MOODY'S
RATINGS

Rating Action: Moody's Ratings revises New York City's (NY) outlook to negative, affirms Aa2 issuer rating

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New York, March 11, 2026 -- Moody's Ratings (Moody's) has revised the outlook of the City of New York (NY) to negative from stable and has affirmed its Aa2 issuer rating.

The negative outlook reflects the emergence of sizable and persistent projected budget gaps that signal underlying structural imbalance and reduced financial flexibility, despite New York City's stillfavorable economic conditions.

We have also affirmed the ratings on the following debt classes:

- The Aa2 ratings on the city's general obligation bonds;

- The Aa1 ratings on future tax secured bonds issued through the New York City Transitional Finance Authority (TFA);

- The Aa2 ratings on revenue bonds issued through the Hudson Yards Infrastructure Corporation (HYIC);

- The Aa3 underlying and enhanced ratings on appropriation-backed bonds issued through: the Dormitory Authority of the State of New York; the New York City Health and Hospitals Corporation (HHC); the New York City Educational Construction Fund (ECF); and the New York City Industrial Development Agency (IDA);

- The VMIG 1 ratings assigned to variable rate demand general obligation and TFA bonds with conditional liquidity support.

Please click on this link http://www.moodys.com/viewresearchdoc.aspx?docid=PBM_PBM909598240 for the List of Affected Credit Ratings. This list is an integral part of this Press Release and identifies each affected issuer.

RATINGS RATIONALE

The Aa2 issuer rating reflects New York City's very large and diverse economic base, which continues to support solid revenue growth and provides substantial credit strength. Employment remains near historic highs, assessed values have continued to expand even despite some persistent commercial real estate challenges, and population trends reflect post-pandemic recovery. The city's competitive advantages-including a deep and highly skilled labor force, global financial and cultural prominence, strong higher education and healthcare institutions, and extensive domestic and international transportation links-underpin long-term economic resilience and provide substantial capacity to generate revenue across economic cycles.

The rating is further supported by the city's very strong institutional framework and financial governance, which have historically enabled timely and effective responses to fiscal pressures. New York City benefits from disciplined budget practices, a well-developed financial planning process, and a track record of adjusting expenditures and financial plans to maintain balance. These strengths are particularly important given the city's broad operational responsibilities and above-average debt burden. While the city maintains sizeable budgetary reserves and fixed costs that compare favorably with those of other large local governments, the presence of ongoing fiscal pressures and growing expenditure demands weighs on the credit profile and underscores the importance of sustained policy discipline.

The Aa2 general obligation rating is the same as New York City's issuer rating given the city's full faith and credit pledge to pay the bonds.

The Aa1 TFA subordinate lien rating, one notch higher than New York City's issuer rating, reflects very strong debt service coverage provided by the dedicated pledge of personal income tax and sales tax revenue, combined with robust cashflow protections and legal insulation from the city's bankruptcy risk.

The Aa2 HYIC rating reflects steady growth in the recurring property tax-like revenue used to pay debt service on the bonds, and the expectation that the city will not have to appropriate any interest support payments for the remaining life of the bonds, although its obligation to do so if needed remains in place.

The underlying and enhanced Aa3 ratings on the city's appropriation-backed obligations issued through DASNY, HHC, ECF and the IDA, one notch below the city's issuer rating, reflect the city's absolute and unconditional commitment to make lease or contract payments, subject to annual appropriation, combined with the essential or strategic nature of the financed projects and generally moderate legal structures that include additional payment and reserve protections. The ratings also incorporate the strong relationship between the city and the issuing entities, as well as mechanisms that enhance payment certainty, while remaining constrained by appropriation risk.

The VMIG 1 short-term ratings assigned to both general obligation and TFA future tax secured bonds reflect (i) the credit quality of the various banks acting as liquidity support providers under the standby bond purchase agreements (SBPAs); and (ii) our assessment of the likelihood of an early termination of each SBPA without a mandatory tender.

