City of New York, NY – G.O.

Issuer: City of New York, NY		
Assigned	**Rating**	**Outlook**
General Obligation Bonds, Fiscal 2025 Series E	AA+	Stable
General Obligation Bonds, Fiscal 2025 Series F	AA+	Stable
General Obligation Bonds, Fiscal 2006 Series I, Subseries I-6	AA+	Stable
Affirmed	**Rating**	**Outlook**
General Obligation Bonds	AA+	Stable

Methodology:

U.S. Local Government GO Methodology

ESG Global Rating Methodology

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Rating Summary: The rating recognizes the City of New York's ("the City's") preeminent role as a domestic and international center of business, culture and tourism, the historic resiliency of its broad and diverse economic base, its elevated, yet manageable debt profile, management's track record of fiscal discipline, and the efficacy of institutionalized procedures in confronting near-term financial challenges. Counterbalancing factors include federal funding uncertainty, ongoing spending pressures that contribute to outyear budgetary imbalances, and a geographic footprint that is increasingly vulnerable to extreme weather events. Recent developments related to federal corruption charges against New York City Mayor Eric Adams represent a meaningful governance issue but are not expected, at this stage, to materially impact the City's finances, day-to-day operations, or ability to service debt. KBRA will continue to closely monitor these developments and their potential future effects on the City's credit profile.

General Obligation Bonds ("G.O. Bonds") of the City are secured by the City's faith and credit pledge. All City taxable real property is subject to the levy of ad valorem taxes, without limitation as to rate or amount, for payment of debt service. Pursuant to the Financial Emergency Act for the City of New York (the "Act"), a general debt service fund ("the Fund") is established for G.O. Bonds and certain notes. Payments of the City real estate tax must be deposited into the Fund upon receipt and retained under a statutory formula. Since its inception in 1978, the Fund, which is held by the State Comptroller as Custodian, has been fully funded at the beginning of each payment period.

Proceeds from the Fiscal 2025 Series E Bonds will finance general capital expenditures of the City. Proceeds from the Fiscal 2025 Series F Bonds will refund certain outstanding bonds for present value savings. Proceeds of the Fiscal 2006 Series I, Subseries I-6 Bonds will be used to convert outstanding index rate bonds to fixed rates. A portion of the proceeds of each series will additionally be used to pay the costs of issuance.

Although outmigration since 2020 has contributed to a 6.2% decline in population, New York City remains the most populous city in the U.S., with an estimated population of 8.26 million as of July 2023. Most sectors of the City's expansive economy have fully rebounded from the severe economic dislocation of the COVID-19 pandemic, buoyed by federal stimulus aid, continued Wall Street profitability, robust consumer spending, and record levels of tourism. Private-sector job growth, though mostly attributable to low wage healthcare, leisure and hospitality sectors, outpaced that of both the State and the nation in 2024, and the City forecasts growth in high average wage sectors to pick up in 2025 and beyond, notwithstanding an expected slowdown in overall private sector employment in 2025. The City's labor force participation rate climbed to a record high 63% in Q3 2024. Risks to continued labor market growth include growing baby boomer retirements and the impact of the recent acceleration of Federal deportation initiatives and greater restrictions on legal immigration.

The FY 2025 final property tax assessment roll ("billable assessed value") from the Department of Finance is $299.4 billion, an increase of $12.5 billion or 4.35% YoY. Total taxable billable assessed value is expected to increase by 2.6% in 2026 to $307.3 billion. The City, like other large U.S. urban areas, continues to experience a lag in the recovery of the commercial office real estate sector related to hybrid work. While large block leases in Class A properties have pushed office vacancy rates below their 2024 Q2 peak of 22.8%, the Financial Plan's forecast for a decline to an 18.3% vacancy rate by 2029 is still well above the 11.4% historic average from 1979 to 2023.[1] The City forecasts FY 2025 real property tax revenue of $34.2 billion, up 4.1% YoY. KBRA continues to expect that the effect on New York City property tax receipts of declining commercial property valuations will be manageable.

A diverse revenue portfolio that includes local taxes, user charges, and federal and State unrestricted and categorical grants contributes to budgetary stability. The FY 2026 Preliminary Budget Financial Plan ("the Financial Plan") projects a 5.6% YoY increase in total FY 2025 tax revenues to $78.4 billion, with optimism regarding key economic drivers

[1] Office market statistics per Financial Plan and based on 1985-2024 data published by Cushman & Wakefield, as captioned in POS.

including employment, wages, tourism, and growth in home prices driving continued growth in PIT, PTET and business tax collections throughout the forecast period. The Financial Plan includes additional funding of $1.2 billion in FY 2025 to maintain certain DOE and social service spending that had been met with temporary stimulus funds and adds more than $500 million to meet various federal and state mandates, including $241 million for the MTA contribution for which one-time funding was used in fiscal years 2024 and 2025. The provision of ongoing City funding sources for these programs helps offset fiscal cliff risk and contributes to long-term structural budget balance.

The Financial Plan projects balanced FY 2025 and 2026 budgets, the result of improved tax collections and the attainment of $2.7 billion in budgetary savings resulting primarily from reductions in asylum seeker costs. Additionally, the City saved over $400 million in the labor reserve in FY 2025 and over $270 million in pension costs in FY 2026. While outyear gaps were reduced to $4.2 billion in FY 2027 (25% below the November 2024 plan), $5.4 billion in FY 2028 (14% below November), and $5.1 billion in FY 2029 (43% below November), expenditure pressures persist. The 2025-2029 Financial Plan projects a 2.09% CAGR in spending, roughly twice the rate of growth in revenues, which are projected to grow at a CAGR of 1.04%. Nevertheless, given the City's gap closing flexibility, KBRA views the magnitude of Financial Plan budgetary shortfalls as manageable and consistent with historic norms.

