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ISSUER COMMENT
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RATING

General Obligation (or GO Related) [1]	
Aa3	No Outlook

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Town of Westerly, RI

Annual Comment on Westerly

Issuer Profile

The Town of Westerly is located in Washington County, in the southwestern corner of Rhode Island, approximately 40 miles southwest of Providence. The county has a population of 126,405 and a moderate population density of 380 people per square mile. The county's median family income is $91,770 (1st quartile) and the October 2017 unemployment rate was 3.2% (1st quartile) [2]. The largest industry sectors that drive the local economy are health services, manufacturing, and retail trade.

Credit Overview

The credit position for Westerly is strong, and its Aa3 rating matches the median rating of Aa3 for cities nationwide. The notable credit factors include a substantial tax base, a positive wealth and income profile and a small debt burden. The rating profile also reflects a moderate pension liability and an adequate financial position.

Economy and Tax Base: The town has a very strong economy and tax base, which are relatively favorable with respect to the assigned rating of Aa3. The full value per capita ($277,841) is materially above the US median, and remained the same from 2012 to 2016. Furthermore, the total full value ($5.9 billion) is considerable compared to other Moody's-rated cities nationwide. Lastly, the median family income equals a healthy 110.8% of the US level.

Debt and Pensions: Westerly's debt burden is manageable and is a modest credit strength in relation to town's Aa3 rating. The net direct debt to full value (1.3%) approximates the US median, and remained flat from 2012 to 2016. On the other hand, the pension liability of Westerly is mid-ranged and is slightly unfavorable in comparison to the assigned rating of Aa3. The Moody's-adjusted net pension liability to operating revenues (1.1x) favorably is slightly below the US median.

Finances: The financial position of the town is moderate, yet it is relatively weak when compared to its Aa3 rating. The cash balance as a percent of operating revenues (8.1%) is far under the US median, and decreased from 2012 to 2016. Additionally, the fund balance as a percent of operating revenues (7.7%) is significantly beneath other Moody's-rated cities nationwide.

Management and Governance: Rhode Island cities have an Institutional Framework score [3] of A, which is moderate compared to the nation. Institutional Framework scores measure a sector's legal ability to increase revenues and decrease expenditures. Increases in property taxes, the sector's major revenue source, are subject to a 4% cap, which can be overriden at the local level. The 4% cap provides 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. Rhode Island has public sector unions and additional constraints, which limit the ability to cut expenditures. Unpredictable expenditure fluctuations tend to be minor, under 5% annually.

Sector Trends - Rhode Island Cities

Rhode Island cities benefit from strong state fiscal oversight but are pressured due to a lagging economy and relatively high pension liabilities. The national housing market recovery has largely bypassed Rhode Island, despite its proximity to economically vibrant Boston. Unemployment, while down significantly from last year, remains higher than the nation. Year-over-year financial metrics for most cities improved over the past year, positioning the sector well for the year ahead. In particular, the most stressed cities are stabilizing. Debt levels will remain manageable.

EXHIBIT 1

Key Indicators [4] [5] Westerly

	2012	2013	2014	2015	2016	US Median	Credit Trend
Economy / Tax Base							
Total Full Value	$6,187M	$6,223M	$5,887M	$5,936M	$5,856M	$1,787M	Weakened
Full Value Per Capita	$271,515	$273,922	$259,042	$261,733	$277,841	$88,380	Stable
Median Family Income (% of US Median)	118%	110%	112%	111%	111%	113%	Weakened
Finances							
Available Fund Balance as % of Operating Revenues	10.0%	9.5%	10.3%	7.6%	7.7%	32.5%	Stable
Net Cash Balance as % of Operating Revenues	13.6%	7.2%	5.8%	4.8%	8.1%	35.4%	Weakened
Debt / Pensions							
Net Direct Debt / Full Value	1.5%	1.4%	1.4%	1.4%	1.3%	1.2%	Stable
Net Direct Debt / Operating Revenues	1.11x	0.99x	0.91x	0.92x	0.82x	0.93x	Stable
Moody's-adjusted Net Pension Liability (3-yr average) to Full Value	N/A	N/A	1.8%	1.9%	1.8%	1.7%	Stable
Moody's-adjusted Net Pension Liability (3-yr average) to Operating Revenues	N/A	N/A	1.20x	1.23x	1.12x	1.46x	Stable

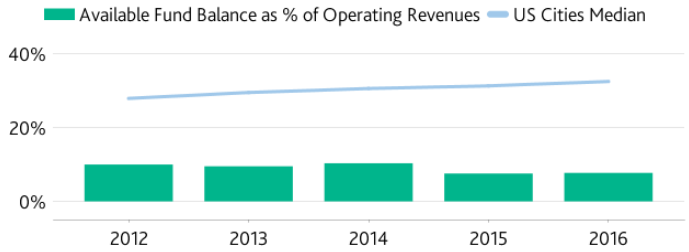
	2012	2013	2014	2015	2016	US Median
Debt and Financial Data						
Population	22,787	22,720	22,727	22,683	21,078	N/A
Available Fund Balance ($000s)	$8,125	$8,373	$9,293	$6,779	$7,135	$7,221
Net Cash Balance ($000s)	$11,072	$6,304	$5,181	$4,314	$7,469	$7,930
Operating Revenues ($000s)	$81,303	$87,986	$89,920	$89,734	$92,394	$21,262
Net Direct Debt ($000s)	$90,472	$87,017	$81,854	$82,114	$76,191	$18,822
Moody's Adjusted Net Pension Liability (3-yr average) ($000s)	N/A	N/A	$107,569	$110,239	$103,237	$29,896

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.moodys.com for the most updated credit rating action information and rating history.

EXHIBIT 2

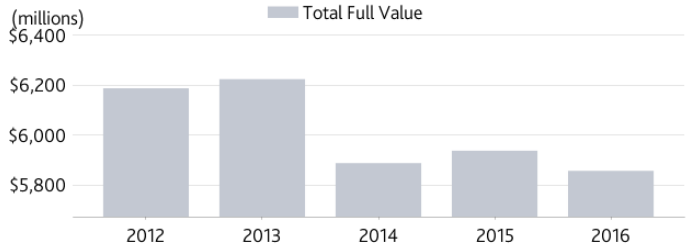
Available fund balance as a percent of operating revenues decreased from 2012 to 2016



Source: Issuer financial statements; Moody's Investors Service

EXHIBIT 3

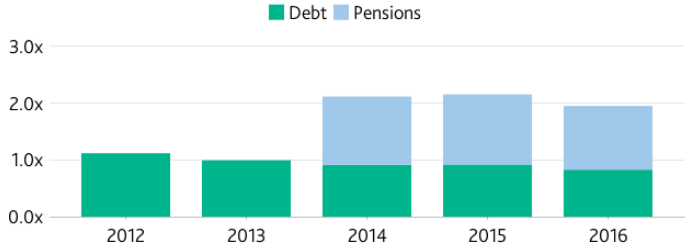
Full value of the property tax base decreased from 2012 to 2016



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

EXHIBIT 4

Moody's-adjusted net pension liability to operating revenues decreased from 2012 to 2016



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

Endnotes

1 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.

2 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.

3 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.

4 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.

5 The medians come from our most recently published local government medians report, Medians - Tax Base Growth Reinforces Sector Stability as Pension Troubles Remain (March 2017) 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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