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As Bankruptcy Looms for Hartford, Conn., S&P Downgrades Its Debt to 'Junk'

Standard & Poor's downgraded Hartford debt to junk bond status late Tuesday, less than a week after the financially troubled capital city hired a New York law firm with expertise in restructuring municipal finances.

The Wall Street ratings agency downgraded most city of Hartford outstanding debt to BB, a level that's classified as speculative, also known as non-investment-grade, or junk, from BBB-. That reflects a strong possibility that Hartford could default on its debt or renegotiate it to pay bondholders less money.

The move, announced on the S&P website just after 4 p.m., follows a series of downgrades by ratings agencies over the last year, as Mayor Luke Bronin has warned that Hartford could file for bankruptcy protection if it doesn't receive tens of millions of dollars in additional aid from the state and concessions from unions.

Moody's Investors Service downgraded Hartford bonds last October to Ba2, which is similar to S&P's BB — non-investment grade, aka junk.

Both Moody's and S&P still have Hartford on a negative watch, meaning more downgrades could happen soon. On Tuesday, S&P also downgraded Hartford Stadium Authority bonds.

The S&P move is related to Hartford on Thursday hiring Greenberg Traurig, a large New York firm, to help sort through options on how to restore the city to financial health.

Even without a bankruptcy filing, one option for the city could be to renegotiate the payback terms of Hartford's outstanding debt. Because of the way the debt was refinanced in recent years, the city's obligations increased sharply this year and will rise further next year.

Bronin confirmed the possibility of bond restructuring negotiations in an interview Tuesday, and in a written statement issued after the S&P action. It's unclear whether such talks would start even before a state budget is reached, as the state began its fiscal year July 1 without a budget — leaving Hartford and other municipalities millions of dollars short in expected state aid.

"I have said for months that we cannot and will not take any option off the table, because our goal is to get Hartford on the path to sustainability and strength," Bronin said in the statement. A long-term solution, he said, "will require every stakeholder — from the State of Connecticut to our unions to our bondholders — to play a significant role."

He added, "Today's downgrade should send a clear message to our legislature, to labor, and to our bondholders that this is the time to come together to support a true, far-sighted restructuring."

Bronin said Tuesday his administration is still actively seeking concessions from city unions, including police.

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