2 Bonds will reimburse prior City spending on certain affordable housing projects that qualify as Eligible Social Investments.

General Obligation (G.O.) Bonds, of which approximately \$46.72 billion were outstanding as of June 30, 2025, 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, 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.

A detailed discussion of key rating determinants pertaining to the City's G.O. Bonds is provided in KBRA's report dated [April 7, 2025](#).

The ratings reflect the following key credit considerations:

Credit Positives

- The 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 of the resource base supporting the G.O. Bonds.
- Institutionalized, long-range financial management and capital planning practices support financial stability.
- Reserves stand at a record \$8.5 billion (approximately 10% of City Funds revenue), although the City did not contribute to the General Reserve or the Rainy Day Reserve for FY 2026.
- Upward revisions to forecast tax revenues, combined with asylum seeker savings through FY 2027 and decreases in pension contributions through FY 2028, support near-term budgetary stability.
- Pension funded ratios have trended favorably in recent years. Annual debt service requirements are projected to remain below 15% of City tax revenues over the 2025-2029 forecast period.

Credit Challenges

- U.S. trade policy uncertainty and immigration policies could challenge the City's historically resilient resource base.
- While projected outyear gaps of \$5.04 billion in FY 2027, \$6.10 billion in FY 2028, and \$5.96 billion in FY 2029 are manageable by historical standards, various unbudgeted/underfunded items have the potential to pose material risks to the Financial Plan:
 - A potential court-ordered implementation of the CityFHEPS rental assistance voucher expansion could add an estimated \$10 billion to \$17 billion over five years.
 - Compliance with class size and special education mandates could increase operating costs by up to \$1.5 billion annually by FY 2028 and require additional capital spending.



- The Financial Plan underfunds paratransit and bus deficits and omits \$2 billion of the \$3 billion capital contribution assumed in MTA's financial plan.
- Increases in employee health insurance premiums could add between \$539 million to \$646 million in each year of the Financial Plan.
- Potential losses/reductions in federal and State funding, include: categorical grants to the City, the New York City Housing Authority (NYCHA) and New York City Health + Hospitals (NYCHH), a State pass-through of federal spending cuts, and/or elimination of the State subsidy related to the NYCHH Indigent Care Pool.
- A State mandate to pay 100% of child welfare provider maximum aid rates could add up to \$179 million per year beginning in FY 2026.

KBRA will continue to closely monitor the above credit headwinds and their impact on the City's G.O. credit.

Rating Sensitivities

For Upgrade

- Maintenance of sound fiscal posture, employment growth and revenue resiliency in the face of prevailing policy and economic headwinds.
- Adoption of a formalized reserve policy targeting reserve size 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 projected out-year budget gaps.

For Downgrade

- Budgetary instability, significant depletion of reserves or materially increased out-year budget gaps.
- Prolonged secular economic decline or deterioration in key economic sectors that erodes General Fund revenues, without offsetting expenditure reductions.
- Relaxation of, or diminished adherence to, well-established policies and procedures.

To access ratings and relevant documents, click [here](#).

Related Publication

- [City of New York, NY - G.O.](#)

Methodologies

- [Public Finance: U.S. Local Government General Obligation Rating Methodology](#)
- [ESG Global 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.

About KBRA

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