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Westwood, Massachusetts; Tax Secured, General Obligation

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Credit Profile
$42.103 mil GO bnds ser 2003 dtd 08/01/2003 due 06/01/2023
AA+
Sale date: 30-JUL-2002
OUTLOOK:
STABLE

Rationale

The 'AA+' rating on the Town of Westwood, Mass.' GO bonds reflects:

- The town's location within the deep and diverse Boston-Lawrence-Lowell-Brockton metropolitan area;
- High wealth and income levels, with median household effective buying income at 201% of the national average;
- Good financial performance and position;
- A relatively large and predominantly residential tax base, along with a very high per capita market value of $198,537;
- A history of Proposition 2 1/2 overrides, which has helped management fund capital projects; and
- A moderate debt burden, with manageable future capital needs, and faster-than-average debt retirement.

These factors are partly offset by Proposition 2 1/2, which imposes limits on the amount of property taxes a community can levy each year, with the taxing capacity limited to a 2.5% increase over the prior year's levy limit; and a historically thin unused tax levy capacity.

Westwood is an affluent, primarily residential community located approximately 13 miles southwest of Boston. Westwood is located in one of the wealthiest regions on the country. It encompasses 11 square miles and is largely built out. Its 2000 population totaled 14,117, which is up 12% from 1990's population. Benefiting from its location near the deep and diverse Boston metropolitan area, the town's unemployment has historically been low while wealth and income levels are exceptionally high. A good transportation network, including commuter rail and Amtrak trains facilitate transportation to and from Boston. Over the past decade, the town's unemployment reached a high of 5.82% in 1992 and a low of 1.67% in 2000. Since 2000, unemployment has gradually increased, but as of April 2003, was at 3.38%--which was well below the state's 5.31% and the nation's 5.78%. Within the town itself, the largest employer is Nstar--an investor-owned electric and gas utility--with 1,100 employees. Other leading employers include State Street Bank, a financial services provider, with 750 employees, and Meditech Inc., a provider of medical information, with 450. Other leading employers are relatively small, employing between 125 and 390.

The town, which is largely built out, has a primarily residential tax base (85%).

Assessed valuation (AV) totals $2.9 billion. The per capita market value is very high at $198,537--a figure that further reflects the town's high wealth and income levels. Indeed, home sale prices are very high. The median home sale price is about $450,000 with new home prices in excess of $1 million.

The town's financial performance and position are good--aided by established fiscal policies and stability in the management team. The town's general fund posted small surpluses in fiscals 2000 and 2001, and a small deficit in fiscal

2002. Over this time period, the town's ending unreserved general fund balance has been satisfactory--although, there has been a slight gradual reduction from 8.6% of expenditures in fiscal 2000, to 7.5% in 2001, and to 5.3% in fiscal 2002. For fiscal year ended June 30, 2003, management projects a small general fund surplus along with a small increase in general fund reserves.

The town also maintains a budget stabilization reserve, with the long-term goal of maintaining this fund at 5% of general fund revenues. As of fiscal 2002, however, this fund totaled $760,000, which is only 1.7% of revenues. Going forward, management plans to build this reserve to the 5% goal; however, this is expected to take several years.

The town's debt burden is moderate. Excluding self-supporting sewer-related debt and giving support for state grants for school construction, overall net debt per capita is a moderate $2,881. As a percent of AV, debt is low at 1.5%. Amortization, including this issue, is faster than average, with 67% of debt retired within 10 years and 100% within 20 years. Debt service carrying charges, in fiscal 2002, were a low 4.4% of expenditures. The town's future debt needs are modest and manageable.

Outlook

The stable outlook reflects the expectation of continued good financial performance, evidenced by the maintenance of satisfactory reserve levels. The outlook also reflects the expectation of continued stability in the economic base, along with a manageable debt burden.

Economy

The town's wealth levels are high. Median household effective buying income ($79,361) is a very high 161% of the state and 201% of the nation. Similarly, per capita effective buying income ($35,933) is 162% of the state and 195% of the U.S. Additionally, growth trends in these indicators have been strongly outpacing those of the state and nation. From 1996-2000, median household effective buying income increased by 34%, compared with 24% for the state and 17% for the nation. Likewise, per capita effective buying income increased by 39%, compared with 25% for the state and 17% for the nation.

The town's AV, or tax base, is primarily residential and exhibits no taxpayer concentration. AV totals $2.9 billion, up 34.7% from 2002 as a result of a completed townwide revaluation. The town's per capita market value is very high at $198,537 and further reflects the town's high wealth and income levels. Additionally, there is no concentration in the tax base, with the 10 leading taxpayers accounting for 11% of AV. The tax base is largely residential (85%); however, management is working to promote the commercial sector, which at present accounts for 13.9% of AV.

Finances and Debt

Fiscal 2002 general fund revenues totaled $44.2 million, while expenditures totaled $45.6 million. After transfers in and out, the general fund posted a deficit of $715,000 (1.6% of expenditures). The ending unreserved general fund balance totaled $2.4 million, or a satisfactory 5.3% of expenditures. This figure, however, is down over the past two years: $2.9 million (7.5% of expenditures) in 2001, and $3.1 million (8.6% of expenditure) in 2000.

For fiscal year ended June 30, 2003, management projects a small general fund surplus along with a small increase in reserves. Thus far, the town has not been significantly affected by reductions in state aid. Indeed, state aid was reduced by only $73,847 during fiscal 2003.

The fiscal 2004 fund budget totals $50.1 million and is balanced. The budget is up a modest 3.5% over the fiscal 2003 budget. The bulk of the overall increase is due to increased debt service costs and employee benefits/health insurance.

School and municipal operations, which account for the bulk of expenditures (74%), are essentially flat. Pressures on the budget include a reduction in state aid of 20%, or about $800,000. Health insurance costs have also been between 12% and 15% over the past several years.

The town's debt burden is moderate. Excluding self-supporting sewer-related debt and giving support for state grants for school construction, overall net debt per capita is a moderate $2,881. As a percent of market value, debt is low at 1.5%. Amortization, including this issue, is faster than average, with 67% of debt retired within 10 years and 100% within 20 years. The town's year capital improvement plan is modest, totaling $17 million. Of this amount, about $11 million is expected to be funded by future debt. Annually, the town funds close to $1 million in pay-as-you-go financing for capital projects, which has helped maintain debt burden on the moderate to low end.

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