

**Rating Action: Moody's revises Hartford, CT's outlook to developing; affirms Caa3 GOULT**

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Global Credit Research - 30 Jan 2018

New York, January 30, 2018 -- Moody's Investors Service has affirmed the Caa3 rating on the City of Hartford, Connecticut's general obligation unlimited tax (GOULT) debt and revised the outlook to developing from negative.

**RATINGS RATIONALE**

The affirmation of the Caa3 rating reflects continued, albeit reduced, likelihood of default or bankruptcy over the short term, while there remains a possibility of significant bondholder impairment over the long term given the city's distressed financial condition. The rating also reflects the ongoing negotiations between the city and bondholders. The rating further incorporates the significant state assistance outlined in the fiscal 2018-19 state budget, the city's pending approval from the Municipal Accountability Review Board (MARB) as a Tier III municipality, and the pending terms of the contract assistance between the state and city.

**RATING OUTLOOK**

The revision of the outlook to developing reflects the state's establishment of the MARB and the city's request to be designated as a Tier III entity, thereby receiving significant state oversight and financial assistance. The MARB's pending decision on the city's Tier III status, execution of a state debt assistance contract and the conclusion of negotiations with bond insurers and bondholders, as well as the city's detailed financial recovery plan will provide information material to assessment of the city's credit profile.

**FACTORS THAT COULD LEAD TO AN UPGRADE**

- MARB designation as a Tier III municipality and executed state debt assistance contract
- Development of a long term financial sustainability plan
- An end to negotiations with bond insurers and bondholders that results in expected principal recovery of at least 80% of principal
- 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**

Outstanding rated 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

**PROFILE**

Hartford is the capital of Connecticut with a population of 125,130.

**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.moody's.com](http://www.moody's.com) for a copy of this methodology.

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