Bond Case Briefs

Municipal Finance Law Since 1971

Fitch: US Public Finance Credits Resilient Amid Hurricane Helene Recovery

Fitch Ratings-New York-03 October 2024: U.S. public finance issuers affected by Hurricane Helene will require time to recover from severe flooding, substantial property damage and the tragic loss of life, Fitch Ratings says. However, these issuers' ratings should largely remain stable amid challenges posed by the devastation. While the full extent of property damage in the Southeast will not be known for weeks, Fitch is monitoring various U.S. public finance credits affected by the hurricane, which was one of the largest storms to ever hit the U.S.

Federal relief funds, state support, insurance claims and private resources will help rebuild and drive post-disaster economic activity. We expect the pace of recovery to be slow due to the extensive devastation, compounded by uncertainty related to uninsured homeowners and businesses. Standard homeowners' insurance does not typically cover flood damage.

We expect state and local government ratings to remain stable throughout the recovery. Timely federal intervention, primarily through the Federal Emergency Management Agency (FEMA), is key to supporting fiscal stability for governments affected by the storm. The most affected states (Florida, Georgia, Tennessee, North and South Carolina) all have ample dedicated operating reserves totalling over several billion dollars each, as well substantial additional resources to cover short-term recovery and rebuilding costs.

Most Fitch-rated local municipalities have a high degree of fiscal resilience and robust reserves to manage storm expenses as they await reimbursement from federal and state disaster aid programs. Certain issuers will be more challenged as recovery costs could weaken reserves, and extensive property damage could lead to higher property tax delinquencies. Tax bases could also be affected if hurricane damage leads to permanent relocations or if increased insurance costs or insurance unavailability discourage homeowners and businesses from rebuilding.

Our insurance team has initially estimated an insured loss range from $5 billion to $10 billion. Florida's state-owned property insurer Citizens Property Insurance Corporation (AA/Stable), the insurer of last resort, has leading market share in both personal and commercial lines. Both Citizens and the Florida Hurricane Catastrophe Fund (AA/Stable), the state-sponsored reinsurer, have ample liquidity to address initial claims or reimbursements. They can also issue debt and levy emergency assessments on nearly every property and casualty insurance policy in the state for as long as debt is outstanding to cover claims volume. However, the potential for significant leverage on the assessed base could weigh on residents and businesses.

Power utility lines were heavily damaged in areas across the Southeast, and there are still nearly one million customers without power. Extensive mutual aid agreements among utilities outline the framework for assistance and cooperation to get power restored as quickly and safely as possible, but it will likely take time in areas with extensive damage. Power utilities typically manage costs associated with extreme weather events through robust cash reserves and liquidity facilities designed to bridge the timing between restoration costs and reimbursement by FEMA. FEMA

typically reimburses around 75% of restoration costs.

Most Fitch-rated water and sewer utilities affected by the hurricane have robust liquidity and should be able to absorb initial storm costs. However, storm surges and flooding can overwhelm systems, causing sewer overflows that may result in water quality issues. Fitch is still assessing the full impact of the storm on utilities.

While we are still monitoring our rated not-for-profit hospital and life plan community (LPC) portfolio, most facilities appear to have avoided significant damage. Nevertheless, necessary repairs or clean up could cause business interruption. Hospitals and LPCs will benefit from FEMA aid and business interruption insurance, although receipt of these funds could take time.

Copyright © 2026 Bond Case Briefs | bondcasebriefs.com