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## One of Hartford's Big Bondholders Doesn't Foresee Default.

- **Connecticut doesn't want bankrupt capital, Wells Fargo wagers**
- **City bonds are trading for around 71 cents on the dollar**

One of Hartford, Connecticut's biggest bondholders isn't too worried the distressed capital city will default on its debt, even though Moody's Investors Service has warned that one could come as soon as next month.

Lyle Fitterer, the head of municipal securities investments for Wells Fargo Asset Management, said in an interview that the state is likely to help pull Hartford back from the financial brink. Wells Fargo holds \$40 million of Hartford general-obligation bonds, about \$26 million of which is insured against default, according to Sarah Kerr, a company spokeswoman. That's a bigger stake than any other firm that has disclosed its holdings in regulatory filings, according to data compiled by Bloomberg.

"We don't think the state wants to see Hartford file bankruptcy," he said, though the firm hasn't added to its investment recently. Mayor Luke Bronin has warned that it may need to seek court protection from creditors if Connecticut doesn't enact a budget that provides a financial rescue.

The prices of Hartford bonds have tumbled since the 123,000-resident city began exploring a potential bankruptcy and credit-rating companies downgraded it deeper into junk. Its general-obligation bonds due in 2024, one of the most frequently traded securities, have traded for an average of 71 cents on the dollar this month, down from more than 100 cents as recently as April.

In a Oct. 18 report, Moody's said the city is likely to skip payments on its debt as early as November unless it secures help from the state and concessions from bondholders and municipal employees.

"The marketplace continues to have uncertainty with regards to issuer willingness to pay debts given some of the experiences with Detroit and now looking at Puerto Rico and some of the continued declines in prices there," Wells Fargo portfolio manager Gabriel Diederich said.

A bankruptcy by Hartford would be the biggest by a U.S. city since Detroit's four years ago, and lawmakers have been working on a plan to prevent that from happening. Municipal bankruptcies are extremely rare, given that local governments can typically raise taxes to cover their obligations. Hartford is hobbled in part because its property taxes are already the highest in the state and much of its property, including government buildings, is tax exempt.

A bipartisan budget that the legislature may vote on as soon as this week would give Hartford about \$20 million in aid and provide \$20 million a year to cover costs on its bonds, said Matt Ritter, the majority leader in the state's Democrat-controlled House of Representatives. Hartford would also be able to issue debt backed by Connecticut, which would allow it to save money by refinancing at lower rates.

Hartford has \$1.3 million and \$1.7 million in general-obligation bonds maturing Nov. 15 and Dec. 1, respectively, according to data compiled by Bloomberg. It also has \$20.2 million in notes coming due

at the end of this month.

Fitterer said the firm has stuck with its investment in Hartford because both Republicans and Democrats have proposed giving aid to the city, though they differed in how much they offered. He said Connecticut officials also likely fear that a bankruptcy would penalize other borrowers in the state if investors demand higher yields to hold their bonds.

Still, Fitterer said he takes Bronin's bankruptcy threat seriously.

"One of the old sayings is you generally don't hire bankruptcy counsel unless you're going to file bankruptcy — it's not a cheap proposition."

## **Bloomberg**

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