S&P Global
Ratings

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Albany, New York

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This report does not constitute a rating action.

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Credit Highlights

- S&P Global Ratings' long-term and underlying rating on the City of Albany, N.Y.'s general obligation (GO) bonds is 'A+'.
- The outlook is stable.
- The rating reflects the application of our criteria, "Methodology For Rating U.S. Governments" Sept. 9, 2024.

Rationale

Security

The city's faith-and-credit and resources pledge and agreement to levy ad valorem property taxes without limitation as to rate or amount secure its GO bonds.

Credit overview

Albany's general creditworthiness reflects a stable taxing base that is supported by a significant number of state-owned property and government jobs, given the city's status as New York State's capital. Albany has consistently balanced financial operations and a manageable debt profile. However, its available reserve position, as measured by assigned and unassigned fund balances, significantly trail state peers and is low for the rating. In addition, although New York State provides the city with significant intergovernmental aid, the state's large presence within the city limits its ability to raise own-source revenue because 63% of land within the city is tax exempt. Local incomes trail those of wider Albany County (AA/Positive), which somewhat weakens our view of the city's local economy. Because large government, medical, and educational institutions anchor Albany's economy, economic development has picked up and reversed a long-term trend of population declines, adding stability to our view of the rating in recent years. However, near-term pressures in federal government employment and our expectation for continued macroeconomic uncertainty could have effects on the city's revenue or tax base. For more information, please see "Global Economic Outlook Q3 2025: Unpredictable U.S. Policy Clouds Global Growth Prospects," June 25, 2025.

Additional factors in support of the rating include our view of Albany's:

- Stabilizing population trends with recent modest growth, following decades of population decline, but with low wealth and income levels relative to county and national averages. We expect growth in gross county product per capita metrics will be roughly equal to that of the nation over a five-year period;
- Generally stable financial performance and somewhat reduced available reserve levels in recent years, with performance aided by federal stimulus funds, property tax increases, and consistent state support with an expectation that reserves will remain generally stable, albeit low for the rating level over the outlook horizon. The city's revenue mix is predominantly property tax (27%), state aid (26%), and sales taxes (20%).
- Stable debt profile, with approximately $20 million-$30 million in annual issuances as part of the city's five-year capital improvement plan (CIP) somewhat offset, in part, by elevated other postemployment benefit (OPEB) liabilities with likely increasing costs. We do not expect the debt profile will escalate beyond manageable issuances as part of Albany's CIP.
- Solid management framework that reflects an emphasis on cautious budgeting practices.
- Generally stable operating environment for New York municipalities. For more information on our institutional framework assessment for New York municipalities, see "Institutional Framework Assessment: New York Local Governments," Sept. 10, 2024.

Environmental, social, and governance

We view social factors as neutral in our analysis. We view the state's governance regarding the lack of a mechanism to prefund OPEB as a weakness for New York local governments. Due to Albany's location on the Hudson River, the city has occasional flooding exposure. It has continued to invest in storm water-runoff infrastructure, particularly limiting runoff into the Hudson River.

Outlook

The stable outlook reflects our view that the city will maintain its stable overall financial profile throughout the two-year outlook horizon, supported by strong state support and good economic momentum.

Downside scenario

Should an already low level of available reserves decline further, this could pressure the rating. In addition, should Albany issue substantial amounts of debt beyond our current anticipation, we could lower the rating.

Upside scenario

If the city's economic metrics were to improve with tax base growth and diversification, thereby lessening dependence on state aid, while increasing general fund available reserves, we could take a positive rating action.

Credit Opinion

Economy

The city has experienced improved economic momentum over the past decade as a number of economic development projects benefitted the broader Albany-Troy-Schenectady metropolitan statistical area, leading to economic momentum and increasing income trends throughout the region. One of the most noteworthy projects occurring at Albany's port involves a major expansion and is set to become the country's first offshore wind tower assembly site. Further supporting growth is recent expansion of the semiconductor chip manufacturing sector, which is positively affecting economic output for the region. New York State is the city's largest employer by a wide margin, employing close to 50,000 people, followed by two large hospitals employing approximately 20,000. Historically, employment in state government, higher education, and health care provided a stabilizing influence in the local economy. Although we expect general stability in the city's economy over the outlook period, the concentration in these sectors makes the city vulnerable to any potential federal revenue disruptions amid a shifting policy outlook.

Finances

Albany's financial performance has been generally stable from fiscal years 2021 through 2023 in part due to increased sales tax revenue and American Rescue Plan Act (ARPA) funding. Although we do not have audited information, unaudited fiscal 2024 indicates a planned-for one-time expenditures, but otherwise operations remain within expectations and available fund balance levels have increased to more $7.0 million from $6.8 million the year before, which, at approximately 3.5% of revenue, still trails that of most similarly rated peers in the state and the nation. Sales tax receipts were below budget, and police overtime expenses were above expectations, but the city has been able to exercise cost-cutting measures in other expenditures to maintain structural balance while consistently raising its property tax levy within its cap. Albany continues to work with the state to ensure the city continues to receive full capital-city funding, which consists of a portion of Albany's state aid, and reduce its reliance on landfill revenue. We expect $5 million in increased state support and tightened expenditure controls should help the city maintain balanced operations even with our expectation for continued softening of sales tax receipts for fiscal 2025. Therefore, we think Albany's reserves will likely remain relatively stable within the outlook horizon.

