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S&P Hurricane Ian: Most Municipal Utility Ratings, Bolstered By Significant Liquidity, Are Expected To Be Unaffected

Initial Assessment Is That No Material Rating Impact Is Likely

S&P Global Ratings rates approximately 70 utility credits in Florida, 31 of which have been affected by Hurricane Ian with main breaks, power outages, and system reliability issues including lack of water and boil notices. As the deadly storm progresses, we will continue to monitor potential impacts in Georgia and the Carolinas.

Since the rebuild and recovery in the hardest hit areas could take months, and some communities may be displaced, substantial liquidity will be necessary to cushion reduced collections and to bridge the period until Federal Emergency Management Agency (FEMA) loans are available. Given the robust liquidity available and sophisticated emergency response, which is assessed in our Operational Management Assessment (OMA), we do not believe near-term rating impact is likely. Our OMA assessment considers the breadth of each credit's resiliency planning, particularly those in coastal or low-lying areas, including whether the utility has prioritized its assets under a range of climate scenarios, and identified or completed potential adaptive measures, such as sea wall construction, pump station hardening, manhole rehabilitation, energy redundancy, and other flood mitigation decisions.

Based on the most recent data available (see table), most of the utilities within the affected portfolio have significant liquidity and prudent OMAs, which includes emergency preparation and response. None of the credits within the affected area have vulnerable OMA scores or cash positions below five months of operations. The average water/sewer credit in Florida maintains more than 700 days of cash on hand, driven by a recognition that the region has heightened exposure to storm-related risks.

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