S&P Global
Ratings

RatingsDirect®

Summary:

New York City; General Obligation

Primary Credit Analyst:
Thomas J Zemetis, New York + 1 (212) 4381172; thomas.zemetis@spglobal.com

Secondary Contact:
Victor M Medeiros, Boston + 1 (617) 530 8305; victor.medeiros@spglobal.com

Table Of Contents

Summary:

New York City; General Obligation

Credit Profile		
US$1750.0 mil taxable GO bnds, fiscal 2025 ser H dtd 04/29/2025 due 02/01/2055		
Long Term Rating	AA/Stable	New
US$1500.0 mil GO bnds, fiscal 2025 Series G ser G-1 dtd 9//20/04/2 due 02/01/2053		
Long Term Rating	AA/Stable	New
US$70.77 mil GO bnds, fiscal 2012 series D ser D-3A dtd 04/29/2025 due 10/01/2039		
Long Term Rating	AA/Stable	New
New York City GO bnds, fiscal 2012 series D ser D-3A dtd 04/29/2025 due 10/01/2039		
Long Term Rating	AA/Stable	Current

Credit Highlights

- S&P Global Ratings assigned its 'AA' long-term rating to New York City's $1.5 billion tax-exempt general obligation (GO) bonds, fiscal 2025 series G, subseries G-1, and to the city's $1.75 billion taxable GO bonds, fiscal 2025 series H.
- Our long-term rating on the city's approximately $70.8 million GO bonds, fiscal 2012 series D, subseries D3-A--which are variable-rate bonds and will be reoffered as fixed-rate bonds on April 29, 2025, the conversion date--is 'AA'.
- The outlook is stable.

Security

New York City's faith and credit, including its obligation to levy and collect ad valorem taxes without limitation as to rate or amount, secures the fiscal 2025 series G and H bonds and its GO debt outstanding. As of Dec. 31, 2024, the city had about $43 billion of GO debt outstanding.

Fiscal 2025 series G and H bond proceeds will fund citywide capital expenditures.

Credit overview

We monitor developments involving the city's mayor and the departures of officials for any material and persistent disruptions to the continuity of operations or timely financial decision-making, but to date these events have not impeded the city's ability to fulfill financial reporting requirements for the current year and key budget development milestones for fiscal 2026. Beyond its underlying governance strengths and the dynamism and resilience of the city's economy, which we believe support stable credit quality over the outlook horizon, S&P Global Ratings acknowledges unusually high uncertainty about U.S. federal policy implementation on trade and tariffs, immigration, and the administration of federal funding to states and cities.

Evolving employment and business conditions could soften New York City's near-term growth due to economic and policy uncertainties, but we generally expect that the city's economic growth metrics will continue to mirror those of the U.S. over the outlook period. Based on S&P Global Economics' report "Economic Outlook U.S. Q2 2025: Losing Steam Amid Shifting Policies," published March 25, 2025, on RatingsDirect, the shifting policy mix is altering the U.S. economic outlook, with our assumptions reflected in a likely downshift in GDP growth in 2025. We forecast the annual average U.S. real GDP growth rate to slow to 1.9% in 2025 and 2026 (down from 2.0% in both years in our December 2024 forecast). This is a sizable deceleration from the 3.2% and 2.8% expansion seen in 2023 and 2024, respectively. The risk of a sharper slowdown and inflationary pressures has increased amid persistent policy uncertainty and the implementation of tariffs against imports from all of U.S. trading partners, which exceeded our expectations in both size and scope. This could erode purchasing power, worsen equity market conditions, and elevate business and private investment uncertainty, and are likely to further weaken growth. That said, S&P Global Ratings Economics does not yet see a recession as the most likely outcome, but has raised its probability of a recession to 30%-35% within the next 12 months, compared to 25% in March. (See "'Liberation Day' Tariff Announcements: First Take On What It Means For U.S. And Global Outlook," published April 3, 2025.) However, we acknowledge that risk of a downturn will rise if conditions weighing on growth and sentiment intensify. We will monitor how current and possible future policy actions are implemented and their effect on consumer spending, Wall Street profits, and the city's tax revenue in future years. In addition, certain segments of the city's economy, including construction, leisure and hospitality, and other services, could experience disproportionate inflationary wage and cost increases stemming from more restrictive immigration policy.

