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Moody's Cuts Hartford Rating Further, Citing Bronin's Move To Restructure Debt.

Moody's Investors Service knocked its rating for Hartford debt down another three notches Thursday from a level that already classified the city's bonds as junk.

With the downgrade, Moody's has Hartford's credit and most of the city's outstanding bonds rated as B2, down from Ba2. That lowers the rating from "speculative" to "highly speculative," both of which are considered non-investment grade, or junk.

"The downgrade reflects the recent increased likelihood that Hartford will pursue debt restructurings to address its fiscal challenges," Moody's said in a report. "The new rating also reflects the city's challenging liquidity outlook in the current fiscal year and weak prospects for achievement of sustainably balanced financial operations."

The move by Moody's follows a downgrade at Standard & Poor's late Tuesday, to BB, which is equivalent to the Ba2 that Moody's assigned last fall.

Hartford Mayor Luke Bronin said Wednesday the city and its newly hired bankruptcy and restructuring law firm, Greenberg Traurig, will immediately approach bondholders in an effort to persuade them to accept lower payments on the city's debt. That could help the city avert bankruptcy, but some experts in municipal finance said the effort has only small chance of succeeding without a court filing.

As Bronin Seeks Givebacks From Bondholders, Averting Bankruptcy A Huge Challenge
The downgrade could lead to lower values for Hartford debt that's traded in the markets. It also decreases the city's ability to borrow additional money, although more borrowing was already difficult and expensive before the latest Moody's action.

Both Moody's and S&P continue to have Hartford on a watch for further downgrades.

Moody's also has a B2 rating for Detroit, which emerged from the nation's largest municipal bankruptcy in late 2014. In all, Moody's has about 3 percent or fewer of 8,500 local governments rated with junk debt, and many of those are higher than Hartford's rating.

The new rating affects about \$550 million out of slightly more than \$700 million in outstanding city debt.

Moody's said in Thursday's report Hartford's budget is "unlikely to provide a pathway to structural balance over the longer term" even if the state fills this year's estimated \$50 million gap — in part because of escalating debt payments coming due over the next several years.

The report also acknowledged, as Bronin has said, that the city's prospect for raising taxes is extremely limited by high current rates and low incomes, and its ability to cut costs is "limited as the city has already gone through multiple round of expense cutting."

The Hartford Courant

by Dan Haar

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