Management

We view the city's management framework as consistent with that of peers of its size. Generally, we think the management environment is aided by Albany's formal and informal long-term planning practices but note that the city's lack of formalized reserve policies could continue to contribute a trend of maintaining what we view as low levels of available reserves. Policies and practices include:

- Cautious budgeting practices with a track record of balanced operations. Management monitors the budget biweekly and presents monthly budget-to-actual reports to the board. Management uses at least three-to-four years of trend analysis for revenue and expenditure assumptions and makes adjustments based on recent revenue trends realized or contract considerations.

- Management maintains and annually updates Albany's five-year CIP that we think helps the city plan how to fund capital expenditures on a forward-looking basis. Capital planning is well communicated through the annual budget and we believe is fairly comprehensive, allowing the city to moderate and plan its debt issuance and cash-funded costs related to capital. Albany does not formally engage in long-term financial planning but informally forecasts sales taxes, payments-in-lieu of taxes revenues, utility costs, and expenses associated with contractual bargaining agreements.
- Albany's polices are formalized in some but not all key areas. The city has a long-standing debt management policy that limits debt to 10% of budget and a formal investment policy but no formalized policy governing reserves, which we think is a risk given the low unassigned fund balance.

Debt and liabilities

Albany's total direct debt is approximately $193.7 million. The city expects to issue up to $20 million-$30 million of additional debt, commensurate with its rolling five-year CIP, with approximately $15 million in principal amortizing per year during the same period. We think this level of debt issuance is manageable for the rating level. We view pension and OPEB liabilities as a source of credit pressure for Albany, given that costs represent a large portion of the budget, combined with our expectation that they are likely to rise. Although the city has some legal flexibility to alter OPEB, this might not be politically feasible. Furthermore, it is unable to prefund these costs, increasing the risk they could create budgetary pressure. Offsetting this risk somewhat is the minimal pressure expected from Albany's pension liabilities, given strong plan funding status and limited escalating cost trajectory risk.

Albany participates in the following plans as of June 30, 2023:

- Police and Fire Retirement System: 87.4% funded, with a proportional share of the net pension liability equal to $26.4 million.
- Employee Retirement System: 90.8% funded, with a proportional share of the net pension liability equal to $29.1 million.
- A defined-benefit health care plan that provides retiree health care until death: 0% funded, with an OPEB liability of about $321.1 million as of Dec. 31, 2023.

Albany, New York--credit summary

Institutional framework (IF)	2
Individual credit profile (ICP)	3.11
Economy	3.0
Financial performance	2
Reserves and liquidity	4
Management	2.30
Debt and liabilities	4.25

Albany, New York--key credit metrics

	Most recent	2023	2022	2021
Economy				
Real GCP per capita % of U.S.	168	168	168	171

Albany, New York--key credit metrics

	Most recent	2023	2022	2021
Economy				
County PCPI % of U.S.	113	113	112	114
Market value ($000s)	6,893,091	6,074,997	5,446,123	5,230,202
Market value per capita ($)	69,837	61,548	54,670	54,288
Top 10 taxpayers % of taxable value	7.8	7.8	8.2	8.0
County unemployment rate (%)	3.3	3.2	3.1	4.4
Local median household EBI % of U.S.	75	75	72	73
Local per capita EBI % of U.S.	84	84	81	80
Local population	98,703	98,703	99,618	96,341
Financial performance				
Operating fund revenues ($000s)	--	217,006	198,237	196,974
Operating fund expenditures ($000s)	--	215,551	192,209	193,367
Net transfers and other adjustments ($000s)	--	(911)	(6,589)	(3,152)
Operating result ($000s)	--	544	(561)	455
Operating result % of revenues	--	0.3	(0.3)	0.2
Operating result three-year average %	--	0.1	(1.8)	(0.5)
Reserves and liquidity				
Available reserves % of operating revenues	--	3.2	3.8	4.9
Available reserves ($000s)	--	6,878	7,472	9,554
Debt and liabilities				
Debt service cost % of revenues	--	7.5	6.1	7.2
Net direct debt per capita ($)	1,963	1,034	1,173	1,221
Net direct debt ($000s)	193,718	102,083	116,804	117,586
Direct debt 10-year amortization (%)	99	84	--	--
Pension and OPEB cost % of revenues	--	15.0	15.0	15.0
NPLs per capita ($)	--	1,154	79	234
Combined NPLs ($000s)	--	113,935	7,839	22,497

Financial data may reflect analytical adjustments and are sourced from issuer audit reports or other annual disclosures. Economic data is generally sourced from S&P Global Market Intelligence, the Bureau of Labor Statistics, Claritas, and issuer audits and other disclosures. Local population is sourced from Claritas. Claritas estimates are point in time and not meant to show year-over-year trends. GCP--Gross county product. PCPI--Per capita personal income. EBI--Effective buying income. OPEB--Other postemployment benefits. NPLs--Net pension liabilities.

Ratings List	
Current Ratings	
Local Government	
Albany, NY Unlimited Tax General Obligation	A+/Stable

The ratings appearing below the new issues represent an aggregation of debt issues (ASID) associated with related maturities. The maturities similarly reflect our opinion about the creditworthiness of the U.S. Public Finance obligor's legal pledge for payment of the financial obligation. Nevertheless, these maturities may have different credit ratings than the rating presented next to the ASID depending on whether or not additional legal pledge(s) support the specific maturity's payment obligation, such as credit enhancement, as a result of defeasance, or other factors.