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Fire-Ravaged LA Library District Issues Bleak Bondholder Warning.

- **District says ability to pay debt service could be impacted**
- **Loss of tax revenues due to the fire hasn't been totaled yet**

A library district just north of Los Angeles says that so many homes and businesses in its taxing zone have been destroyed by a massive wildfire that it might not be able to raise enough revenue to pay municipal bondholders.

The Altadena Library District Community Facilities District said in a regulatory filing that it anticipates that the majority of the structures damaged or destroyed in the Eaton Fire are within its taxing boundaries and that it expects the number of parcels destroyed or damaged will increase as Los Angeles County completes its inspections. None of the libraries within the district were destroyed.

The fire, which is now mostly contained, has killed 17 people, burned through 14,000 acres and destroyed more than 9,000 structures since it began Jan. 7, according to the California Department of Forestry and Fire Protection.

"The District is not able to quantify the loss of special tax revenues within the Community Facilities District at this time and the impact it may have on the District's ability to make debt service payments on the Bonds," the district said in a disclosure dated Jan. 17.

The warning is the first municipal borrower affected by the wildfires to disclose a related credit issue, according to Municipal Markets Analytics partner Matt Fabian.

The library district issued about $21 million in municipal bonds in 2022 that are secured by revenue from a special property tax. S&P Global Ratings has placed the bonds on watch for a possible downgrade because of the fire damage and the district's lack of a debt service reserve fund. In fiscal year 2025, more than 95% of the special taxes came from residential properties, S&P said.

If property owners fail to pay the special taxes, banks holding mortgages on those properties may advance the taxes to the district to preserve values, Fabian wrote in a Jan. 22 note. The bonds are also insured by Assured Guaranty "so the potential for non-payment on bondholders is minimal," he said.

Bloomberg CityLab

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January 23, 2025