



RATING ACTION COMMENTARY

Fitch Rates NYC Transitional Finance Auth \$1.5B Fiscal 2026 Ser B Bonds 'AAA'; Outlook Stable.

Fri 17 Oct, 2025 - 3:04 PM ET

Fitch Ratings - New York - 17 Oct 2025: Fitch Ratings has assigned a 'AAA' rating to the following New York City Transitional Finance Authority (TFA) future tax secured (FTS) subordinate bonds:

--\$1.5 billion fiscal 2026 (tax-exempt) series B.

The bonds will be sold through negotiated sale on Oct. 21 and Oct. 22. Proceeds of the series B bonds will be used for general capital purposes.

The rating on the TFA's outstanding subordinate lien FTS bonds is 'AAA'.

The Rating Outlook is Stable.

RATING ACTIONS

ENTITY / DEBT ⚡	RATING ⚡	PRIOR ⚡
New York City Transitional Finance Authority (NY)		

New York City	LT	AAA Rating Outlook Stable	AAA Rating
Transitional Finance			Outlook
Authority (NY) /NYC			Stable
TFA Future Tax	Affirmed		
Secured -			
Subordinated/2 LT			

VIEW ADDITIONAL RATING DETAILS

The 'AAA' rating on the subordinate future tax-secured (FTS) revenue bonds reflects solid long-term growth prospects for pledged revenue and the bonds' highly resilient structure. Fitch anticipates that the bond structure will be able to withstand changes in economic cycles and maintain solid debt service coverage.

Fitch's analysis indicates resilience would be strong, even if New York City leveraged the pledged revenue up to its legally permitted amount, but Fitch expects issuance to be well below that level as excess revenue flows to the city for general operations. The very strong legal structure insulates bondholders from the operating risk of New York City (Issuer Default Rating [IDR], AA/Stable).

RATING SENSITIVITIES

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

A decline in pledged revenue that is more severe and prolonged than anticipated, combined with a significant increase in leverage closer to the additional bonds test (ABT).

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

Not applicable, as the bonds are already rated at Fitch's highest rating level.

DEDICATED TAX SECURITY

The bonds are payable from a subordinate lien on revenue derived from a personal income tax (PIT) and a sales and use tax (SUT, collectively, the pledged revenue) imposed by New York City, as authorized by the state of New York. Payment of the PIT and SUT revenue to the TFA is not subject to city or state appropriation.

All references to PIT revenue also include the revenue from the NYC pass-through entity tax (PTET) on certain partnerships and S corporations that elect to pay such tax and whose

partners or shareholders receive a corresponding credit against their PIT liabilities.

SUT revenue will be available for the payment of debt service if PIT revenue is projected to be insufficient to provide at least 150% of the maximum annual debt service (MADS) on the TFA's outstanding bonds.

Additional bonds may be issued as senior bonds if net pledged revenue for the 12 consecutive calendar months preceding authorization is at least 3x the maximum amount of annual senior debt service, including debt service on the bonds to be issued. Senior lien bonds, if issued, are subject to a \$330 million limit on quarterly debt service. The TFA does not have any senior lien obligations outstanding.

The subordinate ABT requires that pledged revenue for the most recent fiscal year is at least 3x the sum of \$1.32 billion (covenanted MADS for senior lien bonds) plus projected maximum annual subordinate debt service, including debt service on the bonds to be issued. Debt service on variable-rate bonds is assumed at the maximum rate for the purposes of the ABT.

DEDICATED TAX KEY RATING DRIVERS

Growth Prospects for Revenues - 'aa'

Solid Growth Prospects

Pledged revenues benefit from the city's unique economic profile, which reflects its identity as an international center for numerous industries and institutions, and a major tourist destination. Fitch believes longer-term growth levels of pledged revenue may slow from the record fiscal 2025 levels but remain solid at levels between long-term rates of inflation and U.S. GDP. This level of revenue growth is consistent with a 'aa' assessment.

Sensitivity and Resilience - 'aaa'

Robust Resilience

The high coverage levels from growing pledged revenue provide for very strong levels of resilience to changes in the economy and through downturns. Strong legal and practical protection against overleveraging also supports the 'aaa' level of resilience.

