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As Hartford Mulls Bankruptcy, Bond Insurer Offers to Help Postpone Payments.

Assured Guaranty says Connecticut's capital could delay payment on as much as $300 million in debt

Hartford's biggest bond insurer said it had offered to help the city postpone payments on as much as $300 million in outstanding debt, in a move designed to help prevent a bankruptcy filing for Connecticut's capital.

The insurer, Assured Guaranty, made the announcement before a Monday conference call between Hartford and its bondholders.

During the call Hartford Mayor Luke Bronin said postponement of the city's debt would be inadequate without other fixes such as more revenue from the state, according to a statement released by the city after the call.

"I appreciate Assured's willingness to have constructive discussions," the mayor said, according to the statement, but "this administration is not interested in pushing off this challenge for another mayor or another generation to fix."

Under Assured Guaranty's proposal, debt payments due in the next 15 years would instead be spread out over the next 30 years without bankruptcy or default. The city would issue new longer-dated bonds and use the proceeds to make the near-term debt payments.

Assured Guaranty and another insurer, Build America Mutual, would insure the new bonds, said an Assured Guaranty spokesman.

Assured Guaranty backs 57% of Hartford's roughly $550 million in outstanding general obligation debt and would be on the hook for any shortfall in payments should the city enter bankruptcy. Build America Mutual backs $103 million in Hartford debt. About $163 million in Hartford bonds are held by U.S. mutual funds.

Hartford is in the middle of a fiscal emergency because of a weak tax base and a budget deficit of nearly $50 million. It also has one of the lowest credit ratings in the nation. Making matters worse, Connecticut lawmakers have been unable to reach agreement on a state budget more than two months into the fiscal year, leaving Hartford short of state funding.

City officials have warned that the city would likely file for bankruptcy this fall unless the state provides more help. Mayor Luke Bronin has said the city cannot afford to make its bond payments on time and will need to restructure its debt even if Hartford does receive state assistance.

The offer from Assured Guaranty would provide Hartford with short-term budgetary relief but wouldn't reduce the city's total liabilities. In fact, it would add to them because delaying when the debt comes due would increase interest costs.

The city's debt payments are scheduled to jump from $6.6 million to $56 million in the next four years, according to city financial disclosures. Assured Guaranty's plan would lower those payments by pushing some of the debt out as far as 2047.

It is common for states to issue bonds as a way of refunding old debt, both to take advantage of low interest rates and to put off debt payments. But Hartford, which is rated deep in junk status and has hired restructuring advisers, would likely be unable to complete such a deal without insurance.

"Once you hire restructuring advisers, investors steer clear," said Matt Fabian, partner at Municipal Market Analytics, a municipal bond research firm.

Of cities rated by Moody's Investors Service , only Stockton, Calif., which emerged from bankruptcy protection two years ago, and Atlantic City, N.J., which narrowly avoided it, have lower ratings than Hartford.

Assured Guaranty's proposal takes advantage of state legislation passed in July that for the next five years allows cities to refinance debt with 30-year bonds instead of restricting them to 20-year bonds.

Hartford could receive more than $40 million in aid under one version of Connecticut's fiscal 2018 budget, which state lawmakers are still debating. But that alone wouldn't be enough to keep Hartford out of bankruptcy, the city said in a notice about Monday's conference call.

Assured Guaranty's proposal wouldn't help Hartford solve all its problems. A continued delay in the budget could strain the city's ability to make payment on a $20 million short-term loan due on Oct. 31.

The insurer's proposal could be "a part of the solution," said the Assured Guaranty spokesman. "It's not the solution in itself."

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