Sound reserves and contingencies enhance budgetary flexibility. Projected FY 2026 reserves of $8.5 billion ((including the Capital Stabilization, Rainy Day Fund, General Reserve and Retiree Health Benefits Trust) are equivalent to 7.4% of projected FY 2026 general fund revenues (9.8% of general fund revenues excluding state/federal grants and inter-fund receipts). No appropriation of reserves is planned through FY 2029. KBRA notes, however, that the City has made no material additions to the $2 billion Rainy Day Fund in either of the last two fiscal years despite an ample revenue surplus. Moreover, in our view, finances would benefit from policies that establish targets for reserves and conditions for draws. Cash balances of approximately $13.2 billion as of the end of December 2024 provide strong liquidity.

Changes in shelter policies and other City actions to reduce the number of asylum seekers under its care has enabled a reduction in planned asylum seeker costs over the Financial Plan period relative to prior projections. The Financial Plan currently envisions total asylum seeker expenditures of $3.3 billion in FY 2025, of which 58% ($1.9 billion) would be City funded and 40% ($1.3 billion) would be State funded. The asylum seeker budget is reduced to $2.7 billion in FY 2026, $2.6 billion in FY 2027 and $850 million in each of fiscal years 2028 and 2029. Federal funding anticipated over the Financial Plan period totals $119 million, or 1.2% of total asylum seeker plan costs. Out-year state funding (for FY 2026 and beyond) is subject to additional appropriation.

Federal categorical grants support the City's departments of Education, Social Services, Homeless Services, Health & Mental Hygiene, Housing Preservation & Development and the Administration for Children's Services. These grants comprise $9.7 billion or 8.3% of the FY 2025 operating budget, exclusive of federal emergency aid[2]. While the possibility such funding may be at risk of curtailment is not reflected in the current Financial Plan, KBRA expects management would take timely actions to maintain structural balance should a reduction in Federal categorical funding occur.

Other areas of reliance on federal funding include City capital and infrastructure initiatives and FEMA Public Assistance for national disaster recovery. Any risk to FEMA funds in the event of a catastrophe could create vulnerabilities for City operations and the Financial Plan.

The Office of the City Comptroller estimates that, in total, over $100 billion in federal funds flow to the City on an annual basis. Most federal transfers fall outside of the City's operating and capital budgets. Such transfers support public entities including the NYC Housing Authority ("NYCHA"), the Metropolitan Transportation Authority ("MTA"), the City University of New York ("CUNY"), and NYC Health + Hospitals ("HHC"). Federal funding support is also provided to individuals for Social Security, cash assistance, Supplemental Nutrition Assistance Program benefits and healthcare coverage under Medicare, Medicaid and the ACA. Additionally, Federal discretionary spending is used to fund special education, Title I education, Section 8 housing vouchers, Child Care and Development Block Grants, Special Supplemental Nutrition Program for Women, Infants and Children, and the Community Development Block Grant. Significant reductions in federal mandatory spending, particularly those impacting entitlement programs like Medicaid, would likely have negative implications for City finances and the quality of life of City residents.

On September 25, 2024, New York City Mayor Eric Adams was indicted on federal charges of bribery, conspiracy, fraud and soliciting illegal foreign campaign donations, to which he has pleaded not guilty. Amid the investigations, six Adams administration senior aides and officials have resigned. On February 16, 2025, four of the City's eight deputy mayors, including the first deputy mayor, announced their resignations. The deputy mayors, who are responsible for oversight of much of City's government, are to remain in their positions throughout a transition period.

A February 10, 2025 order by the U.S. Justice Department for prosecutors to drop federal corruption charges against the Mayor has only increased calls by many local elected officials and civic leaders for him to step down or be removed from office by Governor Kathy Hochul prior to the next mayoral election in November, 2025. KBRA views the widening

[2] Federal pandemic aid to the City totaled $26.5 billion through FY 2025.

developments related to the mayor's case as creating a serious distraction for City leaders, with implications for the administration's ability to govern effectively. At this time, we nonetheless continue to anticipate that unfolding events will have limited impact on the work of the more than 300,000 civil servants responsible for the City's day-to-day operations, including that of OMB and Comptroller's office professional staff responsible for the administration of City finances, debt management and budgeting.

The Stable Outlook reflects the resilient performance of the City's diverse revenue portfolio, underscored by the well-established fiscal oversight and tracking mechanisms embedded in the Act and the City Charter. We expect the recent trend of positive operating performance, record reserves, and ample budgetary flexibility to provide a satisfactory buffer against a possible economic downturn. Budgetary uncertainty posed by potential reductions in federal categorical and discretionary funding represents a key risk to the City's otherwise positive financial and economic outlook.

Key Credit Considerations

The rating was assigned because of the following key credit considerations:

Credit Positives

- New York City's role as an international business and cultural center, and its position as the hub of the country's largest metropolitan economy highlight the diversity and resilience of the resource base supporting the Bonds.
- Institutionalized, long-range financial management and capital planning practices support financial stability.
- Total reserves, pension funded ratios, and unfunded liabilities have trended positively in recent years, while annual debt service requirements continue to be maintained at below 15 percent of City tax revenues.

Credit Challenges

- The City's currently strong fiscal position and ongoing ability to achieve budgetary balance while maintaining essential quality of life programs and services would be compromised in the event of significant federal funding reductions or changes in federal policy. The Financial Plan does not address the potential for adverse federal action relating to funding declines.
- Federal immigration reforms have the potential to shrink the City's population and labor market with negative implications for the larger economic outlook despite a potential salutary effect on expenditures.
- The City's location and topography create exposure to rising sea levels, coastal and inland flooding and extreme heat, the mitigation of which is expected to entail substantial long-term city, state, and federal investment.

