

Rating Action: Moody's assigns Aaa to Weston, MA's GOs; stable outlook

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New York, January 15, 2021 -- Moody's Investors Service has assigned a Aaa rating to the Town of Weston, MA's \$9.6 million General Obligation Municipal Purpose Loan of 2021 Bonds. Moody's maintains the Aaa ratings on the town's outstanding general obligation unlimited tax and general obligation limited tax (GOLT) bonds. The outlook is stable.

The outstanding general obligation unlimited tax bonds are considered unlimited tax because the entire amount of debt service has been voted excluded from restrictions under Massachusetts law on the town's ability to increase the property tax levy to pay debt service, referred to as Proposition 2 1/2. We consider the pledge supporting the current issue and outstanding limited tax bonds to be general obligation limited tax because not all of the debt service has been excluded under Proposition 2 1/2.

RATINGS RATIONALE

The Aaa rating incorporates a sizeable and affluent tax base favorably located west of Boston (Aaa stable). The rating also reflects a healthy financial position maintained by conservative fiscal management, and manageable overall leverage from debt, pension and OPEB liabilities.

The absence of distinction between the GOLT rating and the general obligation unlimited tax rating reflects the town's ability to override the property tax cap and its pledge of its full faith and credit.

The coronavirus is not a rating driver for the town given its heavy reliance on property taxes that represent 78% of fiscal 2019 general fund revenue along with strong collection rates of over 98% within the fiscal year. The fiscal 2020 audit is not available but general fund operations are expected to reflect a modest surplus of less than \$500 thousand after replenishment of reserves used for capital costs. The surplus is mostly due to positive variance in expenses compared to budget.

RATING OUTLOOK

The stable outlook reflects the strength of the town's tax base that historically has weathered economic downturns with very limited valuation declines as well as very strong resident wealth and income. We expect the tax base to continue to vote to approve debt exclusions for capital needs that will help maintain a healthy financial position and operating flexibility while continuing its commitment to addressing long term liabilities.

FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATING

- Growing unfunded liabilities for pension and OPEB
- Trend of operating deficits leading to a decline in reserves and liquidity
- Significant deterioration in the tax base or resident wealth and income profile

LEGAL SECURITY

The bonds are secured by the town's full faith and credit, general obligation limited tax pledge as not all of the debt service has been voted excluded from the tax levy limits of Proposition 2 1/2.

USE OF PROCEEDS

Bond proceeds will redeem \$3.7 million in bond anticipation notes originally issued for the Josiah Smith Tavern and provide funding for a number of other town projects including the town center reconstruction and paving, laying and relaying water mains, surface drains, south side drainage improvement, and town and school information system network improvements.

PROFILE

Weston is primarily an affluent residential town with a population of 12,067 (2018 American Community Survey) and is located 12 miles west of Boston.

METHODOLOGY

The principal methodology used in this rating was US Local Government General Obligation Debt published in July 2020 and available at https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBM_1230443. Alternatively, please see the Rating Methodologies page on www.moodys.com for a copy of this methodology.

REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found at: https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_79004.

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