Research Update:

New York City Transitional Finance Authority's $2 Billion Fiscal 2026 Series C-E Future Tax Secured Bonds Rated 'AAA'

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Overview

- S&P Global Ratings assigned its 'AAA' long-term rating to the New York City Transitional Finance Authority's (TFA) $500 million future tax secured (FTS) tax-exempt subordinate bonds, fiscal 2026 series C; $1.31 billion FTS subordinate bonds, fiscal 2026 subseries D-1 tax-exempt bonds; $167.4 million FTS subordinate bonds, fiscal 2026 subseries D-2 taxable bonds; and $20.7 million FTS tax-exempt subordinate bonds, fiscal 2026 series E.
- The outlook is stable.

Rationale

Security

Personal income tax (PIT) revenue and, if needed, sales and use tax revenue generated within New York City secures the fiscal 2026 series C, D, and E subordinate (second-lien) FTS bonds and subordinate FTS bonds outstanding. The bonds will be issued as multimodal bonds, initially in fixed-rate mode.

Proceeds from the fiscal 2026 series C bonds will fund citywide capital expenditures. Proceeds from the fiscal 2026 subseries D-1, subseries D-2, and series E bonds will be used to refund FTS subordinate bonds outstanding.

The long-term rating on TFA's subordinate FTS bonds outstanding is 'AAA'. The TFA has $57.54 billion of FTS subordinate bonds outstanding. No senior bonds are outstanding.

Credit highlights

The 'AAA' long-term rating incorporates our view of the authority's very strong coverage and liquidity, and economic fundamentals. New York City's economic trajectory remains healthy overall, as reflected in favorable tax revenue performance during fiscal 2025 and financial plan projections for pledged revenue to hold in fiscal years 2026 and 2027 despite evolving macroeconomic conditions.

In our view, New York City's economic data from the first three quarters of the year has remained resilient. We generally expect that its economy will soften, but that its gross metropolitan product growth rate will mirror that of the U.S. over the outlook period. Based on S&P Global Ratings Economics' report "Economic Outlook U.S. Q1 2026: Steady As She Goes But On A Narrow Path," Nov. 24, 2025, the forecast reflects a modest upward revision (from its September 2025 forecast) in U.S. real GDP growth to 2.0% in 2025 and 2.0% in 2026, but a deceleration from the 2.8% in 2024 and 2.9% in 2023. Contributing to growth upside, the U.S. tax and spending bill provided incentives for businesses to spend, while S&P Global ratings economists expect the fiscal impulse from direct government spending (federal, state, and local), which was negative in the second half of this year, to turn positive next year. AI-related spending will continue to power real private investment next year, but at a slower pace given supply constraints (such as power, water, and land) and already high spending. S&P Global Ratings economists note that downside risks stem from consumer spending's hitting a cycle low of 1.8% in 2027, while the U.S. experiences a low-hire, low-fire labor market, and persistent consumer inflation at around 3% through the first half of next year. Sharply lower immigration is also a major challenge to labor supply, especially with the labor force already structurally slowing from the unavoidably growing share of retirees in the population. Notwithstanding, S&P Global Ratings Economics' base case continues to see the U.S. avoiding a recession in the near term. For New York City, we will monitor the effects of these evolving conditions on consumer spending, labor dynamics, and Wall Street profits on the growth trajectory of the city's income and sales tax revenue conditions in future years.

The city's pledged revenue growth assumptions over the 2026-2029 financial plan reflect conservative economic growth expectations, and we view current and out-year expectations to be reasonable compared with S&P Global Ratings Economics' forecasts. Actual income and sales tax receipts for fiscal 2025 totaled $28.83 billion, or 12.7% above fiscal 2024 collections, slightly outperforming year-end estimates in the city's June 2025 financial plan forecast. The financial plan projects combined pledged revenue for fiscal 2026 to increase to $29.51 billion, or 2.4% above fiscal 2025 pledged revenue, though this is lower percentage growth than in the prior year, reflecting a more modest 1.6% projected increase in PIT revenue and a 3.7% increase in sales tax revenue (compared with the substantial 17.8% and 4.5%, respectively, in fiscal 2025).

Also supporting the high-investment-grade rating is the city's transfer of its rights, title, and interest in pledged revenue to the authority that enhances the statutory and legal mechanisms that separate control of the revenue from the city, supporting an obligor linkage we view as remote. However, risks to the priority-lien rating remain in the form of its linkage to the city's creditworthiness, which is equivalent to the general obligation rating. The City of New York general obligation rating is 'AA' and is constrained by the very weak debt and contingent liability profile, which strong and well-embedded management practices offset. With a new mayoral administration beginning on Jan. 1, 2026, we believe the evolution of the city-state governance relationship and budget development process that will take shape in the ensuing months will reveal more about how proposals could translate into governance priorities and budgetary realities. For more information, see our credit FAQ "Big Apple Checks And Balances: Governance Relationship Between New York City And New York State Could Provide Stability Amid Political Change," Nov. 5, 2025.

New York State's fiscal 2026 budget amended the New York City Transitional Finance Authority Act, increasing the authorization of FTS bonds that will not be subject to the city's debt limit to $30.5 billion from $27.5 billion, effective July 1, 2025. Following the issuance of the fiscal 2026 series C, D, and E bonds and the proposed FTS subordinate bonds fiscal 2026 series F (based on the maximum authorized amount of $2.45 billion), the TFA projects that it will issue approximately $2.45 billion, $6.0 billion, $7.5 billion, and $7.6 billion in fiscal years 2027 through 2029, sequentially, of FTS subordinate bonds for general capital purposes. We believe management will structure future debt plans to ensure that pledged revenue continues to provide very high coverage in line with historical trends. However, we monitor coverage and whether increased debt could materially reduce maximum annual debt service (MADS) coverage to less than 4x or substantially diminish the flow of excess tax revenue to the city after payment of debt service, which we believe could pressure the ratings.