Rating Sensitivities

▪ Maintenance of sound fiscal posture, budgetary flexibility, employment growth and revenue resiliency in the face of prevailing economic, policy, and social headwinds. ▪ Adoption of a formalized reserve policy targeting the size of reserves and conditions for deposits and withdrawals ▪ Formalization, through incorporation to the City Charter, of the City's policy of limiting debt service to 15% of tax revenues in each year of the financial plan. ▪ Trend of reduced or eliminated projected out-year budget gaps.	+
▪ Secular economic decline and/or deterioration in a key economic segment, of sufficient magnitude to challenge budgetary balance. ▪ Relaxation of, or less adherence to, well-established policies and procedures.	-

The City of New York, NY Key Facts (2024)	
Net Indebtedness Per Capita[1]	$13,458
Overall Debt as a % of Full Market Value	7.6%
Debt Amortization Within 10 Years	44.4%
Fixed Costs as a % of Governmental Expenditures	12.9%
General Fund Balance as a % of General Fund Expenditures	3.1%
Population Estimate - Percentage Change (2014-2023)[2]	
City of New York	-4.6%
State of New York	-2.2%
United States	4.9%
Per Capita Income (2023)[3]	
New York City as % of State	109.5%
New York City as % of U.S.	129.1%

[1] For purposes of calculating debt per capita and debt as a percentage of full market value, KBRA considers Indebtedness of the City to include i) GO debt net of assets held for debt service and inclusive of net preimums (discounts), ii) capital leases, iii) PBC indebtedness subject to appropriation, which includes ECF, DASNY (Municipal Health Facilities Lease Revenue Bonds, Court Facilities Program Bonds and approximately half of rental payments for City University Construction Fund bonds relating to community college facilities), iv) IDA Stock Exchange Bonds; v) the amount of the City's contingent obligations to HYIC and HHC as of fiscal year end June 30, 2024, subject to appropriation and vi) TFA-FTS Senior and Subordinated Bonds. Although TFA-FTS indebtedness does not constitute debt of, and is not paid by the City, it is included in the debt ratios because it is payable from personal income tax revenues and, if necessary, sales tax revenues of the City which would otherwise be available for operations, and because of the TFA's significant role in funding the City's capital needs. The City's obligations to cover congtingent liabilities have not been triggered in recent years.

[2] *Source: 2024 ACFR, Bureau of Economic Analysis and U.S. Census Bureau*

[3] *Source: Bureau of Economic Analysis, U.S. Census Bureau*

Rating Determinants (RD)	
1. Management Structure and Policies	AA+
2. Debt and Additional Continuing Obligations	AA
3. Financial Performance and Liquidity Position	AA+
4. Municipal Resource Base	AA+

RD 1: Management Structure and Policies

KBRA views the City management structure and adopted policies as affording a strong framework for day-to-day operations and service delivery, financial monitoring and oversight, and long-term financial and capital planning. Sound financial management practices mandated under the City Charter and the Act require balanced budgets, with year-end results required to be balanced under generally accepted accounting principles ("GAAP"), and a four-year Financial Plan, updated quarterly, that must show current year balance and balance in the following fiscal year. Fiscal monitoring of the Financial Plan is also performed by the City and State Comptrollers. City-wide cash flow reports are generated monthly, and the Financial Management System provides current information on the operating and capital budgets. Capital planning is comprehensive as illustrated by a four-year Capital Commitment Plan that is modified three times per year, and a ten-year capital strategy that is updated every two years.

The City operates on a July 1 through June 30 fiscal year. General Fund cash and cash equivalents of nearly $15.8 billion as of FYE 2024 far exceed pre-pandemic levels. The City's November budget update and Preliminary FY 2026 Budget did not include a Program to Eliminate the Gap ("PEG"), although savings were realized over the Financial Plan period, largely due to reductions in asylum seeker costs.

RD 2: Debt and Additional Continuing Obligations

KBRA considers net indebtedness to include i) General Obligation indebtedness of the City, ii) indebtedness and certain contract liabilities of public benefit corporations ("PBC's") to which the City has entered into agreements to make payments, subject to appropriation, for debt service on certain obligations, and iii) other issuer's indebtedness for which the City is either directly or contingently obligated either to make payment of debt service subject to appropriation, or to restore capital reserves. TFA-FTS Bonds do not constitute debt of and are not paid by the City. However, because TFA Senior and Subordinate FTS Bonds are secured by personal income tax and, if necessary, sales tax revenues which would otherwise be available for City operations, certain of KBRA's debt metrics include such obligations as indebtedness of the City.

Net indebtedness,[3], totaled $103.92 billion as of June 30, 2024, and was comprised primarily of GO debt (38.2%), capital lease obligations (12.8%) and TFA-FTS debt (48.1%). From FY 2019 through FY 2024, net indebtedness of the City[4] grew at a compound annual growth rate ("CAGR") of 8.2%, attributable primarily to growth in TFA-FTS over the period. While the level of outstanding GO debt remained relatively flat during this period, the City's FY 2024 capital lease liability of $13.5 billion reflected the adoption, in FY 2022, of GASB Statement No. 87, which resulted in the re-characterization of certain contracts that meet GASB 87's definition of a lease as long-term liabilities.

The level of outstanding indebtedness reflects the City's vast capital funding responsibilities, which are far greater in scope than those of other major U.S. cities and translate into a very high debt burden, both on a per capita basis and as a percentage of the full market value of real property. FY 2024 net indebtedness (inclusive of restated capital lease obligations) equated to a high $13,458 per capita and an above average 7.6% of the full value of real property.

