

MOODY'S

RATINGS

Rating Action: Moody's Ratings assigns Aa1/VMIG 1 ratings to the NYC Muni Water Finance Authority's (NY) second resolution bonds; outlook stable

17 Mar 2026

New York, March 17, 2026 -- Moody's Ratings (Moody's) has assigned long-term Aa1 and short-term VMIG 1 ratings to the New York City Municipal Water Finance Authority's (NY) (the authority) \$200 million Water and Sewer System Second General Resolution Revenue Bonds, Adjustable Rate Fiscal 2026 Series EE (the Bonds). The Bonds will be supported by a liquidity facility in the form of a Standby Bond Purchase Agreement (Liquidity Facility) provided by Truist Bank (the Bank).

We maintain a Aa1 long-term rating on the authority's outstanding first and second general resolution revenue bonds. The authority has approximately \$190 million and \$35 billion of first and second resolution revenue bonds outstanding, respectively. The outlook on the authority's long term bonds is stable.

RATINGS RATIONALE

The Aa1 rating reflects a claim on revenue generated by an essential service utility in a vast and diverse metropolitan area, the strong liquidity of the water and sewer system, and strong rate management by the New York City Water Board. The second resolution bonds are rated the same as the first resolution bonds despite being subordinate. The annual debt service on first resolution bonds is minimal, providing holders of second resolution bonds access to essentially the same revenue base.

On a bond ordinance basis, coverage of annual debt service will remain very strong, given a gross revenue pledge and the authority's use of prior year surplus revenue to defease debt and lessen debt service requirements. Defeasance of debt has had no impact on liquidity, which itself is on a steady growth trend thanks to annual operating surpluses. On a net revenue basis, coverage is lower but still solid and well in line with coverage ratios maintained by other large municipal utility systems in the US. Additionally, the authority has established a bondholder-protective flow of funds, backed by early set-aside of debt payments that typically results in full funding of annual debt service requirements transferred to the trustee within the first several months of the fiscal year.

The VMIG 1 short-term enhanced rating is derived from (i) the credit quality of the Bank as provider of the Liquidity Facility, (ii) the long-term rating of the Bonds and (iii) our assessment of the likelihood of an early termination or suspension of the Liquidity Facility without a mandatory tender. Events that would cause termination or suspension of the Liquidity Facility without a mandatory purchase of the Bonds are directly related to the credit of the authority. Accordingly, the likelihood of any such event occurring is reflected in the long-term rating assigned to the Bonds. Our short-term Counterparty Risk (CR) Assessment of Truist Bank is P-1(cr).

RATING OUTLOOK

The stable outlook reflects expectations that ongoing rate actions will remain sufficient to preserve strong liquidity and solid debt service coverage while supporting the system's substantial capital program. The outlook also incorporates the system's fundamental enterprise strengths as an essential, monopolistic service provider with independent rate setting capacity and other sector characteristics that have historically supported resilient revenue performance. The authority's rating and stable outlook are higher than New York City's issuer rating and outlook, reflecting the water and sewer system's stronger fundamental credit profile. Its outlook remains stable, though a weakening of the city's credit that signals constraints on the authority's governance, financial flexibility, or rate-setting capacity could have negative impacts on the authority's credit quality.

FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATINGS

- Moderated borrowing or accelerated growth in revenue that brings the system's debt burden down to a level more in line with large system peers without adverse effects on system infrastructure

- Short-term rating: Not applicable

FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATINGS

- Drop in coverage below 1.3x combined first and second resolution bond debt service, as measured by us on a net revenue basis

- A fall in operating liquidity to under 250 days of operating expenses

- Growth in the system's debt burden to over 8x gross revenue

- The long-term rating on the second resolution bonds could be downgraded if the authority materially increased its issuance of first resolution bonds

- Short-term rating: Downgrade of the short-term CR Assessment of the Bank.

- Short-term rating: Significant downgrade of the long-term rating of the Bonds.