In our view, the city's demonstrated economic resiliency continues to improve projected tax revenue, as evident in the $2 billion (or 2.1%) projected tax revenue increase for fiscal 2026 in the January 2025 financial plan compared with November 2024 financial plan estimate. The city's preliminary $114.5 billion fiscal 2026 budget (released in January 2025) closes the projected $5.5 billion November 2024 financial plan gap through a combination of upward revisions to its tax revenue forecast, additional savings--including $1.3 billion in cost reductions related to asylum seekers--and $2.3 billion for the prepayment in fiscal 2025 of fiscal 2026 expenses, although this expected prepayment is lower than in past years. Potential out-year structural gaps of $4.2 billion for fiscal 2027, $5.4 billion for fiscal 2028, and $5.1 billion for fiscal 2029 have been identified within the city's 2025-2029 long-term financial plan as the city incorporates funding for certain programs throughout the entire financial plan. However, we believe that the strength and resiliency of the economic and tax base as well as robust financial oversight and expenditure controls will continue to support balanced operating results and overall stability of financial reserves, thus helping position the city to weather a shallower but potentially more protracted national economic slowdown.

As we look to the mayor's forthcoming fiscal 2026 budget proposal and out-years, the potential for economic and fiscal disruption could intensify for the city given several uncertainties we are watching over the outlook horizon:

- Federal policy and funding priority changes could result in delays, clawbacks, or reductions of federal aid or shifting costs that the city would be responsible for funding. While recent claw backs and delays have had a marginal impact on fiscal 2025 operations, further retrenchment in areas where federal funding has traditionally played a large role could affect the city's ability to deliver essential services and reduce operating performance. The city comptroller has suggested adding $1 billion to the general reserve fund for fiscal 2026 and $847 million to the revenue stabilization fund in fiscal 2025 to help mitigate potential cuts to federal aid or tax revenue losses resulting from economic policy uncertainties. Federal funds constitute approximately $7.4 billion (or 6.4%) of the city's preliminary fiscal 2026 budget.

- New York State's fiscal 2026 executive budget proposal includes provisions that, if enacted, could impose additional expenditure mandates on the city to match additional state funding toward the Metropolitan Transportation Authority's 2025-2029 Capital Program, and to fund a share of the authority's net paratransit operating deficit. In addition, the proposed budget does not include the additional funding for asylum seeker costs assumed in the January 2025 financial plan, and this could impose higher expenditures on the city over the near term.
- As with many large U.S. cities, employees' return to office is lagging with office vacancy rates of more than 20% in NYC, and we monitor the potential effects of lower office valuations on the city's finances. While pressure is most pronounced on Class B office space, which accounts for 1.4% of revenue, flattening vacancy rates across this segment could indicate a leveling-off. We will watch the extent to which stress extends to Class A and Trophy offices and effects on property valuations. However, we note that overall office property taxes accounted for only about 5.6% of total fiscal 2024 revenue, and the city's assessment process spreads the full effects of new valuations over five years, which we consider potentially mitigating factors.

At the same time, we view the city's budget as having exposure to periodic events and uncertainties that have been disruptive to financial performance, complicating its ability to absorb these additional costs given the balanced budget requirements under the Financial Emergency Act. Illustrating this point is the city's recent response to a surge in migrants and asylum seekers and the related effect on the budget. (See "Migrants And Asylum Seekers Pose Budgetary Challenges In New York City, Chicago, And Denver," published Feb. 13, 2024.) Asylum seeker service expenditures continue to abate since the November 2023 financial plan because of declining arrivals and cost-saving measures that the city implemented--including its Program to Eliminate the Gap (PEG)--but the city has gradually rolled some of these measures back. The financial plan reflects asylum seeker costs gradually falling to $850 million in fiscal 2029 from $3.3 billion in fiscal 2025. We expect management will continue to take the steps it deems necessary to address periodic event risks and bring the budget into balance, as is legally required.