KBRA calculates the City's FY 2024 debt service obligation at 3.4% of governmental expenditures. This calculation considers only debt service on those obligations for which the City is directly (but not contingently) obligated to make payments in amounts equal to debt service, or for which it is obligated to make debt service subject to appropriation. Such obligations include City GO Bonds, DASNY Municipal Health Facilities Improvement Lease Revenue Bonds, and IDA Stock Exchange Bonds. TFA-FTS debt service is not included in this calculation.

Long-term debt may only be issued to fund capital projects and certain pollution remediation costs, and to provide capital grants to other entities. New York State's constitutional debt limit and Local Finance Law restrict the amount of indebtedness that the City may contract to no more than 10% of the most recent five-year average full value of City taxable real estate. The constitutional debt limit as of December 31, 2024, was $136.75 billion. Indebtedness counting against the debt limit as of December 31, 2024 (including outstanding GO debt, capital contract liabilities and outstanding TFA debt above $21.5 billion[5]) totaled $102.4 billion, leaving remaining debt incurring power of $34.4 billion.

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[3] Net indebtedness is assumed to be net of assets held for debt service and inclusive of premiums for GO, TFA-FTS, IDA and HYIC Construction Loan.

[4] Inclusive of indebtedness related to the Industrial Development Authority, Hudson Yards Improvement Corporation, Health + Hospitals Corp., and PBC indebtedness related to NYC Educational Construction Fund and DASNY conduit debt (Municipal Health Facilities Improvement Lease Revenue Bonds, Court Facilities Program and Community College Facilities).

[5] Capital commitments are funded with both GO and TFA Bonds. In April 2024, the TFA Act was amended to increase the total amount of TFA-FTS bonds authorized to be outstanding and not subject to the City's debt limit by a total of $14 billion, from $13.5 billion to $27.5 billion, with $8 billion of such increased capacity available beginning July 1, 2024, and the remaining $6 billion available beginning July 1, 2025.

Figure 1

New York City	
FY 2024 Debt Ratios[1]	
Indebtedness of the City and Certain Other Entities Per Capita	$13,458
Indebtedness of the City and Certain Other Entities as a % of Full Market Value	7.6%
Debt Service on GO and other absolute, unconditional obligations[2] as % of Governmental Expenditures	3.4%
Net Pension Liability as Percentage of Full Market Value	2.5%
Fixed Cost as % of Governmental Expenditures	12.9%

1. For purposes of calculating debt per capita and debt as a percentage of full market value, KBRA considers Indebtedness of the City to include i) GO debt net of assets held for debt service and inclusive of net preimums (discounts), ii) capital leases, iii) PBC indebtedness subject to appropriation, which includes ECF, DASNY (Municipal Health Facilities Lease Revenue Bonds, Court Facilities Program Bonds and approximately half of rental payments for City University Construction Fund bonds relating to community college facilities), iv) IDA Stock Exchange Bonds; v) the amount of the City's contingent obligations to HYIC and HHC as of June 30, 2024, subject to appropriation and vi) TFA-FTS Senior and Subordinated Bonds. Although TFA-FTS indebtedness does not constitute debt of, and is not paid by the City, it is included in the debt ratios because it is payable from personal income tax revenues and, if necessary, sales tax revenues of the City which would otherwise be available for operations, and because of the TFA's significant role in funding the City's capital needs. The City's obligations to cover congtingent liabilities have not been triggered in recent years.
2. For purposes of calculating debt service as a percentage of governmental expenditures, KBRA considers only debt obligations for which the City is directly (but not contingently) responsible, or for which it is obligated to make debt service payments subject to appropriation. Such obligations include City GO Bonds, DASNY Municipal Health Facilities Improvement Lease Revenue Bonds, and IDA Stock Exchange Bonds.

Source: ACFRs, U.S. Census Bureau.

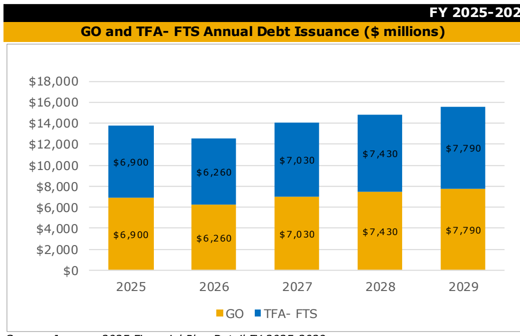
The City's capital planning process includes a Ten-Year Capital Strategy (published biennially), a four-year capital plan (updated three times per year as required by City Charter) and the current year Capital Budget.

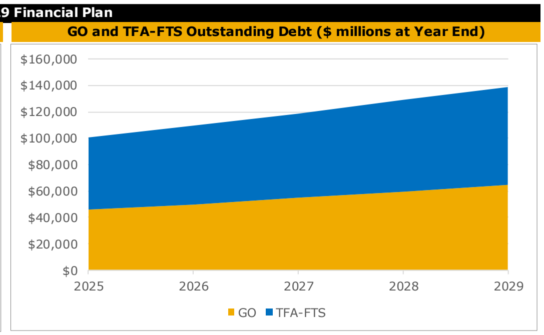
The City's Capital Commitment Plan for fiscal years 2025-2029 authorizes City-funded capital commitments of $97.8 billion and City-funded capital expenditures of $82.84 billion. The vast majority of expenditures are to be City funded, with remaining funding to come from Federal, State, and other reimbursable capital sources.

Capital expenditures are initially paid from the General Fund and reimbursed with bond proceeds, with portions of multiple projects funded with each bond issuance. The FY 2025-2029 Financing Program contemplates the issuance of $70.8 billion of long-term borrowing including $35.4 billion GO bonds and $35.4 billion TFA-FTS bonds[6].

