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Los Angeles (CA): Fitch New Issue Report

Los Angeles' sewer system maintains a strong credit rating of 'AA' with a stable outlook, reflecting low leverage and robust revenue defensibility. Despite a 9% revenue decline in fiscal 2024, leverage improved to 6.5x due to controlled costs and state support. Projected leverage may peak at 7.2x in 2025 but remains within acceptable limits. Significant rate adjustments are planned through 2029, starting with a 22% increase in October 2024. The system's expansive $3.1 billion capital improvement plan focuses on enhancing infrastructure and meeting regulatory requirements. The system's financial profile is strong, with substantial liquidity and sound debt service coverage. Future risks include potential cost increases and the impact of wildfires, but the system's financial health is expected to remain stable.

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