

**Rating Update: Moody's affirms Westwood, MA's Aa1; removes negative outlook**

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Global Credit Research - 30 Jul 2013

WESTWOOD (TOWN OF) MA  
Cities (including Towns, Villages and Townships)  
MA

**Opinion**

NEW YORK, July 30, 2013 --Moody's Investors Service has affirmed the town of Westwood, MA's Aa1 rating and removed the negative outlook affecting approximately \$41.4 million in general obligation debt.

**RATINGS RATIONALE**

The Aa1 rating incorporates the town's sizeable tax base with high wealth levels, improved financial position and a manageable debt burden with limited immediate borrowing plans. The removal of the negative outlook reflects the town's improved financial condition in compliance with stated financial policies. The bonds carry the town's general obligation unlimited tax pledge, as voters have exempted debt service from the levy limitations of Proposition 2 ½.

**STRENGTHS**

- Sizable tax base with above average wealth indicators
- Compliance with adopted financial policies
- Manageable debt position

**CHALLENGES**

- Narrow reserve levels

**DETAILED CREDIT DISCUSSION**

**IMPROVED FINANCIAL POSITION EXPECTED TO STABILIZE OVER THE NEAR-TERM**

Moody's believes the town's financial position will remain healthy over the near-term due to conservative budgeting practices and adherence to approved fiscal policies. The town has managed to improve reserves to a solid \$8.2 million or 11.3% of revenues in fiscal 2012 from a narrower \$4.1 million or 6.4% of revenues in fiscal 2008. Through conservative budgeting, management increased reserves to be in compliance with the town's formally adopted reserve policy of maintaining combined stabilization funds and general fund balance at 8% of general fund revenues. Management also no longer budgets for new revenues from the stalled Westwood Station, now known as University Station, in its five year forecasts. Management projects stable reserve levels for fiscal 2013 by limiting department expenditures to 2% increases and included an \$794,000 appropriation to the stabilization fund. For fiscal 2014, management projects a balanced budget that includes an \$100,000 appropriation to the stabilization fund. The town maintains an aggressive pay-as-you-go capital program, which Moody's views as a source of financial flexibility with the expectation the town could adjust the program in tight budget years. Pay-go-capital projects accounts for approximately 1% of the town's budget annually.

**FAVORABLY LOCATED BOSTON SUBURB WITH ABOVE-AVERAGE RESIDENT WEALTH LEVELS**

Moody's believes the town's large tax base will remain relatively stable due to its favorable location and new developments. The large suburban tax base of \$3.7 billion is located approximately 13 miles from Boston (GO rated Aaa/stable outlook) and is growing an average rate of 2% annually over the last five years. The town is also anticipating new development as the once stalled Westwood Station project has been restarted as University Station a mixed use development. The project has been reduced in size and is scheduled break ground in the fall and open anchor stores in spring 2015. Management maintains conservative budgeting by not including any potential new revenues from the development in the town's five year budget forecasts. Resident income levels within the town are well-above average compared to state averages, with per capita and median family incomes of

169.5% and 182.2%, respectively.

#### MANAGEABLE DEBT BURDEN WITH NO PLANS TO ISSUE NEW DEBT

Moody's anticipates that the town's 1.1% overall debt burden will remain affordable given limited future borrowing plans. While debt service represents a 9.1% of fiscal 2012 expenditures, roughly 71% of Westwood's outstanding debt has been excluded from Proposition 2 ½ by the town's voters, easing pressure on general fund operations. Amortization of existing principal is rapid with 95.6% retired within 10 years. The town has no variable rate debt or derivative product exposure.

The town participates in the Norfolk County Contributory Retirement System, a multi-employer, defined benefit retirement plan. The town's annual required contribution (ARC) for the plan was \$2.6 million in fiscal 2012, or 3.2% of operating expenditures. The town's adjusted net pension liability, under Moody's methodology for adjusting reported pension data, is \$43,761, or an average 0.62 times General Fund revenues. Moody's uses the adjusted net pension liability to improve comparability of reported pension liabilities. The adjustments are not intended to replace the town's reported liability information, but to improve comparability with other rated entities.

Also, the town currently contributes to its OPEB liability on a pay-as-you-go basis. The town contributed 35% of its annual OPEB cost in fiscal 2012, representing \$1.7 million. The total UAAL for OPEB is \$59 million, as of June 30, 2011. The town's total fixed costs for 2012, including pension, OPEB and debt service, represented \$10.8 million or 13.3% of expenditures.

#### OUTLOOK

The removal of the negative outlook reflects the town's improved financial condition and compliance with stated financial policies expected to continue over the medium term.

#### WHAT COULD CHANGE THE RATING UP:

- Significant increases to reserve levels consistent with a higher rating category

#### WHAT COULD CHANGE THE RATING DOWN:

- Significant reductions in reserve levels relative to revenues
- Failure to maintain structurally balanced operations

#### KEY STATISTICS

2010 Population: 14,618 (increased 3.5% since 2000 census)

2012 Equalized valuation: \$3.7 billion

2012 Equalized valuation per capita: \$253,270

Median family income: \$151,976 (182.2% of the commonwealth; 236.3% of the U.S.)

Per capita income: \$59,422 (169.5% of the commonwealth; 212.8% of the U.S.)

Overall debt burden: 1.1%

Adjusted overall debt burden: 1%

Payout of principal (10 years): 95.6%

FY12 General Fund balance: \$8.2 million (11.3% of General Fund revenues)

FY12 Unassigned General Fund balance: \$5.5 million (7.6% of revenues)

The principal methodology used in this rating was General Obligation Bonds Issued by US Local Governments published in April 2013. Please see the Credit Policy page on [www.moody.com](http://www.moody.com) for a copy of this methodology.

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