

ISSUER COMMENT

15 March 2019

RATING

General Obligation (or GO Related) ¹

Aa1 No Outlook

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Town of Westwood, MA

Annual Comment on Westwood

Issuer Profile

The Town of Westwood is located in Norfolk County in eastern Massachusetts, approximately 10 miles southwest of Boston. The county has a population of 694,389 and a high population density of 1,738 people per square mile. The county's median family income is \$120,087 (1st quartile) and the December 2018 unemployment rate was 2.4% (1st quartile) ². The largest industry sectors that drive the local economy are health services, retail trade, and professional/scientific/technical services.

Credit Overview

The credit position for Westwood is very good, and its Aa1 rating is above the median rating of Aa3 for US cities. The key credit factors include a very strong wealth and income profile, a solid tax base and a healthy financial position. The rating also reflects a manageable debt burden and a mid-ranged pension liability.

Economy and Tax Base: Overall, the town has an exceptionally strong economy and tax base, which are slightly favorable relative to the assigned rating of Aa1. The median family income equates to a robust 237.4% of the US level. In addition, the full value per capita (\$282,630) is materially above other Moody's-rated cities nationwide, and grew markedly between 2014 and 2018. Westwood's total full value (\$4.3 billion) is considerable compared to the US median.

Finances: Overall, the town has a very solid financial position, which is comparable to its Aa1 rating. The cash balance as a percent of operating revenues (26.4%) is slightly lower than the US median and the fund balance as a percent of operating revenues (21.1%) is under the US median. Massachusetts local governments tend to have financial ratios lower than US medians because they generally derive a majority of revenues from stable property taxes and their financials typically incorporate school operations which are predictable.

Debt and Pensions: Overall, the debt and pension liabilities of the town are small, if slightly weak relative to its Aa1 rating. Westwood's net direct debt to full value (1%) is roughly equivalent to the US median, and remained the same from 2014 to 2018. Furthermore, the Moody's-adjusted net pension liability to operating revenues (0.88x) is favorably below the US median.

Management and Governance: Massachusetts cities have an Institutional Framework score ³ of Aa, which is high compared to the nation. Institutional Framework scores measure a sector's legal ability to increase revenues and decrease expenditures. Massachusetts cities major revenue source, property taxes, are subject to the Proposition 2 1/2 cap which can be overridden with voter approval only. However, the cap of 2.5% still allows for moderate

revenue-raising ability. Unpredictable revenue fluctuations tend to be minor, or under 5% annually. Across the sector, fixed and mandated costs are generally greater than 25% of expenditures. However, Massachusetts has public sector unions, which can limit the ability to cut expenditures. Unpredictable expenditure fluctuations tend to be minor, under 5% annually.

Sector Trends - Massachusetts Cities

Massachusetts cities will generally benefit from an expanding state economy. The vibrant expansion throughout the greater Boston region will continue to bolster most of the state, resulting in favorable employment trends relative to the nation as a whole. We expect the operating environment of cities to be favorable due to the growing residential and commercial real estate markets which will boost property tax revenues. However, Massachusetts cities will remain somewhat challenged by relatively low housing affordability and very high costs of doing business.

EXHIBIT 1

Key Indicators ⁴ ⁵ Westwood

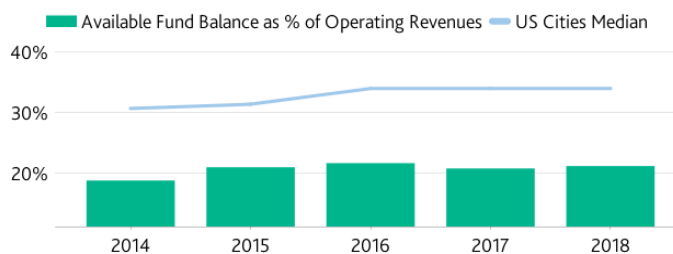
	2014	2015	2016	2017	2018	US Median	Credit Trend
Economy / Tax Base							
Total Full Value	\$3,702M	\$3,698M	\$3,698M	\$4,342M	\$4,342M	\$1,867M	Improved
Full Value Per Capita	\$250,004	\$245,003	\$240,697	\$287,686	\$282,630	\$89,200	Improved
Median Family Income (% of US Median)	232%	239%	237%	237%	237%	113%	Improved
Finances							
Available Fund Balance as % of Operating Revenues	18.7%	20.9%	21.6%	20.7%	21.1%	33.9%	Stable
Net Cash Balance as % of Operating Revenues	22.4%	25.3%	24.6%	24.1%	26.4%	36.9%	Stable
Debt / Pensions							
Net Direct Debt / Full Value	0.9%	0.9%	1.1%	1.2%	1.0%	1.1%	Stable
Net Direct Debt / Operating Revenues	0.42x	0.41x	0.47x	0.53x	0.45x	0.88x	Stable
Moody's-adjusted Net Pension Liability (3-yr average) to Full Value	1.9%	2.2%	2.3%	1.9%	2.0%	1.8%	Stable
Moody's-adjusted Net Pension Liability (3-yr average) to Operating Revenues	0.85x	1.03x	0.96x	0.87x	0.88x	1.51x	Stable
	2014	2015	2016	2017	2018	US Median	
Debt and Financial Data							
Population	14,809	15,094	15,364	15,094	15,364	N/A	
Available Fund Balance (\$000s)	\$15,617	\$16,770	\$18,983	\$19,583	\$21,117	\$7,419	
Net Cash Balance (\$000s)	\$18,722	\$20,289	\$21,662	\$22,778	\$26,428	\$8,404	
Operating Revenues (\$000s)	\$83,524	\$80,270	\$88,022	\$94,654	\$100,152	\$21,930	
Net Direct Debt (\$000s)	\$34,679	\$32,830	\$41,708	\$50,563	\$45,568	\$18,580	
Moody's Adjusted Net Pension Liability (3-yr average) (\$000s)	\$71,165	\$82,816	\$84,612	\$82,498	\$88,080	\$32,507	