Figure 2 **Figure 3**

FY 2025-2029 Financial Plan





Source: January 2025 Financial Plan Detail FY 2025-2029

Factoring in planned GO and TFA-FTS borrowings, annual debt service[7] is expected to increase from $7.9 billion or 6.7% of budgeted governmental expenditures in FY 2025 to $11.4 billion, or 9.0% of projected governmental expenditures (13.1% of projected tax revenues) by FY 2029, remaining manageable in our view, and below the City's debt affordability policy cap of 15% of tax revenues (assuming revenue projections are met).

Local Finance Law limits the issuance of variable rate debt to 25% of the general debt limit.[8] The City, per its debt policy, seeks to maintain variable rate exposure at no more than 20% of outstanding debt across both the GO and TFA-FTS credits. As of June 30, 2024, approximately 89.4% of outstanding GO debt and 94.5% of outstanding TFA-FTS debt was fixed rate. Variable rate demand bonds ("VRDBs") with accompanying bank facilities represent the majority of the City's variable rate portfolio. As of December 31, 2024, the outstanding notional amount on City swap agreements in connection with GO debt and City-related DASNY debt was $145.9 million, with a negative mark to market value of $4.4 million. All outstanding derivative instruments include ratings-based collateral posting requirements on the part of both the City and the counterparty.

The City Comptroller is the legal custodian of the assets of the City's five primary Public Pension Funds, which include the New York City Employees' Retirement System ("NYCERS"), Teachers' Retirement System of the City of New York

[6] An additional $12.5 billion of revenue bonds and commercial paper is expected to be issued for the water and sewer system's capital program through FY 2029.
[7] Including primarily GO and TFA-FTS debt service, prior to budget stabilization and discretionary transfers for debt service.
[8] The TFA may issue up to 20% of its debt capacity as variable rate bonds pursuant to Public Authorities Law.

(TRS), New York City Police Pension Fund (Police), New York City Fire Pension Fund (Fire) and the New York City Board of Education Retirement System (BERS), collectively, (the "Systems"). The Police and Fire pension funds are single employer plans, while the other three are cost-sharing plans for which the City holds primary responsibility. Institutionalized governance, including oversight of actuarial practices and assumptions, and the City's decades-long policy of fully funding the actuarially determined contribution have contributed to stable pension funding progress and favorable pension metrics. The Systems' FY 2024 aggregate net pension liability ("NPL") of $35.6 billion equates to a favorably low 2.5% of full market value, $4,319 per capita and 4.8% of personal income.

The FY 2024 pension contribution of $9.2 billion equated to a moderate 7.1% of governmental expenditures. In recent years, the City has limited growth in the pension liability through the imposition of new benefit tiers for newly hired employees. The City and State have not, however, taken steps to transition the pension plans of new employees to a defined contribution system. The State Constitution limits changes to benefits for current employees.

The OPEB plan includes i) direct, pay-go funding of OPEB from general City resources, and ii) the New York City Retiree Health Benefits Trust ("RHBT"), which holds and disburses accumulated assets in an irrevocable trust and is dedicated solely to the payment of OPEB costs. The balance of the RHBT at FYE 2024 was $5.0 billion, or 3.9% of Governmental Fund expenditures. OPEB contributions reimburse the RHBT on a pay-go basis and may provide additional contributions for the payment of future benefits. The FY 2024 OPEB contribution of $3.2 billion equated to 2.5% of governmental expenditures. The plan fiduciary net position (funded status) was 4.9% of the total OPEB liability of $103.3 billion.

Total City fixed costs (including GO debt service, pension contributions and OPEB contributions) were a manageable 12.9% of FY 2024 governmental expenditures[9]. Notwithstanding the broad scope of its capital funding responsibilities, New York City's fixed cost burden compares favorably to that of other major cities and reflects actions to consistently fund the full pension ADC.

RD 3: Financial Performance and Liquidity

General Fund revenue sources include local taxes, user charges, miscellaneous revenues, and federal and state categorical and unrestricted grants. The Financial Plan contemplates Federal categorical grants to provide 8.3% of total FY 2025 revenues and between 6.0% to 6.4% of annual revenues in fiscal years 2026-2029.

The State Constitution limits the amount of revenue the City can raise from property taxes for operating purposes to 2.5% of the average full value of taxable real estate in the City for the current and last four fiscal years. Rates of other taxes are set at the state level.

Property tax revenues increased at a compound annual growth rate of 3.4% between FY 2019 and FY 2024. The Financial Plan forecasts real property tax revenue at $34.2 billion in 2025, an increase of 4.1% YoY. Personal income and Pass-through Entity Tax revenues are forecast at $17.4 billion in 2025, up 11.1% YoY, reflecting growth in wage and non-wage income. Business income and corporation tax revenue is forecast at $10.3 billion in FY 2025, an increase of 6.1% YoY, driven by strong financial sector performance offset by decelerating growth in the non-finance sector. Sales tax revenue is forecast at $10.3 billion in 2025, up 3.8% YoY, reflecting moderate growth mirroring the slowdown in inflation. Transaction Tax revenues, including the Real Property Transfer Tax, Residential Mortgage Recording Tax and Commercial Mortgage Recording Tax, are forecast at $1.9 billion, reflecting growth of 8.8%, 23.6%, and 14.9%, respectively, as the City's real estate market, supported by lower mortgage interest rates and limited residential housing supply, gradually recovers.

The City functions as an all-purpose government without overlapping county or school district jurisdictions and, as such, is exposed to a larger array of spending obligations and potentially unanticipated mandates from the federal and State governments than a city with more narrowly defined obligations. In addition to its share of Medicaid funding and support of public assistance, the City provides operating and capital support to the Metropolitan Transportation Authority ("MTA") and subsidies to New York City Health + Hospitals.

