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Fitch: Sea Level Rise May Challenge Some Local U.S. Governments.

Fitch Ratings-New York-16 September 2015: The rise in sea levels already impacts some communities and, in the long term, may pressure some local governments' operations, capital funding requirements and indebtedness, says Fitch Ratings. Such risks include heightened damage from episodic events such as hurricanes and storm surges (event risks) in addition to more chronic damage from pervasive flooding and permanent loss of land. Further, citizens living in flood plains are facing higher federal flood insurance rates.

Revised zoning ordinances are evolving that may impose coastal or low-lying development moratoriums or mandate modifications to existing housing to better withstand expected storm surges. These developments will change the nature of shoreline development and may negatively affect local government operations as home owner cost increases and restrictions on new development place limits upon taxable resource growth.

To date, the sea level rise has not played a material role in Fitch's assessment of the fundamental credit characteristics of any of its rated issuers. Fitch's special report, "Event Risk and Overall Credit Resiliency," dated December 2014, provides more detail. However, there are real threats faced by governments in coastal areas. As the effects of sea level rise upon issuers' credit fundamentals become known and measurable, over time, these considerations may take on greater importance as a credit factor in Fitch's rating decisions.

For more information, see latest Fitch Wire+ research on this topic.