The city's fixed costs, including pension and other postemployment benefit (OPEB) costs, remain manageable relative to its revenue and economic base, but we believe future debt issuance to support its substantial capital needs will keep per capita metrics elevated compared with those of peers. In addition, as a result of more subdued property price appreciation and higher capital costs because of inflation, the city could approach its constitutional debt limit of 10% of the five-year average of property values. To provide more room for the city to address its substantial capital needs, New York State's enacted fiscal 2025 budget amended the New York City Transitional Finance Authority Act, increasing the amount of future tax secured bonds authorized to be outstanding that will not be subject to the city's debt limit to $27.5 billion from $13.5 billion. Pursuant to this change, $8 billion of such increased capacity became available July 1, 2024, with the remaining $6 billion to become available July 1, 2025. Furthermore, in 2024 a judge's decision thwarted the city's attempt to address its large unfunded net OPEB liability by shifting employees to Medicare Advantage. The city continues to make payments under its current OPEB plan.

The long-term rating reflects our view of the city's:

- Economic dynamism, resiliency, and diversity, with the city holding the status as 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 county product metrics that compare favorably with those of the U.S., and the base is also anchored by the presence of first-class universities and health care providers, an expansive and active finance and venture capital industry, and the attractiveness of its leisure and business travel destination.

- Overall balanced financial performance through a combination of better-than-forecast revenue due to the city's post-pandemic resiliency and robust business income and sales tax revenue recovery, cost-savings measures from its PEGs, and significant inflows of federal aid as part of the American Rescue Plan Act and other federal relief programs. Our assessment of the city's financial performance also factors in its exposure to disruptive events and uncertainties that have materially increased costs that the city has absorbed into its budget, which can make balancing its budget more difficult.
- Large financial reserves of almost $11.4 billion (10.1% of general fund expenditures) at fiscal year-end 2024 (including the $4.4 billion surplus roll), which provide an important buffer against potential budgetary challenges.
- Sophisticated management with comprehensive financial policies, long-term financial planning, and practices that we believe support effective monitoring of the budget and additionally include risk management strategies for cyber security, preparedness for physical risk events, and transparency for stakeholders. PlaNYC, released in 2023, highlights the city's efforts to protect its economy and population from climate change threats, underpinning management's proactive strengths.
- Nominally large but manageable debt service costs relative to the city's budget that remain below the 15.0%-of-operating-expenditures threshold over the financial plan, although the inclusion of pension and OPEB contributions pushes costs to 20.9%. Combined debt and pension liabilities relative to the revenue base are approximately 125% of total government fund revenue, which we view as comparable with those of other large U.S. cities. However, a very high net OPEB liability of nearly $98.3 billion in fiscal 2024 partly offsets this, precluding a higher rating in the near term.
- 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 for residents, which provides additional revenue flexibility to match ongoing expenditures. For more information on our institutional framework assessment for New York municipalities, see "Institutional Framework Assessment: New York Local Governments," published on Sept. 10, 2024.

Environmental, social, and governance

New York City benefits from a governance structure under the Financial Emergency Act that requires maintenance of a balanced budget, and from strong planning practices that mitigate risk and ensure that the financial plan addresses out-year budget gaps. In addition, 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.

We view social capital risks as a potential weakness in terms of recovery and long-term economic growth. For example, the city's high cost of living underscores the disparity in housing affordability, which could lead to a longer-term shift in demographic trends. To help mitigate this risk, the city continues planning and providing financing for the development of affordable housing units in all its neighborhoods. The recent surge in migrants and asylum seekers could present a demographic opportunity, as it could underpin future economic growth, although at the same time it could exacerbate issues around affordable housing and further tie up operational and financial resources. In addition, the city continues to prioritize resources and efforts to tackle crime. To that end, in 2023 it announced the Blueprint for Community Safety, in which it will invest $485 million to create safer communities, prioritizing precincts with the highest rates of gun violence.

We believe the city's exposure to the Atlantic coastline presents chronic and acute physical climate risks that are elevated relative to 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 peers in planning for and mitigating these risks, such as in its integration of climate scenarios underpinned by local scientific projections into its climate resiliency design guidelines that consider various climate hazards, including heat, precipitation, flooding, and sea-level rise. Furthermore, it 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 climate change. Finally, the city is recruiting the offshore wind industry to diversify its economy and energy production in the face of decarbonization and net-zero policy initiatives. In our view, its development of key performance indicators to monitor its sustainability and resiliency efforts, as well as its publication of annual reports showing progress toward its goals, are positive for transparency and accountability.