Source: Moody's Investors Service

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the ratings tab on the issuer/entity page on www.moody's.com for the most updated credit rating action information and rating history.

EXHIBIT 2

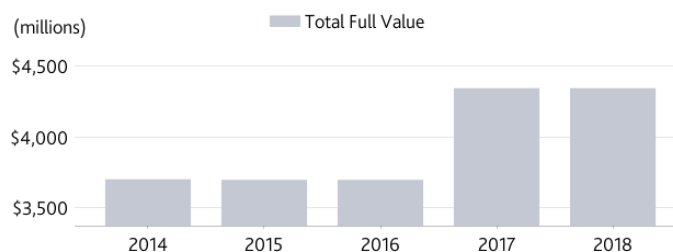
Available fund balance as a percent of operating revenues was stable from 2014 to 2018



Source: Issuer financial statements; Moody's Investors Service

EXHIBIT 3

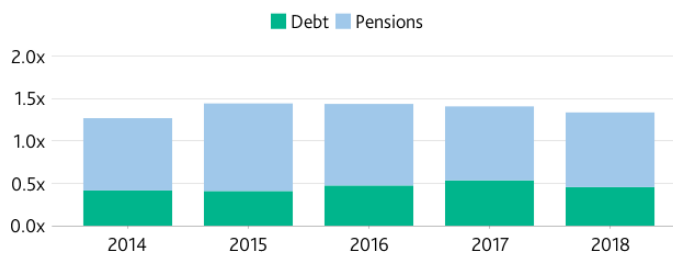
Full value of the property tax base increased from 2014 to 2018



Source: Issuer financial statements; Government data sources; Offering statements; Moody's Investors Service

EXHIBIT 4

Moody's-adjusted net pension liability to operating revenues was stable from 2014 to 2018



Source: Issuer financial statements; Government data sources; Offering statements; Moody's Investors Service

Endnotes

- The rating referenced in this report is the issuer's General Obligation (GO) rating or its highest public rating that is GO-related. A GO bond is generally backed by the full faith and credit pledge and total taxing power of the issuer. GO-related securities include general obligation limited tax, annual appropriation, lease revenue, non-ad valorem, and moral obligation debt. The referenced ratings reflect the government's underlying credit quality without regard to state guarantees, enhancement programs or bond insurance.
 - The demographic data presented, including population, population density, per capita personal income and unemployment rate are derived from the most recently available US government databases. Population, population density and per capita personal income come from the American Community Survey while the unemployment rate comes from the Bureau of Labor Statistics.
- The largest industry sectors are derived from the Bureau of Economic Analysis. Moody's allocated the per capita personal income data and unemployment data for all counties in the US census into quartiles. The quartiles are ordered from strongest-to-weakest from a credit perspective: the highest per capita personal income quartile is first quartile, and the lowest unemployment rate is first quartile.
- The institutional framework score assesses a municipality's legal ability to match revenues with expenditures based on its constitutionally and legislatively conferred powers and responsibilities. See [US Local Government General Obligation Debt \(December 2016\)](#) methodology report for more details.
 - For definitions of the metrics in the Key Indicators Table, [US Local Government General Obligation Methodology and Scorecard User Guide \(July 2014\)](#). Metrics represented as N/A indicate the data were not available at the time of publication.
 - The medians come from our most recently published local government medians report, [Medians - Property values key to stability, but pension burdens remain a challenge \(March 2018\)](#) which is available on Moodys.com. The medians presented here are based on the key metrics outlined in Moody's GO methodology and the associated scorecard.

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