Exposure To Related Government

Strong Legal Framework

The bankruptcy-remote, statutorily defined nature of the issuer pursuant to state legislation and a bond structure involving a first-perfected security interest in the PIT and SUT revenue are key credit strengths. Payment of the PIT and SUT revenue to the TFA is not subject to city or state appropriation. Statutory covenants prohibit action that would impair bondholders.

As a true sale structure, TFA's rating is limited to six notches above New York City's IDR of 'AA/Stable'.

PROFILE

PIT revenues increased by 17.8% in fiscal 2025 (ended June 30) to a record level of \$18.5 billion, mostly due to stronger financial services profits and Wall Street bonus activity. Approximately 73% of PIT revenues were collected through withholding, which slightly exceeds the 10-year average of 71%. PIT revenues are projected by the city to decline slightly in fiscal 2026 before improving annually through fiscal 2029.

SUT revenues experienced more moderate growth in fiscal 2025 (+4.5%) yoy, reflecting a spend-down of excess savings, inflationary pressures and a pullback in growth of the overall economy considering some uncertainties around the effect of federal policy decisions. The city's June 30, 2025 financial plan for the fiscal years 2025 through 2029, shows annual SUT revenue continuing to experience moderate growth over the plan period.

Pro forma debt service coverage remains very strong at 4.8x. This is based on audited fiscal 2025 pledged revenue of \$28.8 billion, compared with projected fiscal 2029 debt service of \$6.05 billion. The projected debt service assumes issuances of an additional \$24.6 billion in new debt through fiscal 2029 for general city capital purposes after giving effect to the issuance of the series B bonds.

Fiscal 2025 pledged revenue grew by a strong 12.7% yoy and covered annual debt service by a very strong 7.6x. Future year projections show relatively flat pledged revenue growth in fiscal 2026 and growth of 2.2% in fiscal 2027, 4.6% in fiscal 2028 and 4.0% in fiscal 2029.

Fitch considers the city's pledged revenue projections to be reasonable and for economic growth to moderate in fiscal 2026 due to the still relatively high interest rate environment, reduced but still active consumer spending levels and the uncertainty of the impact of the new federal administration's policy actions. Fitch expects job growth to decelerate;

however, tourism, which has rebounded and started to surpass pre-pandemic levels, is expected to remain relatively healthy, notwithstanding a slowdown in foreign visitors.

As of Aug. 31, 2025, the city and the TFA's combined remaining debt-incurring power was approximately \$41.7 billion. The state's fiscal 2025 budget increased the total authorized amount of FTS bonds to be outstanding, and not subject to the city's debt limit, by \$14 billion from \$13.5 billion to \$27.5 billion, with \$8 billion of such increased capacity available beginning on July 1, 2024 and the remaining \$6 billion available beginning on July 1, 2025. The fiscal 2026 enacted budget for the state of New York further increased the total amount of FTS bonds authorized to be outstanding and not subject to the city's debt limit by an additional \$3.0 billion, with the total authorized amount not subject to the city's debt limit increasing to \$30.5 billion as of July 1, 2025.

The statutory debt limits are binding on the TFA but are not covenants with bondholders and are subject to change by legislation adopted by the state.

Fitch expects the city will manage future debt issuances to comply with city debt policies and that future TFA debt service coverage will remain well above ABT permitted levels, as management relies on surplus revenue to support operations.

Economic Resource Base

Fitch considers the city's status as an international center for numerous industries and institutions and as a major tourism destination, as well as its proven resilience through the recent and prior severe economic disruptions, as credit strengths. Job growth following the pandemic picked up notably during 2022 and 2023 and reached record highs through year-end 2024. As of August 2025, total employment in the city of 4,879,900 was up 1.9% since August 2024, according to data provided by the New York State Department of Labor, which are not seasonally adjusted.

The local economy and operating budget remain strongly linked to the financial activities sector, which was relatively unaffected by the pandemic and accounts for 25% of earnings, compared with 10% for the U.S., according to 2023 data. Professional and business services accounted for 21% of earnings during the same period, and this sector, along with the financial activities sector, has a higher share of wage earnings than the other service-producing and governmental sectors in the city, based on 2023 data.

The city's economic profile features high wealth levels; per capita personal income was approximately 129% of the U.S. average in 2023. However, the city's above-average

individual poverty rate of 17.2% exceeds the national rate of 12.5%, indicating some income disparity and the demand for social services, also common to other large urban U.S. cities.

