



Rating Action: Moody's upgrades Hartford, CT's issuer rating to B1; outlook positive

21 Mar 2019

New York, March 21, 2019 -- Moody's Investors Service has upgraded the City of Hartford, Connecticut's issuer rating to B1 from B2. The issuer rating is equivalent to the general obligation unlimited tax (GOULT) rating we would assign to GOULT debt of the issuer, but does not apply to any of the city's outstanding debt. We maintain an A2 rating on the city's outstanding general obligation bonds based on the contract assistance agreement between the state and the city, wherein the State of Connecticut has committed to pay the annual debt service on all of the city's outstanding general obligation bonds. The outlook has been revised to positive from stable.

RATINGS RATIONALE

The upgrade to B1 reflects the stabilizing financial position and improved liquidity that has been achieved through the state's contract assistance agreement and cost saving measures taken by the city through labor contract agreements and tight expenditure controls. The rating also incorporates significant state oversight through the Municipal Accountability Review Board (MARB) and contract assistance agreement. Also factored into the rating are ongoing challenges on the city's path to sustainably balanced financial operations including growing expenditures and projected weak revenue growth that is dependent on tax base growth and state funding. The city has limited revenue flexibility resulting in part from the high percentage of exempt properties within the tax base, persistent challenges of high poverty, elevated unemployment, and low median family income.

RATING OUTLOOK

The positive outlook reflects our expectation that the city will adhere to its financial recovery plan that will result in balanced operations over the next few years with any surplus largely going towards capital needs. The outlook also incorporates the potential for tax base growth that would provide additional operating flexibility and indicate the strength of ongoing economic development.

FACTORS THAT COULD LEAD TO AN UPGRADE

- Adherence to the financial recovery plan and MARB oversight
- Trend of tax base growth
- Improvement in liquidity and reserves

FACTORS THAT COULD LEAD TO A DOWNGRADE

- Deviation from the financial recovery plan
- Material tax base decline
- Operating deficits and/or decline in liquidity
- Trigger event under MARB oversight or under the state contract assistance agreement
- Default on a debt obligation

LEGAL SECURITY

Not applicable.

USE OF PROCEEDS

Not applicable

PROFILE

Hartford is the Connecticut state capital. The city is 18.4 square miles in area with a population of 124,390 (2017 ACS) and is located halfway between Boston (Aaa stable) and New York City (Aa1 stable).

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 for a copy of this methodology.

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