The Financial Plan projects total FY 2025 expenditures (excluding intra-city expenditures) of $116.5 billion to grow at a 2.1% CAGR between FY 2025 and FY 2029, to $126.5 billion. Education and health and welfare spending account for 28.9% and 24.1%, respectively, of projected FY 2025 expenditures. Public safety and judicial spending, the latter of which is generally a county function, accounts for a relatively low 10.6% of FY 2025 expenditures.

Financial Plan expenditure assumptions reflect salaries and wages associated with current and projected headcount levels as well as wage adjustments from implemented collective bargaining agreements. A Reserve for Collective Bargaining includes funding for the approximately 2% of the City's workforce with unsettled contracts for the 2021-2026 round of collective bargaining. After expiration of the 2021-2026 round of collective bargaining, the Reserve contains funding for assumed 1.25% annual wage increases. Pension and other fringe benefits in the Financial Plan

[9] TFA-FTS debt service is not included in KBRA's calculation of the fixed cost ratio.

reflect actuarial estimates, as well as a $279 million annual reserve for potential audit-recommended changes beginning in FY 2027.In contrast to the annual increase in salaries and wages, pensions, debt service and other fringe benefits, administrative other than personal services (OTPS) are projected to decline slightly over the Financial Plan period, reflecting a wind down of certain legal or contractual obligations and asylum seeker savings of $2.4 billion, relative to previously budgeted amounts, over fiscal years 2025 and 2026.

The City's FY 2026 General Fund budget is balanced using a $2.3 billion prepayment from FY 2025. Out-year budget gaps are now projected at $4.2 billion in FY 2027, $5.4 billion in FY 2028, and $5.1 billion in FY 2029. The City has demonstrated an ability to close out-year gaps, and KBRA would expect a similar outcome going forward.

Financial Reserves and Liquidity
Projected FY 2026 budget reserves are a record $8.5 billion representing more than 9.8% percent of projected City Funds revenue. The General Reserve is projected at $1.2 billion for fiscal years 2026 to 2029. A Capital Stabilization Reserve of $250 million is maintained for fiscal years 2026 to 2029. The Budget Stabilization Account, established for the prepayment of future years' debt service costs, is funded at $2.34 billion, and the Retiree Health Benefits Trust has a balance of $5 billion. KBRA will monitor the sufficiency of reserves in view of potential risks to federal funding and the City's economy.

Despite economic and financial pressures due to asylum seeker costs, cash balances, while lower than in 2023, remain elevated by historical standards, and the City has had no need for cash flow borrowing. The City began FY 2025 with close to $11 billion in cash on hand, and projects strong cash balances throughout the remainder of FY 2025.

Figure 4

January 2025 Five-Year Financial Plan Revenues and Expenditures ($ in millions)

Fiscal Year	**2025**	**2026**	**2027**	**2028**	**2029**
Revenues					
Taxes					
General Property Tax	$34,223	$34,839	$35,831	$36,659	$37,491
Other Taxes	43,364	44,409	45,429	46,975	49,047
Tax Audit Revenue	773	773	773	773	773
Subtotal: Taxes	$78,360	$80,021	$82,033	$84,407	$87,311
Miscellaneous Revenues	8,328	$7,901	$7,837	$7,866	$7,899
Unrestricted Intergovernmental Aid	16		-	-	-
Less: Intra-City Revenue	(2,058)	(1,808)	(1,796)	(1,791)	(1,791)
Disallowances Against Categorical Grants	(15)	(15)	(15)	(15)	(15)
Subtotal: City Funds	$84,631	$86,099	$88,059	$90,467	$93,404
Other Categorical Grants	1,186	1,116	1,111	1,109	1,108
Inter-Fund Revenues	766	777	778	778	778
Federal Categorical Grants	9,689	7,371	7,190	7,244	7,305
State Categorical Grants	20,220	19,161	19,185	18,680	18,843
Total Revenues	**$116,492**	**$114,524**	**$116,323**	**$118,278**	**$121,438**
Expenditures					
Personal Service					
Salaries and Wages	$32,834	$34,019	$34,956	$35,897	$36,688
Pensions	10,071	10,574	10,927	11,770	11,312
Fringe Benefits	14,022	14,688	15,264	15,875	16,515
Subtotal: Personal Service	$56,927	$59,281	$61,147	$63,542	$64,515
Other Than Personal Service					
Medical Assistance	6,743	6,583	6,733	6,883	7,033
Public Assistance	2,570	1,650	2,000	2,463	2,905
All Other	46,453	40,896	41,467	40,602	41,010
Subtotal: Other Than Personal Service	$55,766	$49,129	$50,200	$49,948	$50,948
Debt Service[1,2]	7,860	8,816	9,569	10,510	11,397
FY 2024 Budget Stabilization[1]	(4,397)	-	-	-	-
FY 2025 Budget Stabilization [2]	2,344	(2,344)	-	-	-
Capital Stabilization Reserve	-	250	250	250	250
General Reserve	50	1,200	1,200	1,200	1,200
Deposit to the Rainy Day Fund	-	-	-	-	-
Less: Intra-City Expenses	(2,058)	(1,808)	(1,796)	(1,791)	(1,791)
Total Expenditures	**$116,492**	**$114,524**	**$120,570**	**$123,659**	**$126,519**
Gap To Be Closed	**$0**	**$0**	**($4,247)**	**($5,381)**	**($5,081)**

[1] Fiscal Year 2024 Budget Stabilization total $4.397 billion, including GO of $1.954 billion, and TFA-FTS of $2.443 billion.

[2] Fiscal Year 2025 Budget Stabilization total $2.344 billion.

