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S&P: As Los Angeles Wildfires Burn, Credit Implications For U.S. Public Finance Issuers Are Unclear

Liability Claims, Revenue Disruptions Could Lead to Negative Rating Actions

Rapidly expanding wildfires in the Los Angeles area might pose significant financial and operational risks for rated entities, especially if not-for-profit electric utilities' infrastructure triggered the fires. S&P Global Ratings is monitoring rated U.S. public finance entities in the affected region to assess whether liability claims or disrupted revenues will lead to negative rating actions.

As of publication time, the two largest wildfires in the area have burned almost 28,000 acres, remain completely uncontained, and their causes are undetermined. Many entities we rate, including not-for-profit electric and water and sewer utilities, local governments, and school districts, have assets and tax bases in the areas with active fires.

What's happening

Several wildfires sparked in the Los Angeles area on Jan. 7 and into Jan 8, then spread rapidly due to severe winds, low humidity, and extremely combustible terrain. Although only about 1% of Los Angeles County's total 2.6 million acres has burned, the affected area contains a broad range of homes and businesses with variable property values, including some very-high-value real estate. The Palisades Fire is already the most destructive to ever occur in Los Angeles County, according to CalFire. More than 2,000 structures have burned, the Los Angeles Times reported.

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