Outlook

The stable outlook reflects our view of New York City's relatively resilient economy, which we believe will provide steady tax revenue growth that supports ongoing budgetary needs over the outlook period. We believe its commitment to building reserves to a level that exceeds pre-pandemic amounts on a sustained basis supports its credit fundamentals. Our view of the city's stable outlook is also predicated on its continuing ability to navigate potentially disruptive uncertainties and sustain financial stability over the near term, particularly amid evolving federal and state policy and funding priorities.

Downside scenario

We could lower the rating if the city fails to address its projected budget gaps, if national macroeconomic weakness impedes the economic recovery, or if longer-term population migration and working conditions fundamentally alter the revenue forecast and property tax values. We could also lower the rating if persistent and material disruptions to the city's operating environment cause structural misalignment of revenue and expenditures to emerge, and we view the timeliness and adaptability of the city's governance and policy frameworks to be diminished in bringing spending into alignment with revenue without one-time solutions and draws on liquidity.

Upside scenario

Should the city's economic trajectory and financial reserves remain robust, we could raise the rating or revise the outlook to positive if we view the city's debt and OPEB liabilities metrics as materially improved from currently elevated levels.

New York City--Key credit metrics

	Most recent	2024	2023	2022	2021
Economy					
GMP per capita as % of U.S.	142	--	142	143	142
Metro area PCPI as % of U.S.	129	--	129	128	128
Market value ($000s)	1,587,038,615	1,453,863,073	1,348,408,001	1,271,275,008	1,177,160,961
Market value per capita ($)	192,181	176,054	163,284	152,506	139,021

New York City--Key credit metrics (cont.)					
	Most recent	**2024**	**2023**	**2022**	**2021**
Top 10 taxpayers as % of taxable value	9	--	9	9	8
City unemployment rate (%)	5.2	--	5.2	5.7	10.1
Local median household EBI as % of U.S.	101	--	101	103	100
Local per capita EBI as % of U.S.	112	--	112	115	112
Local population	8,258,035	--	8,258,035	8,335,897	8,467,513
Financial performance					
Operating fund revenue ($000s)	--	112,387,407	107,779,550	106,795,525	99,182,509
Operating fund expenditures ($000s)	--	112,539,397	107,714,699	105,487,753	99,591,563
Net transfers and other adjustments ($000s)	--	217,898	169,391	147,672	96,428
Operating result ($000s)	--	65,908	234,242	1,455,444	(312,626)
Operating result as % of revenue	--	0.1	0.2	1.4	(0.3)
Operating result three-year average %	--	0.5	0.4	0.3	(0.1)
Reserves and liquidity					
Available reserves as % of operating revenue	--	10.1	11.8	12.6	10.9
Available reserves ($000s)	--	11,399,240	12,755,406	13,445,348	10,826,057
Debt and liabilities					
Debt service cost as % of revenue	10.4	10.4	11.2	11.4	14.4
Net direct debt per capita ($)	12,451	12,751	13,018	11,184	10,761
Net direct debt ($000s)	102,822,097	105,295,403	107,500,113	93,228,845	91,122,490
Direct debt 10-year amortization (%)	44	--	--	--	--
Pension and OPEB cost as % of revenue	10.5	10.5	11	13	12
Net pension liabilities per capita ($)	4,524	4,524	4,830	5,055	1,267
Combined net pension liabilities ($000s)*	37,357,819	37,357,819	39,884,157	42,136,889	10,720,448

Note: Financial data may reflect analytical adjustments and is sourced from issuer audit reports or other annual disclosures. *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, 2024. Economic data is generally sourced from S&P Global Market Intelligence (based on information from the Bureau of Economic Analysis), the Bureau of Labor Statistics, Claritas, and issuer audits and other disclosures. EBI--Effective buying income. GMP--Gross metro area product. OPEB--Other postemployment benefits. PCPI--Per capita personal income.

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.spglobal.com/ratings for further information. Complete ratings information is available to RatingsDirect subscribers at www.capitaliq.com. All ratings affected by this rating action can be found on S&P Global Ratings' public website at www.spglobal.com/ratings.