Moody's Investors Service

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New Issue: Westwood (Town of) MA

MOODY'S ASSIGNS MIG 1 RATING TO THE TOWN OF WESTWOOD'S (MA) $3.15 MILLION BOND ANTICIPATION NOTES

Affirmation of Aa1 Affects $47.2 Million in Outstanding General Obligation Debt

Municipality
MA

Moody's Rating

ISSUE	RATING
Bond Anticipation Notes	MIG 1

Sale Amount	$3,145,000
Expected Sale Date	02/01/08
Rating Description	Bond Anticipation Notes

Opinion

NEW YORK, Jan 29, 2007 -- Moody's Investors Service has assigned a MIG 1 rating to the Town of Westwood's $3.15 million Bond Anticipation Notes (dated February 15, 2007 and due February 14, 2008). Concurrently, Moody's has affirmed the Aa1 rating affecting approximately $47.2 million of outstanding general obligation debt. Proceeds will fund street construction, public lighting and school remodeling projects. Security for the notes is derived from the town's general obligation limited tax pledge as debt service has not been voted exempt from the levy limitations of Proposition 2 ½. The MIG 1 rating reflects Westwood's demonstrated access to the capital markets and high credit quality. The Aa1 rating reflects the town's sizable tax base with high wealth levels, uneven financial performance with declining reserve levels and manageable debt position with limited immediate borrowing plans.

DEMONSTRATED MARKET ACCESS

Moody's expects Westwood to continue to have favorable access to the capital markets. The town received four bids on its most recent sale dated September 2006 and five bids on its prior note sale in September 2005. Moody's believes this access and the town's high credit quality indicates an ability to refund these notes, if necessary, at their February 2008 maturity.

SIZABLE AND STEADILY GROWING BOSTON SUBURB WITH HIGH RESIDENT WEALTH LEVELS

Moody's believes that a pending development project will significantly augment Westwood's $3.8 billion tax base over the medium term. Located 12 miles from Boston (rated Aa1/stable outlook) with access to Route 128 and Route 95 as well as a commuter rail station make Westwood attractive to commuting professionals. Equalized value growth in this wealthy, primarily residential town has averaged a healthy, albeit slightly lagging regional trends, 9.5% over the past six years reflecting significant market appreciation and limited new development. To encourage redevelopment and capitalize on its existing rail station, the town recently revised zoning ordinances at its office park to allow for mixed-use development. A private developer subsequently purchased the 135-acre site and has proposed a large project consisting of 4.5 million square feet of office, retail and residential space. Currently in the permitting phases, town officials project construction of the first phase of approximately 2.2 million square feet to begin in fiscal 2008, with initial tax revenues realized in fiscal 2009. Plans call for the 1,000 residences by full build-out to consist of one and two bedroom units thus minimizing the potential impact on school enrollments. Wealth levels in Westwood are well above-average and continue to grow in relation to state medians as reflected in the very high $275,828 equalized value per capita.

NARROW RESERVE LEVELS EXPECTED TO STABILIZE

Moody's expects the town's narrowed financial position to stabilize and notes that new revenues from the

Westwood Station development have the potential to augment reserves beginning in fiscal 2009. Westwood has typically maintained a narrow financial position as an aggressive pay-as-you-go capital program and considerable debt service obligations have significantly affected the town's ability to augment reserves. Favorably, the town does not utilize free cash for operations, but rising fixed costs and a failed operating override for the fiscal 2006 year precluded the replenishment of free cash appropriations for capital outlay and have eroded general fund balance over recent years. While Moody's recognizes that these appropriations represent one-time expenditures and are thus not true operating deficits, undesignated general fund balance has declined to $1.6 million or a very narrow 2.8% of general fund revenues. Stabilization fund balances have increased modestly each year as Westwood annually makes a nominal annual appropriation to that fund, and its 2006 balance of $904,084 raised available reserves to $4 million or a still-limited 7% of revenues.

The fiscal 2007 budget increased 3.8% over 2006 and included a new $225,000 energy reserve as energy costs had pressured budgets in recent years. Given falling energy prices and a mild winter to date management does not anticipate using these funds. With the addition of these reserves and lower capital expenditures in fiscal 2007, management projects stability or a modest increase to general fund balance. The stabilization fund is projected to increase to approximately $950,000, reflecting a $25,000 appropriation and investment earnings. Town officials report plans to seek an operating override for the fiscal 2008 budget and expect success now that Massachusetts School Building Authority (MSBA rated Aaa) reimbursements have provided a degree of taxpayer relief. Westwood had bonded the full cost of school projects in fiscal years 2002 and 2003 in advance of receiving the 59% reimbursement approved by the MSBA. With these projects excluded from the levy limitations of Proposition 2 ½, debt service payments significantly increased the tax levy until MSBA payments began abating the impact of debt service for elementary school projects in fiscal 2005, with additional reimbursements for the high school further reducing the debt service levy in 2006. With over $3 million of debt service now being paid by MSBA and hence removed from the levy, town officials expect acceptance of the override proposal as the town has a positive voting history, with the significant exception of the 2006 question.

The Westwood Station project is expected to generate significant tax revenues beginning in fiscal 2009 and management reports plans to dedicate a portion of these taxes to rebuilding reserves and reducing reliance on free cash for capital expenditures. The town has not been in compliance with its reserve policy of maintaining 10% of budgeted expenditures in combined undesignated general fund, and does not to expect to achieve this level in the near term. Moody's recognizes the potential for these additional revenues to bolster reserves, but notes that should planned overrides not pass or anticipated tax base growth not materialize, Westwood will be challenged to maintain that designation as education, salary and health insurance costs continue to rise. Future rating actions will incorporate on Westwood's ability to comply with its financial policies and maintain adequate reserves.

DEBT BURDEN EXPECTED TO REMAIN MINIMAL

Moody's anticipates that the town's 0.9% overall debt burden will remain affordable given limited future borrowing plans and significant commonwealth school building aid. The town's adjusted debt burden falls to a very low 0.3% when 59% school building aid is included. Future borrowing plans are limited to the permanent financing of these notes and amortization of existing principal is average at 70.9% in 10 years.

KEY STATISTICS

2000 Population: 14,117

2007 Equalized valuation: $3.8 billion

Equalized valuation per capita: $275,828

Median family income: $103,242 (167.4% of the commonwealth)

Per capita income: $41,553 (160.1% of the commonwealth)

Overall debt burden: 0.9%

Adjusted overall debt burden: 0.3%

Payout of principal (10 years): 70.9%

FY06 General Fund balance: $3.65 million (6.4% of general fund revenues)

FY06 Undesignated General Fund balance: $1.59 million (2.8% of revenues)

FY06 Stabilization Fund: $904,084 (1.6% of revenues)

Post-sale G.O debt outstanding: $47.2 million

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