Estimated census figures for July 2024 report the city's population at 8,478,072, a 1.0% yoy increase but a 3.7% decrease from 2020. New York is the most populous city in the U.S., and its population is larger than the combined populations of Los Angeles and Chicago, the next two most populous in the nation.

Solid Pledged Revenue Growth Prospects

Total pledged revenues grew at a CAGR of approximately 5.2% over the 10 fiscal years through 2025. Fitch believes the city continues to have solid economic growth prospects. Given the sensitivity of both PIT and SUT revenues to economic activity, Fitch expects revenue growth over time to exceed its expectations for long-term rates of inflation but be below GDP growth, consistent with a 'aa' revenue growth assessment.

Sensitivity and Resilience of Pledged Revenues through Economic Declines

To evaluate the sensitivity of the dedicated revenue stream to cyclical decline, Fitch considers both revenue sensitivity results (using a 1% decline in national GDP stress scenario) and the largest decline in revenues over the period covered by the revenue sensitivity analysis. The Fitch Analytical Stress Test (FAST) model generates a 7.3% decline in pledged revenue under the -1% U.S. GDP moderate recession scenario. The largest actual cumulative decline in historical revenues was a sizable 17.9% drop between fiscal years 2001 and 2003. A slightly smaller decline occurred in fiscal 2009 amid the financial crisis. Both were due in part to recessions; the former was also affected by the September 11 terrorist attacks and the latter by adjustments for prior-year PIT overpayments.

Assuming issuance up to the 3.0x ABT, Fitch estimates that pledged revenues would have to decline by roughly 67% before MADS coverage is less than 100%, or 9.1x the revenue sensitivity results produced by FAST in a 1% U.S. GDP decline scenario and more than 3.7x the largest actual cumulative decline. These results are consistent with a 'aaa' resilience assessment. Fiscal 2025 pledged revenues of \$28.8 billion could decline by 79% and still cover pro forma annual debt service of \$6.05 billion in fiscal 2029 by 1.0x.

Fitch believes issuance to the ABT is highly unlikely, given the city's debt issuance plans for pledged revenues and reliance on residual revenue for its operations. Fitch assumes the city would delay future borrowing plans if pledged revenues fell significantly short of

management's expectations to preserve sufficient residual revenues to fund operating expenses.

Pledged PIT revenues are deposited into the collection account daily, with a monthly amount retained in the debt service fund equal to one-half of the debt service payable in the subsequent three-month period. Revenues are retained for debt service until debt service is fully funded for the following three-month period.

Date of Relevant Committee

08-May-2025

Sources of Information

In addition to sources of information identified in Fitch's applicable criteria specified below, this action was informed by data from DIVER by Solve.

REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

The principal sources of information used in the analysis are described in the Applicable Criteria.

ESG CONSIDERATIONS

Fitch does not provide ESG relevance scores for New York City Transitional Finance Authority (NY).

In cases where Fitch does not provide ESG relevance scores in connection with the credit rating of a transaction, programme, instrument or issuer, Fitch will disclose any ESG factor that is a key rating driver in the key rating drivers section of the relevant rating action commentary. For more information on Fitch's ESG Relevance Scores, visit <https://www.fitchratings.com/topics/esg/products>

FITCH RATINGS ANALYSTS

Kevin Dolan

Director

Primary Rating Analyst

+1 212 908 0538

kevin.dolan@fitchratings.com

Fitch Ratings, Inc.

Hearst Tower 300 W. 57th Street New York, NY 10019

Michael Rinaldi

Senior Director

Secondary Rating Analyst

+1 212 908 0833

michael.rinaldi@fitchratings.com

Karen Ribble

Senior Director

Committee Chairperson

+1 415 732 5611

karen.ribbon@fitchratings.com

MEDIA CONTACTS

Cristina Bermudez

New York

+1 212 612 7892

cristina.bermudez@thefitchgroup.com

Additional information is available on www.fitchratings.com

PARTICIPATION STATUS

The rated entity (and/or its agents) or, in the case of structured finance, one or more of the transaction parties participated in the rating process except that the following issuer(s), if any, did not participate in the rating process, or provide additional information, beyond the issuer's available public disclosure.