LEGAL SECURITY

The Bank's obligations under the Liquidity Facility may be automatically terminated or suspended upon:

- Default by the authority on the payment of principal or interest on the Bonds or any debt senior to or on parity with the Bonds;

- The bankruptcy or insolvency of the authority;

- Imposition by the authority, the state or any other governmental authority with jurisdiction over the authority of a debt moratorium, debt restructuring, debt adjustment or comparable extraordinary restriction on repayment when due of the principal or interest on the Bonds or all debt obligations of the authority secured by a lien on revenues on a basis that is senior to or on parity with the Bonds;

- Finding by a court of competent jurisdiction or initiation by the authority of legal proceedings seeking a finding that the Bonds or any provision of the Liquidity Facility or the Resolution relating to the payment of principal and interest on the Bonds or the pledge of the revenues supporting the Bonds is null and void, invalid or unenforceable or that the authority has no liability thereon;

- Assignment by each rating agency rating the Bonds of a rating below investment grade to any debt on parity with the Bonds, or withdrawal or suspension by each rating agency rating the Bonds of any rating on debt on parity with the Bonds for credit related reasons;

- Failure by the authority to satisfy within 90 days a final non-appealable money judgment entered by a court or regulatory body of competent jurisdiction against the authority in an amount in excess of \$25 million.

The Bonds will be issued initially in the daily rate mode. The Bonds may be converted, in whole, to the weekly, two-day, commercial paper, flexible or fixed rate modes. Bonds so converted will be subject to mandatory tender upon conversion, except for conversion between the daily, two-day and weekly rate modes. Our short-term rating applies to the Bonds while in the daily, two-day or weekly rate modes only. The Bonds pay interest on the fifteenth (15th) day of each month while in these modes.

The Bonds may be optionally tendered upon notice from the bondholders to the tender agent and remarketing agent (i) in the daily mode on any business day by 11:00 a.m., New York City time; (ii) in the weekly rate mode on any business day by 5:00 pm New York City time on the seventh (7th) day prior to the purchase date; and (iii) in the two-day rate mode on any business day two business days prior to the purchase date.

The Bonds are subject to mandatory tender on: (i) each interest rate mode conversion date (other than the conversion of Bonds between the daily, two-day and weekly rate modes); (ii) the substitution date of the Liquidity

Facility, if solely as a result of such substitution, any rating agency reduces or withdraws the long-term or short-term ratings assigned to the Bonds; (iii) the last business day of the current interest rate period prior to the expiration date or earlier termination of the Liquidity Facility if at least fifteen (15) days prior to such termination the Liquidity Facility hasn't been extended or substituted; (iv) the business day immediately preceding the date of termination of the Liquidity Facility specified in the notice of default delivered by the Bank in accordance with the provisions of the Liquidity Facility and (v) any business day determined in the authority's discretion.

The Liquidity Facility covers the principal amount of the Bonds plus 35 days of interest at 9%, the maximum rate applicable to the Bonds, and will provide sufficient coverage for the Bonds while they are in the daily, two-day or weekly rate modes. The Liquidity Facility is available to pay purchase price of the Bonds to the extent remarketing proceeds received are insufficient. Draws made on the Liquidity Facilities received by 12:00 p.m., New York City time, will be honored by 2:30 p.m., New York City time, on the same business day. Draws will be reinstated upon reimbursement of such drawings.

The Liquidity Facility will terminate upon the earliest to occur of: (i) the scheduled expiration date, April 7, 2031; (ii) the date on which all the Bonds have been paid in full or redeemed; (iii) the earlier of the date on which the Bank honors a draw for conversion to a mode other than daily, two-day or weekly or the business day following such conversion; (iv) the earlier of the date on which the Bank honors a draw for substitution of the Liquidity Facility or the business day following such substitution; and (v) the date on which the available commitment under the Liquidity Facility is terminated.

PROFILE

The New York City Water and Sewer System serves a population of approximately 8.5 million in the five boroughs of New York City (Aa2 Negative) a service area of more than 300 square miles. It also provides water to an additional 1 million people in the counties where its water supply facilities are located. The system is vast: its watershed area is 1.2 million acres; there are 19 water reservoirs and 3 controlled lakes; 6,800 miles of water mains; 7,500 miles of sewers; and 14 wastewater treatment plants. The New York City Municipal Water Finance authority finances the capital needs of the system. The New York City Water Board sets the system's rates. The City of New York operates the system.

METHODOLOGY

The principal methodology used in the long term rating was US Municipal Utility Revenue Debt published in March 2024 and available at <https://ratings.moodys.com/rmc-documents/416489>. The principal methodology used in the short term rating 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

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>.

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