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WSJ: Los Angeles Wildfires Hit Some Muni Bonds

Altadena public library bonds traded lower and L.A. power and water bonds suffered a credit ratings downgrade, signs the municipal market is growing concerned about the Los Angeles wildfires.

Los Angeles area governments will be able to rely on federal and state aid plus a rich and diverse tax base to help fund their recovery. The Altadena library, which is still standing, and L.A.'s water and power debt remain well within investment-grade status.

But the fires could still disrupt the taxes and fees flowing to many borrowers in the $4 trillion market for state and local governments.

The library bonds traded at 95 cents on the dollar Tuesday, down from 100 cents on the dollar in December. The bonds, issued three years ago to finance a renovation still underway, are largely backed with special taxes collected in Altadena, a mostly residential eight-square mile area of unincorporated Los Angeles County hit hard by the Eaton fire.

Also Tuesday, S&P Global Ratings lowered its grades on the city of Los Angeles's water and power bonds. Those securities are backed by fees paid by L.A. rate-payers, some of whose homes burned down in the Palisades fire. While only a small share of ratepayers have so far been affected, analysts said the increasing likelihood of fire disruption in L.A. and other urban areas makes such bonds a shakier bet going forward.

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by Heather Gillers

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