Source: City of New York Financial Plan, January, 2025

RD 4: Municipal Resource Base

The City is an international hub for business, commerce, culture, and entertainment. The New York Metropolitan Area GDP of approximately $2.3 trillion (2023) makes it by far the largest regional economy within the U.S., contributing 9.2% of total U.S. metropolitan area GDP. The City retained its top ranking on A.T. Kearney's 2024 Global Cities Index for the eighth consecutive year, based on business activity, human capital, information exchange, cultural experience, and political engagement. It is the banking and securities capital of the world, with Manhattan home to the world's two largest stock exchanges, the New York Stock Exchange and the NASDAQ, and to 44 of the State's 52 Fortune 500 headquarters, many of the remainder of which are based throughout the broader New York-Newark-Jersey City MSA.

Financial and professional services, education, healthcare, hospitality, wholesale and retail trade, information services, and technology are key sectors of the City's diverse economic base. Noteworthy in recent years is the emergence of the digital/information technology sector, which according to Tech: NYC accounted for over 369,000 jobs, or 7% of the City workforce. New office investments and return-to-office mandates implemented by IBM, Google, and Apple contributed to improved Manhattan office leasing in 2024.

Population & Demographics
With a population of approximately 8.258 million as of July 2023, the City is the most populous in the U.S. While population has grown since the 2010 decennial census, a plateau was reached in 2017, based on intercensal estimates, which may reflect pandemic-related population declines, and a slowing of net migration and international migration. In addition, the City's relatively high cost of living and shortage of affordable housing are deterrents to population growth.

For the 2014-2023 period, City personal income, unadjusted for inflation, grew at a CAGR of 4.5%, versus 5.2% for the U.S. The City's total personal income per capita grew at a CAGR of 5.1% for this period and in 2023, was 129% of the U.S. average. Educational attainment is strong relative to the State and U.S., though the level of poverty (at over 18%) is considerably higher than the State and national average.

Employment
The COVID-19 pandemic ended a period of economic expansion for the City during which new records for tourism, employment and property values were achieved. While pandemic-era concerns relating to remote work persist for certain sectors of the commercial office market, City employment has eclipsed pre-pandemic levels, reaching record highs as job growth has outpaced both the State and the nation. Tourism recovered to its second-highest level in 2024 and is expected to surpass pre-pandemic levels in 2025.

Service-producing sectors accounted for 3.9 million jobs and 84% of total 2023 employment. High levels of employee compensation in certain service sectors, including financial activities and professional and business services (28% of the total City employment share), affect earnings and average wage rates, which are higher in the City than in the nation. The City's relatively high concentration of earnings related to the securities industry makes its tax base more vulnerable to financial market volatility than the rest of the U.S.

As of December 2024, the City's total monthly unemployment rate was 5.5% (seasonally adjusted). The City's 2024 average annual unemployment rate of 5.2% was 130% that of the U.S., at 4.0%.

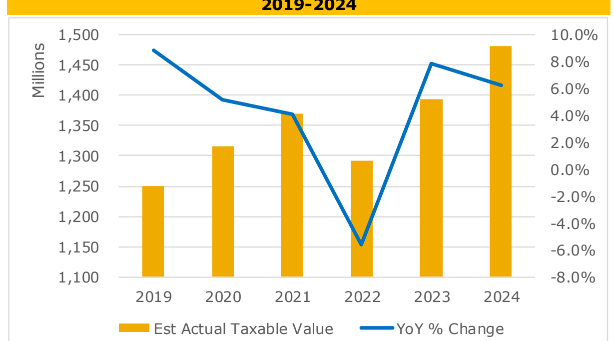
Tax Base/Assessed Valuation
Full Market Value ("FMV") increased at a 5-year CAGR of 3.4% (2019-2024) to $1.48 trillion in 2024. The City assesses property at approximately 40% of FMV for commercial and industrial property and 20% of FMV for residential property. Residential and commercial property accounted for 47% and 45% of 2024 total taxable assessed value, respectively.

Property tax collections averaged 94.8% of the tax levy from fiscal year 2015-2024. The City's ten largest real estate taxpayers accounted for 10.7% of 2024 taxable assessed value.

Office Vacancy
The Manhattan Class A office vacancy rate appears to have peaked in 2024 at approximately 22%, more than double the pre-pandemic rate. The office vacancy rate is forecast by the City to decline to about 18% by 2029.

Figure 5

Estimated Actual Value of Taxable Property
2019-2024



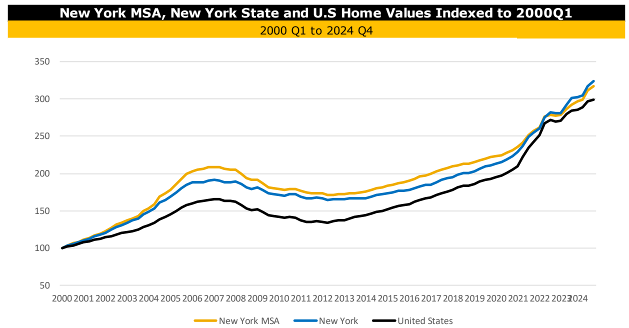
Source: New York City ACFR

Home Values

Prior to the outbreak of the COVID-19 pandemic, home value appreciation within the New York MSA had surpassed that of the State and nation, even factoring in the annual declines in home values experienced in the years following the Great Recession. By 2014, home values within the MSA began to exhibit gradual year-over-year improvement and as of Q4 2024, were 51.9% above the prior Q1 2007 peak. In comparison, State and U.S. home values were 69.2% and 80.8%, respectively, above their prior peaks. Looking only at the period from the start of the pandemic in March 2020, home values in the MSA have increased 41.9%, lagging the State at the U.S., at 51.7% and 53.1%, respectively.

