MOODY'S
INVESTORS SERVICE

Rating Action: Moody's downgrades Hartford, CT's GO to Caa3 from Caa1; assigns negative outlook

Global Credit Research - 26 Sep 2017

New York, September 26, 2017 -- Summary Rating Rationale

Moody's Investors Service has downgraded the City of Hartford, CT's general obligation debt rating to Caa3 from Caa1 and removes the rating from review for possible downgrade started on September 12, 2017. The rating action applies to approximately $536.5 million in bonds. The outlook is negative. The downgrade to Caa3 reflects increased likelihood of default as early as November and a higher probability of significant bondholder impairment given impending bankruptcy. The rating further incorporates uncertainty from the state budget impasse and approval by the state legislature of a budget that does not provide any additional aid requested by Hartford to manage a current year budget gap. The Caa3 rating reflects expectation that bondholders will recover 65% to 80% of principal, in light of the city's large structural deficits that will require relief from multiple sources.

Rating Outlook

The negative outlook reflects ongoing risks from the absence of a plan to restore the city's financial health and uncertainty of state support given the ongoing budget impasse. The city faces a liquidity crisis and a large structural deficit.

Factors that Could Lead to an Upgrade

Development of a long term sustainability plan that outlines specific impairment above 80% to bondholders in a debt restructuring plan

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

Default on debt obligations

Bankruptcy filing by the City of Hartford

Indication that bondholder recoveries will fall below 65% of principal 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.

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