APPLICABLE CRITERIA

[U.S. Public Finance Local Government Rating Criteria \(pub. 02 Apr 2024\) \(including rating assumption sensitivity\)](#)

APPLICABLE MODELS

Numbers in parentheses accompanying applicable model(s) contain hyperlinks to criteria providing description of model(s).

FAST Econometric API - Fitch Analytical Stress Test Model, v3.1.0 ([1](#))**ADDITIONAL DISCLOSURES**[Solicitation Status](#)[Endorsement Policy](#)**ENDORSEMENT STATUS**

New York City Transitional Finance Authority (NY)

EU Endorsed, UK Endorsed

DISCLAIMER & DISCLOSURES

All Fitch Ratings (Fitch) credit ratings are subject to certain limitations and disclaimers.

Please read these limitations and disclaimers by following this link:

<https://www.fitchratings.com/understandingcreditratings>. In addition, the following <https://www.fitchratings.com/rating-definitions-document> details Fitch's rating definitions for each rating scale and rating categories, including definitions relating to default. ESMA and the FCA are required to publish historical default rates in a central repository in accordance with Articles 11(2) of Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 and The Credit Rating Agencies (Amendment etc.) (EU Exit) Regulations 2019 respectively.

Published ratings, criteria, and methodologies are available from this site at all times. Fitch's code of conduct, confidentiality, conflicts of interest, affiliate firewall, compliance, and other relevant policies and procedures are also available from the Code of Conduct section of this site. Directors and shareholders' relevant interests are available at <https://www.fitchratings.com/site/regulatory>. Fitch may have provided another permissible or ancillary service to the rated entity or its related third parties. Details of permissible or ancillary service(s) for which the lead analyst is based in an ESMA- or FCA-registered Fitch Ratings company (or branch of such a company) can be found on the entity summary page for this issuer on the Fitch Ratings website.

In issuing and maintaining its ratings and in making other reports (including forecast information), Fitch relies on factual information it receives from issuers and underwriters and from other sources Fitch believes to be credible. Fitch conducts a reasonable investigation of the factual information relied upon by it in accordance with its ratings methodology, and obtains reasonable verification of that information from independent sources, to the extent such sources are available for a given security or in a given jurisdiction. The manner of Fitch's factual investigation and the scope of the third-party

verification it obtains will vary depending on the nature of the rated security and its issuer, the requirements and practices in the jurisdiction in which the rated security is offered and sold and/or the issuer is located, the availability and nature of relevant public information, access to the management of the issuer and its advisers, the availability of pre-existing third-party verifications such as audit reports, agreed-upon procedures letters, appraisals, actuarial reports, engineering reports, legal opinions and other reports provided by third parties, the availability of independent and competent third-party verification sources with respect to the particular security or in the particular jurisdiction of the issuer, and a variety of other factors. Users of Fitch's ratings and reports should understand that neither an enhanced factual investigation nor any third-party verification can ensure that all of the information Fitch relies on in connection with a rating or a report will be accurate and complete. Ultimately, the issuer and its advisers are responsible for the accuracy of the information they provide to Fitch and to the market in offering documents and other reports. In issuing its ratings and its reports, Fitch must rely on the work of experts, including independent auditors with respect to financial statements and attorneys with respect to legal and tax matters. Further, ratings and forecasts of financial and other information are inherently forward-looking and embody assumptions and predictions about future events that by their nature cannot be verified as facts. As a result, despite any verification of current facts, ratings and forecasts can be affected by future events or conditions that were not anticipated at the time a rating or forecast was issued or affirmed. Fitch Ratings makes routine, commonly-accepted adjustments to reported financial data in accordance with the relevant criteria and/or industry standards to provide financial metric consistency for entities in the same sector or asset class.

The complete span of best- and worst-case scenario credit ratings for all rating categories ranges from 'AAA' to 'D'. Fitch also provides information on best-case rating upgrade scenarios and worst-case rating downgrade scenarios (defined as the 99th percentile of rating transitions, measured in each direction) for international credit ratings, based on historical performance. A simple average across asset classes presents best-case upgrades of 4 notches and worst-case downgrades of 8 notches at the 99th percentile. For more details on sector-specific best- and worst-case scenario credit ratings, please see [Best- and Worst-Case Measures](#) under the Rating Performance page on Fitch's website.