The rating further reflects our view of:

- The expanding and diversified New York City economy continues to exhibit growth trends like the broader national economic conditions in 2025, coupled with a population of approximately 8.48 million as of July 2024 on which pledged revenue is generated.
- Fiscal 2025 actual pledged revenue of $28.8 billion provides very strong 7.6x annual debt service coverage. Following the issuance of the fiscal 2026 series C, D, and E bonds, fiscal 2025 pledged revenue provides MADS coverage of 5.9x based on the maximum rate on the variable-rate bonds and 6.1x based on the 4.25% budgeted adjustable rate. Considering TFA's additional debt issuance plans over the near term, we expect maintenance of at least 4x MADS coverage of subordinate-lien debt over the outlook period.
- Bond provisions are strong. These include what we consider a conservative additional bonds test of at least 3x MADS and MADS of $1.32 billion for senior-lien bonds (none outstanding), and at least 3x the sum of covenanted MADS of $1.32 billion on senior-lien debt plus annual debt service on subordinate debt for the subordinate-lien bonds.
- Nationwide income and sales and use taxes have historically demonstrated low-to-moderate volatility, with the breadth of the city's sales and use tax base offsetting cyclical volatility associated with PIT.
- The city's general creditworthiness does not constrain the rating but will remain a consideration, as pledged revenue could become pressured if New York City's economy and finances deteriorate.

Environmental, social, and governance

We view the environmental, social, and governance factors that could affect the TFA's economic base on which pledged revenue is collected as similar to those of the city, particularly should exposure to extreme weather events and other chronic physical climate risks disrupt economic activity or pledged revenue collections. We view the governance structure of the TFA's FTS statutory and legal mechanisms positively, as it protects the rights of bondholders and limits the city's ability to divert revenue prior to debt service payment.

Rating above the sovereign

We rate the TFA bonds above the sovereign because we believe the authority could maintain better credit characteristics than the U.S. in a stress scenario, based on the locally derived pledged revenue for bondholders and our view that pledged revenue supporting debt service on the bonds is at limited risk of negative sovereign intervention. The rating above the sovereign is based on our criteria "Ratings Above The Sovereign--Corporate And Government Ratings: Methodology And Assumptions," Nov. 19, 2013.

Outlook

The stable outlook reflects our view of growth in the TFA's pledged revenue, which has shown resilience through multiple economic cycles, including the pandemic shock. As a result, we expect the authority's annual debt service coverage and MADS coverage will remain extraordinarily strong.

Downside scenario

We could lower the rating or revise the outlook to negative in the unlikely event that pledged revenue falls substantially short of the forecast or the TFA accelerates borrowing that leads to materially lower MADS coverage of less than 4x.

New York City Transitional Finance Authority--key credit metrics

Economic data		
Economy	Very strong	
EBI level per capita as % of U.S.		112
Population (obligor)		8,478,072
Broad and diverse MSA	Yes	
Population (MSA)		19,940,274
Financial data		
Revenue volatility	Low-very low	
Coverage and liquidity	Very strong	
Baseline coverage assessment	Other	
MADS coverage (x)		6.1
MADS year		2029
Annual debt service coverage (x)		7.6
Two-year pledged revenue change (%)		8.0
Bond provisions		
ABT (x)		3.0
ABT type	MADS	
ABT period	Historical	
DSRF type	None	
Obligor relationship		
Obligor linkage	Remote	
PL rating limit (number of notches above OC)		4

Data points and ratios might reflect analytical adjustments. ABT--Additional bonds test. DSRF--Debt service reserve fund. EBI--Effective buying income. MADS-Maximum annual debt service. MSA--Metropolitan statistical area. OC--Obligor creditworthiness. PL--Priority lien. Economic data reflects 2024 information reported on a calendar-year basis sourced from S&P Market Intelligence. Population data reflects July 1, 2024, U.S. Census Bureau estimates. Annual debt service coverage and MADS coverage are based on actual fiscal 2025 revenue and pro forma debt service (assuming an interest rate of 4.25% on variable-rate bonds outstanding), inclusive of the fiscal 2026, series C, D, and E bonds.

Ratings List
New Issue Ratings

Ratings List

US$1,311,910,000 New York City Transitional Finance Authority, Future Tax Secured Subordinate Bonds, Fiscal 2026D, Subseries D-1, Tax-Exempt Bonds. dated: Date of Delivery, due: November 1, 2041	
Long Term Rating	AAA/Stable
US$167,420,000 New York City Transitional Finance Authority, Future Tax Secured Subordinate Bonds, Fiscal 2026D, Subseries D-2, Taxable Bonds, dated: Date of Delivery, due: November 1, 2027	
Long Term Rating	AAA/Stable
US$500,000,000 New York City Transitional Finance Authority, Future Tax Secured Tax-Exempt Subordinate Bonds, Fiscal 2026 Series C, dated: Date of Delivery, due: November 1, 2055	
Long Term Rating	AAA/Stable
US$20,670,000 New York City Transitional Finance Authority, Future Tax Secured Tax-Exempt Subordinate Bonds, Fiscal 2026 Series E, dated: Date of Delivery, due: May 1, 2036	
Long Term Rating	AAA/Stable