

RatingsDirect®

Summary:

Westwood, Massachusetts; General Obligation

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Credit Profile

US\$4.845 mil GO mun purp loan bnds ser 2012 due 12/01/2022

Long Term Rating AA+/Stable New

Westwood GO

Long Term Rating AA+/Stable Affirmed

Westwood GO sch bnds ser 2009

Long Term Rating AA+/Stable Affirmed

Westwood GO

Unenhanced Rating AA+(SPUR)/Stable Affirmed

Many issues are enhanced by bond insurance.

Rationale

Standard & Poor's Ratings Services has assigned its 'AA+' rating to Westwood, Mass.' series 2012 general obligation (GO) municipal purpose loan bonds. At the same time, Standard & Poor's affirmed its 'AA+' long-term rating and underlying rating (SPUR) on the town's GO debt outstanding. The outlook is stable.

The 'AA+' ratings reflect our opinion of the town's:

- Strong financial reserve, after restoration of a fund balance decline in fiscal 2010;
- Strong economy, which is aided by its proximity to the deep and diverse Boston metropolitan statistical area (MSA);
- Sizable and primarily residential property tax base, with very strong income levels and extremely strong per capita market valuation; and
- Low debt burden with low debt service carrying charges and rapid amortization.

The town's full faith and credit pledge secures the GO debt. Officials plan to use current issue proceeds for a variety of capital projects.

After an approximately \$600,000 decrease in unreserved general fund balance for fiscal 2010 (due to a \$600,000 property tax delinquency from the owner of a 100-acre parcel that was slated to become a mixed-use development), the town's fiscal 2011 general fund balance increased \$1.35 million. The fiscal 2011 increase brought the combined unassigned and assigned general fund balances to \$6.8 million, or 9.7% of general fund expenditures, which we consider strong. Year-end cash totaled \$6.37 million, or 33 days' cash on hand, but didn't include the \$2.6 million cash tax payment received in August. In 2011, the former owner of the development parcel liquidated its assets and sold the property to a consortium of developers, and the new owners paid all of the delinquent taxes (about \$2.6 million) in August 2011. The property is current on its tax payments, and the new owners are planning a smaller scale mixed use development, now referred to as the University Ave. project.

Summary: Westwood, Massachusetts; General Obligation

Westwood management projects a surplus of about \$1.4 million for fiscal 2012 (unaudited), due primarily to departmental underspending for snow removal and health insurance after changes were made to the town's insurance plans. The stabilization fund, which in the general fund has reflected since fiscal 2011, increased to \$1.9 million from \$1.1 million. The town's fiscal 2012 general fund revenues were primarily property taxes (76%) and state aid (19%). Due to its wealthy tax base, Westwood's reliance on state aid is less than many other Massachusetts communities.

The fiscal 2013 budget reflects 3% increases in the school and municipal budgets. No fund balance is appropriated for recurring expenses, but \$700,000 of fund balance is appropriated for one-time capital. Management reports that revenues and expenditures are currently in line with the budget. We consider the town's management practices "good" under Standard & Poor's Financial Management Assessment, indicating that financial practices exist in most areas, although governance officials might not formalize or monitor all practices regularly.

Westwood is an affluent residential community about 13 miles southwest of Boston. The town has about 14,200 residents and encompasses 11 square miles. The local economy is stable and centers on services. The headquarters of NStar, an electric and gas utility, is within the town; the company is Westwood's leading employer with 1,115 employees. Other large employers include State Street Bank (700) and Meditech Inc., a provider of medical information (435). Residents also have strong access to the diverse Boston MSA via commuter rail, Amtrak trains, and Interstate 95 and Route 128. Unemployment rates have been well below state and national levels; the 2011 annual rate was 6.6% and the October 2012 rate was 4.8%, about three percentage points better than the national rate.

After assessed valuation (AV) decreases of 4.5% and 2.4% in fiscals 2010 and 2011, respectively, AV increased slightly in fiscals 2012 and 2013 to \$3.48 billion, or an extremely strong \$246,000 per capita. Although Westwood is largely built out, there is still potential for tax base growth should the mixed use parcel be developed. The 10 leading taxpayers, including the University Ave. property, account for 13.4% of the fiscal 2012 tax levy. Tax collections increased to 99.0% for fiscal 2012, after reaching a recent low of 97.2% in fiscal 2011. Management reports that fiscal 2013 collections are about in line with fiscal 2012 levels. The town's unused levy capacity under Proposition 2 1/2 limits was \$151,000 for fiscal 2012. Income levels, in our opinion, are very strong, with median household and per capita effective buying income equal to 193% and 214% of national levels, respectively.

Net of self-supporting sewer debt and state grants for school construction, Westwood's overall net debt is low at less than 1% of market value and less than \$2,000 per capita. In our opinion, the town's debt amortizes rapidly, with about 80% of principal retired in 10 years and all debt retired within 20 years. Despite the rapid amortization, debt service carrying charges have been low, averaging 7.7% of governmental expenditures (less capital outlay) over the past two fiscal years. Following this issue, the town will have only \$1.4 million in authorized but unissued debt.

Westwood contributes to the Norfolk County Contributory Retirement System. As of Jan. 1, 2010 (the latest valuation), the system was 60% funded; the town's 5.5% share of the unfunded liability was about \$17.1 million. Westwood has contributed the annual required contribution in each of at least the past six years; in fiscal 2012, the town's contribution was \$2.62 million, or 3.7% of general fund expenditures. Westwood's other postemployment benefit (OPEB) liability was \$59.1 million (126% of covered payroll) as of July 1, 2011 based on a 3.5% discount rate and \$33.4 million based on an 8% discount rate. The annual OPEB cost in fiscal 2011 was \$4.6 million, of which the town contributed 25%. Had Westwood contributed the full annual OPEB cost, it would have accounted for about 7% of

general fund expenditures. The town's fiscal 2013 budget appropriates \$473,000 into the OPEB trust fund in addition to the pay-as-you-go OPEB payments, and management projects that at least this amount will be put into the trust fund annually.

Outlook

The stable outlook reflects Standard & Poor's view of the recent stabilization in Westwood's finances following the resolution of the tax payment delinquencies. Given the town's strong financial reserve position and good management, we do not expect to raise or lower the rating within the two-year outlook period. However, should the town again experience significant payment delinquencies from any of its large taxpayers, leading to deterioration in liquidity or the fund balance, we could lower the rating.

Related Criteria And Research

USPF Criteria: GO Debt, Oct. 12, 2006

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