

Rating Action: Moody's downgrades Hartford, CT's GO to Caa1 from B2; Rating under review for possible downgrade

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New York, September 12, 2017 -- Summary Rating Rationale

Moody's Investors Service has downgraded the City of Hartford, CT's general obligation debt rating to Caa1 from B2. The rating is under review for possible downgrade. Debt affected totals approximately \$550 million.

The downgrade to Caa1 reflects the increased risk of default given recent statements by the mayor that the city will run out of funds in 60 days in the absence of a state budget providing adequate funding to the city. The rating further incorporates the city's commitment to restructuring its debt regardless of the state budget outcome and level of support (if any) from the state.

The rating also reflects the city's precarious liquidity position that could result in insufficient cash flow to meet upcoming debt obligations which could result in a loss to bondholders. The city has a \$5.9 million debt service payment due on October 1st and \$21 million in tax anticipation notes payable on October 31st. Additionally, the city has debt service payments in every month of the fiscal year, compounding the possibility of default at any time. The city's repeated reference to bankruptcy suggests a willingness to default. Future review will focus on the severity of expected loss to bondholders and an analysis of how much debt the city has the capacity to support. The review will be concluded within 90 days.

Rating Outlook

The rating is under review for downgrade based on the evolving situation at both the city and state that could result in a material impairment to bondholders through a debt restructuring, default and/or bankruptcy. Future review will focus on the severity of loss to bondholders and the amount of debt that the City has the capacity to afford in the long term. The review will be concluded within 90 days.

Factors that Could Lead to an Upgrade

Development of a long term sustainability plan that does not include a debt restructuring plan that impairs bondholders

A significant increase in recurring revenues

Timely payment on all debt obligations with expressed commitments to honor future obligations in full

Factors that Could Lead to a Downgrade

Lack of a state budget with additional support for the city

A state budget adoption that provides insufficient support

Default on debt obligations

Bankruptcy filing, or increasing likelihood of a filing, by the City of Hartford

Bondholder recoveries under 90% in a potential debt restructuring

Legal Security

The bonds are secured by the city's full faith and credit general obligation pledge including the ability to levy property taxes, not limited by rate or amount.

Use of Proceeds

Not applicable.

Obligor Profile

Hartford, the state's capital, has an estimated population of 125,130 (American Community Survey estimates).

Methodology

The principal methodology used in this rating was US Local Government General Obligation Debt published in December 2016. Please see the Rating Methodologies page on www.moodys.com for a copy of this methodology.

Regulatory Disclosures

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