The information in this report is provided "as is" without any representation or warranty of any kind, and Fitch does not represent or warrant that the report or any of its contents will meet any of the requirements of a recipient of the report. A Fitch rating is an opinion as to the creditworthiness of a security. This opinion and reports made by Fitch are based on established criteria and methodologies that Fitch is continuously evaluating and updating.

Therefore, ratings and reports are the collective work product of Fitch and no individual, or group of individuals, is solely responsible for a rating or a report. The rating does not address the risk of loss due to risks other than credit risk, unless such risk is specifically mentioned. Fitch is not engaged in the offer or sale of any security. All Fitch reports have shared authorship. Individuals identified in a Fitch report were involved in, but are not solely responsible for, the opinions stated therein. The individuals are named for contact purposes only. A report providing a Fitch rating is neither a prospectus nor a substitute for the information assembled, verified and presented to investors by the issuer and its agents in connection with the sale of the securities. Ratings may be changed or withdrawn at any time for any reason in the sole discretion of Fitch. Fitch does not provide investment advice of any sort. Ratings are not a recommendation to buy, sell, or hold any security. Ratings do not comment on the adequacy of market price, the suitability of any security for a particular investor, or the tax-exempt nature or taxability of payments made in respect to any security. Fitch receives fees from issuers, insurers, guarantors, other obligors, and underwriters for rating securities. Such fees generally vary from US\$1,000 to US\$750,000 (or the applicable currency equivalent) per issue. In certain cases, Fitch will rate all or a number of issues issued by a particular issuer, or insured or guaranteed by a particular insurer or guarantor, for a single annual fee. Such fees are expected to vary from US\$10,000 to US\$1,500,000 (or the applicable currency equivalent). The assignment, publication, or dissemination of a rating by Fitch shall not constitute a consent by Fitch to use its name as an expert in connection with any registration statement filed under the United States securities laws, the Financial Services and Markets Act of 2000 of the United Kingdom, or the securities laws of any particular jurisdiction. Due to the relative efficiency of electronic publishing and distribution, Fitch research may be available to electronic subscribers up to three days earlier than to print subscribers.

For Australia, New Zealand, Taiwan and South Korea only: Fitch Australia Pty Ltd holds an Australian financial services license (AFS license no. 337123) which authorizes it to provide credit ratings to wholesale clients only. Credit ratings information published by Fitch is not intended to be used by persons who are retail clients within the meaning of the Corporations Act 2001. Fitch Ratings, Inc. is registered with the U.S. Securities and Exchange Commission as a Nationally Recognized Statistical Rating Organization (the "NRSRO"). While certain of the NRSRO's credit rating subsidiaries are listed on Item 3 of Form NRSRO and as such are authorized to issue credit ratings on behalf of the NRSRO (see <https://www.fitchratings.com/site/regulatory>), other credit rating subsidiaries are not listed on Form NRSRO (the "non-NRSROs") and therefore credit ratings issued by those subsidiaries are not issued on behalf of the NRSRO. However, non-NRSRO personnel may participate in determining credit ratings issued by or on behalf of the NRSRO.

dv01, a Fitch Solutions company, and an affiliate of Fitch Ratings, may from time to time serve as loan data agent on certain structured finance transactions rated by Fitch Ratings.

Copyright © 2025 by Fitch Ratings, Inc., Fitch Ratings Ltd. and its subsidiaries. 33 Whitehall Street, NY, NY 10004. Telephone: 1-800-753-4824, (212) 908-0500. Reproduction or retransmission in whole or in part is prohibited except by permission. All rights reserved.

[READ LESS](#)

SOLICITATION STATUS

The ratings above were solicited and assigned or maintained by Fitch at the request of the rated entity/issuer or a related third party. Any exceptions follow below.

Fitch's solicitation status policy can be found at www.fitchratings.com/ethics.

ENDORSEMENT POLICY

Fitch's international credit ratings produced outside the EU or the UK, as the case may be, are endorsed for use by regulated entities within the EU or the UK, respectively, for regulatory purposes, pursuant to the terms of the EU CRA Regulation or the UK Credit Rating Agencies (Amendment etc.) (EU Exit) Regulations 2019, as the case may be. Fitch's approach to endorsement in the EU and the UK can be found on Fitch's [Regulatory Affairs](#) page on Fitch's website. The endorsement status of international credit ratings is provided within the entity summary page for each rated entity and in the transaction detail pages for structured finance transactions on the Fitch website. These disclosures are updated on a daily basis.