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S&P: Los Angeles Wildfires Highlight Evolving Risks And Challenges For Local Governments

LA's Regional Economy Will Recover, But The Higher Risk Of Future Events Complicates The Picture For Some Local Governments

Given the strength and resilience of the L.A. regional economy, S&P Global Ratings believes that the direct impact of the L.A. wildfires on local government credit quality will be limited, even as the area experiences significant damage and loss. Going forward, the increasing frequency and severity of wildfires in urbanized areas in California will require local governments and utilities to meet a higher standard of risk resilience for infrastructure and services. It also exposes them to greater liability compared with entities in other states with wildfire exposure. Beyond the horizon of this event, increased costs will likely push debt burdens higher and exacerbate tax and rate-setting pressures in a region already facing affordability constraints.

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