

ISSUER COMMENT

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RATING

General Obligation (or GO Related)¹

Aa2 No Outlook

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Town of Webster, NY

Annual Comment on Webster Town

Issuer Profile

The Town of Webster is located in Monroe County in western New York's Finger Lakes region, approximately five miles east of Rochester. The county has a population of 749,356 and a high population density of 1,137 people per square mile. The county's median family income is \$69,363 (1st quartile) and the October 2017 unemployment rate was 4.7% (4th quartile)². The largest industry sectors that drive the local economy are health services, retail trade, and manufacturing.

Credit Overview

Webster Town's credit position is very strong. Its Aa2 rating is slightly above the US cities median of Aa3. The key credit factors include a healthy financial position, an extremely small debt burden and a mid-ranged pension liability. It also reflects a strong socioeconomic profile and a solid tax base.

Finances: The town has a healthy financial position, which is slightly favorable with respect to the assigned rating of Aa2. The fund balance as a percent of operating revenues (30.6%) is on par with the US median, and increased modestly from 2012 to 2016. Also, the cash balance as a percent of operating revenues (24.3%) is below other Moody's-rated cities nationwide.

Debt and Pensions: The debt burden of the town is extremely small and is favorable in relation to its Aa2 rating. The net direct debt to full value (0.5%) is lower than the US median, and remained flat between 2012 and 2016. However, the pension liability of Webster Town is moderate and is weak when compared to the assigned rating of Aa2. The Moody's-adjusted net pension liability to operating revenues (1.4x) is consistent with the US median.

Economy and Tax Base: Overall, the economy and tax base of the town are strong. On the other hand, they are slightly unfavorable in relation to its Aa2 rating position. The median family income equals a significant 132.5% of the US level. That said, the total full value (\$3.2 billion) exceeds the US median, and increased modestly between 2012 and 2016. Furthermore, the full value per capita (\$71,617) approximates other Moody's-rated cities nationwide.

Management and Governance: New York cities, towns and villages have an Institutional Framework score³ of A, which is moderate compared to the nation. Institutional Framework scores measure a sector's legal ability to increase revenues and decrease expenditures. New York Cities operate within a state-imposed property tax cap, which limits the ability to increase their operating levy by the lesser of 2% or CPI. However, this cap can be overridden

at the local level, without voter approval. Unpredictable revenue fluctuations tend to be moderate, or between 5-10% annually. Across the sector, fixed and mandated costs are generally greater than 25% of expenditures. New York State has public sector unions and the additional constraint of the Triborough Amendment, which limits the ability to cut expenditures. Unpredictable expenditure fluctuations tend to be moderate, or between 5-10% annually.

Sector Trends - New York Cities

New York cities, towns and villages will benefit from the state's improving economy, although economic growth varies significantly across regions. Municipal governments will have difficulty tapping into underlying economic growth due to the property tax cap, which is limited to the lesser of 2% or the rate of inflation annually (before exemptions and rollovers are added). Though they may override the cap with a three fifths vote of the governing body, this can be politically difficult in practice. Sales tax growth is beginning to rebound after a few years of sluggish performance.