RATING OUTLOOK

The outlook change to negative reflects New York City's updated spending projections, which give rise to larger multi-year budget gaps than previously forecast. That the city projects large and persistent imbalances under still-favorable economic and revenue conditions highlights the extent of its underlying structural budget challenges. Over the next 12 months, the outlook will be influenced by the city's ability to narrow projected gaps through recurring measures and demonstrate progress toward restoring structural balance within its financial plan. Gap-closing strategies that rely on non-recurring measures, including the use of reserves, would limit financial flexibility, especially if economic growth slows sharply or an outright downturn materializes. State-level proposals to enhance revenue or other spending policy changes that benefit the city could have a stabilizing effect over time, if enacted.

FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATINGS

- Maintenance of sustainable, structurally balanced budgets

- Stronger reserves, including replenishment after the planned draw on Revenue Stabilization Fund and establishment of a mechanism to make regular deposits to it

- Reduction of fixed costs ratio closer to Aa median of about 11%

FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATINGS

- Forecast budget gaps, excluding one-time solutions, that drive them closer to 10% of city funds revenue

- Return to negative available fund balance, or use of OPEB assets to balance the budget

- Economic events such as sustained declines in equity prices, or trends that create significant persistent structural budget imbalances

- Divergence from well-established fiscal practices and strong budgetary management

PROFILE

New York City is the largest city in the US by population (8.48 million estimated as of July 2024) and by the size of its economy (real GDP of $1.1 trillion). New York City's GDP is larger than all but four states. The size and scope of the city's operations are broader than most local governments: in addition to the city government, New York City is five counties and the nation's largest public school system, with approximately one million students.

METHODOLOGY

The principal methodology used in the issuer and long-term ratings was US Cities and Counties published in December 2025 and available at https://ratings.moodys.com/rmc-documents/455983. The principal methodology used in the short-term ratings was US Municipal Short-term Debt published in October 2024 and available at https://ratings.moodys.com/rmc-documents/430699. Alternatively, please see the Rating Methodologies page on https://ratings.moodys.com for a copy of these methodologies.

REGULATORY DISCLOSURES

The List of Affected Credit Ratings announced here are all solicited credit ratings. For additional information, please refer to Moody's Policy for Designating and Assigning Unsolicited Credit Ratings available on its website https://ratings.moodys.com. Additionally, the List of Affected Credit Ratings includes additional disclosures that vary with regard to some of the ratings. Please click on this link http://www.moodys.com/viewresearchdoc.aspx?docid=PBM_PBM909598240 for the List of Affected Credit Ratings. This list is an integral part of this Press Release and provides, for each of the credit ratings covered, Moody's disclosures on the following items:

- Rating Solicitation

- Issuer Participation

- Participation: Access to Management

- Participation: Access to Internal Documents

- Endorsement

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.

For any affected securities or rated entities receiving direct credit support/credit substitution from another entity or entities subject to a credit rating action (the supporting entity), and whose ratings may change as a result of a credit rating action as to the supporting entity, the associated regulatory disclosures will relate to the supporting entity. Exceptions to this approach may be applicable in certain jurisdictions.

For ratings issued on a program, series, category/class of debt or security, certain regulatory disclosures applicable to each rating of a subsequently issued bond or note of the same series, category/class of debt, or security, or pursuant to a program for which the ratings are derived exclusively from existing ratings, in accordance with Moody's rating practices, can be found in the most recent Credit Rating Announcement related to the same class of Credit Rating.

For provisional ratings, the Credit Rating Announcement provides certain regulatory disclosures in relation to the provisional rating assigned, and in relation to a definitive rating that may be assigned subsequent to the final issuance of the debt, in each case where the transaction structure and terms have not changed prior to the assignment of the definitive rating in a manner that would have affected the rating.

Moody's does not always publish a separate Credit Rating Announcement for each Credit Rating assigned in the Anticipated Ratings Process or Subsequent Ratings Process.

Regulatory disclosures contained in this press release apply to the credit rating and, if applicable, the related rating outlook or rating review.

Please see https://ratings.moodys.com for any updates on changes to the lead rating analyst and to the Moody's legal entity that has issued the rating.

Please see the issuer/deal page on https://ratings.moodys.com for additional regulatory disclosures for each credit rating.

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