

Bond Case Briefs

Municipal Finance Law Since 1971

Paradise, the Wildfire-Ravaged California Town, Warns of Municipal Bond Default.

Local agency is running out of funds to repay \$5 million bond after its tax revenues were decimated, highlighting growing investor worries over the risk climate change poses to municipal finances

Paradise, Calif., the town destroyed by the 2018 Camp Fire, says it is close to a debt default, heightening municipal bond investors' concerns over how a warming planet is adding risk to their \$4 trillion market.

A downed power line sparked the fire, which spread through forested hills baked dry by a lengthy drought. The town received \$219 million in settlement money from utility PG&E Corp. in 2020, but Paradise recently disclosed to bondholders that "no assurances can be given" that it will repay about \$5 million that one of its agencies borrowed years ago. The agency's cash is close to running out, and local officials have earmarked the settlement funds for reconstruction, not debt repayment. S&P Global Ratings slashed the bonds' rating by six notches to triple-C in June, pushing it deeper into junk territory.

Municipalities have long suffered from weather-related destruction. Many investors are growing more concerned that climate change is intensifying wildfires, even while critical infrastructure is unprepared and underfunded. Bond-fund managers say the mounting cost of such events means state and federal governments will be less willing to bail creditors out when they strike.

[Continue reading.](#)

The Wall Street Journal

By Matt Wirz and Heather Gillers

July 22, 2022 8:39 am ET