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S&P: Flooding Events For California Cities And Counties Are Unlikely To Abate And May Result in Long-Term Credit Risks

Key Takeaways

- California's extremely high rainfall in 2023 is continuing into 2024 but has not yet had a material effect on credit quality for cities and counties rated by S&P Global Ratings, although the longer-term effects on issuers could be more significant.
- Maintaining high levels of reserves and liquidity is, in our view, one way issuers can navigate the short-term effects of extreme weather events, in particular as FEMA reimbursement, if approved, can take months or even a year to arrive.
- As weather events become more frequent or severe, we have observed that cities and counties have prepared by evaluating stormwater infrastructure or installing flood gates or moveable walls to redirect water to protect municipal assets.
- S&P Global Ratings continues to monitor the effects of extreme weather events on the credit quality of California cities and counties by evaluating infrastructure, risk management, and finances on a case-by-case basis.

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