The City reports that the average price of single family, condo and co-op residences grew 2.3% YoY in 2024, following a 1.3% decline in 2023. New York City home price growth is forecast to increase at less than 5% per year through 2028. Residential transaction volume of 42,072 in 2024, is forecast to increase to approximately 50,000 by 2028.

Figure 6



Source: Federal Housing Finance Agency and FRED Economic Data/St. Louis Fed for New York City

ESG Management

KBRA typically analyzes Environmental, Social, and Governance (ESG) factors through the lens of how issuers plan for and manage relevant ESG risks and opportunities. More information on KBRA's approach to ESG risk management in public finance ratings can be found here. Over the medium-term, public finance issuers will likely need to prioritize ESG risk management and disclosure with the likelihood of expansions in ESG-related regulation and rising investor focus on ESG issues.

KBRA analyzes many sector- and issuer-specific ESG issues but our analysis is often anchored around three core topics: climate change, with particular focus on greenhouse gas emissions; stakeholder preferences; and cybersecurity. Under environmental, as the effects of climate change evolve and become more severe, issuers are increasingly facing an emerging array of challenges and potential opportunities that can influence financial assets, operations, and capital planning. Under social, the effects of stakeholder preferences on ESG issues can impact the demand for an issuer's product and services, the strength of its global reputation and branding, its relationship with employees, consumers, regulators, and lawmakers, and, importantly, its cost of and access to capital. Under governance, as issuers continue to become more reliant on technology, cybersecurity planning and information management are necessary for most issuers, regardless of size and industry.

Environmental Factors

The City has engaged in strategic planning for climate change since 2007. Its April 2023 climate action plan ("PlaNYC 2023"), the fifth in a series of plans released every four years as required by local law, highlights initiatives being undertaken to protect against climate threats and develop the green economy. The City is also required to issue annual reports detailing its progress in meeting sustainability goals. An additional Mayor's Management Report, required pursuant to City Charter, provides a statement of actual versus program performance goals and measures established annually by the Mayor.

Superstorm Sandy, which caused widespread damage to low-lying areas of the City on October 29, 2012, is estimated to have resulted in long-term direct costs to the City, New York City Health + Hospitals, and the New York City Housing Authority of approximately $10.7 billion. The City continues to provide disaster related recovery assistance to communities, businesses, homeowners and renters affected by The City is responsible for $134 million of the cost of such assistance, which is reflected in the Financial Plan. It may also be responsible for an additional $150 million that is not accounted for by the Plan. The City anticipates most of the costs of disaster recovery assistance will be reimbursed with federal FEMA and HUD funding. The City has secured approximately $10.8 billion in FEMA funding, and as of March 31, 2024 had received $5.7 billion in FEMA direct cost reimbursements. Additionally, HUD has made over $4.4 billion available, of which $3.9 billion had been received by March 31, 2024. There is no assurance that the City will be reimbursed for all costs.

Social Factors

Over the last decade, the City financed the construction or preservation of more than 255,000 units of affordable housing, 25,000 units of housing for formerly homeless residents, and over 18,000 senior housing units. The City funds and provides free legal counsel for eligible New York City households facing eviction. All housing projects receiving funding through the City's Department of Housing Preservation and Development must comply with the current New York City Overlay of Enterprise Green Communities Criteria or pursue LEED certification. The City's Social Bonds program is in keeping with the International Capital Market Association's Social Bond Principles.

Governance Factors

On September 25, 2024, New York City Mayor Eric Adams was indicted on federal charges of bribery, conspiracy, fraud and soliciting illegal foreign campaign donations, to which he has pleaded not guilty. Amid the investigations, six Adams administration senior aides and officials have resigned. On February 16, 2025, four of the City's eight deputy mayors, including the first deputy mayor, announced their resignations. The deputy mayors, who are responsible for oversight of much of City's government, are to remain in their positions throughout a transition period.

A February 10, 2025 order by the U.S. Justice Department for prosecutors to drop federal corruption charges against the Mayor has only increased calls by many local elected officials and civic leaders for him to step down or be removed from office by Governor Kathy Hochul prior to the next mayoral election in November, 2025. KBRA views the widening developments related to the mayor's case as creating a serious distraction for City leaders, with implications for the administration's ability to govern effectively. At this time, we nonetheless continue to anticipate that unfolding events will have limited impact on the work of the more than 300,000 civil servants responsible for the City's day-to-day operations, including that of OMB and Comptroller's office professional staff responsible for the administration of City finances, debt management and budgeting.

The City's Office of Cyber Command, part of the City's Office of Technology and Innovation, sets information security policies and standards, and directs the citywide cyber defense and incident response. The 100-member Office of Cyber Command works with designated contacts at each City agency, and with City, State and federal law enforcement, other states and non-governmental entities. The Financial Plan includes funding for the Office of Cyber Command of approximately $113 million in fiscal year 2025 and $108 million in fiscal year 2026. An expanded Vulnerability Disclosure Program focuses on identifying and addressing vulnerabilities within the City's publicly accessible digital resources.

Bankruptcy Assessment

KBRA has consulted outside counsel regarding municipal bankruptcy in the State of New York. To be a debtor under the municipal bankruptcy provisions of the U.S. Bankruptcy Code (Chapter 9), a local governmental entity must, among other things, qualify under the definition of "municipality" in the Bankruptcy Code, and must also be specifically authorized to file a bankruptcy petition by the State of formation. The City is a municipal corporation and city of the State of New York organized and existing under state law, and thus is a "municipality" as defined under the Bankruptcy Code. As to authorization, New York's Local Finance Law contains specific authorization for any "municipality" in the State (defined in the Finance Law as a county, city, town, or village), or its emergency financial control board, to file a petition under any provision of Federal bankruptcy law for the composition or adjustment of municipal indebtedness. The City, or its Control Board on behalf of the City, is thus authorized to file a petition under Chapter 9.