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ISSUER COMMENT
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RATING

General Obligation (or GO Related) [1]	
Baa2	Stable

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Town of West Warwick, RI

Annual Comment on West Warwick

Issuer Profile

The Town of West Warwick is located in Kent County, Rhode Island, approximately 10 miles southwest of Providence. Kent County has a population of 165,128 and a population density of 980 people per square mile. The county's per capita personal income is $51,438 (1st quartile) and the November 2016 unemployment rate was 4.1% (2nd quartile). [2] The largest industry sectors that drive the local economy are health services, retail trade, and accommodation/food services.

Credit Overview

West Warwick's credit position is acceptable, although its Baa2 rating is well below the median rating of Aa3 for US cities. Key credit factors include a sufficient financial position, a heavy pension burden with a small debt liability, and a healthy socioeconomic profile and tax base.

Finances: The financial position of the town is sufficient in comparison to the assigned rating of Baa2. That said, the net cash balance as a percent of revenues (17.9%) is materially below the US median, although this metric increased from 2013 to 2016. In addition, West Warwick's available fund balance as a percent of operating revenues (8.2%) falls far short of the US median.

Debt and Pensions: The debt and pension burdens of the town are moderate and relative to the Baa2 rating assigned. The net direct debt to full value (1.3%) is slightly above the US median. Additionally, the Moody's-adjusted net pension liability to operating revenues (2.7x) is materially higher than the US median. That said, this metric favorably decreased modestly between 2013 and 2016.

Economy and Tax Base: The economy and tax base of West Warwick are satisfactory relative to the Baa2 rating assigned. The total full value ($2.1 billion) is consistent with the US median, although this number decreased from 2013 to 2016. Additionally, the town's full value per capita ($71,958) is roughly equivalent to other Moody's-rated cities nationwide. Lastly, the median family income is 99.7% of the US level.

Management and Governance: Balanced financial operations exhibit good financial management. In this situation, West Warwick approximately broke even whereas the tax base values generally fell.

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]

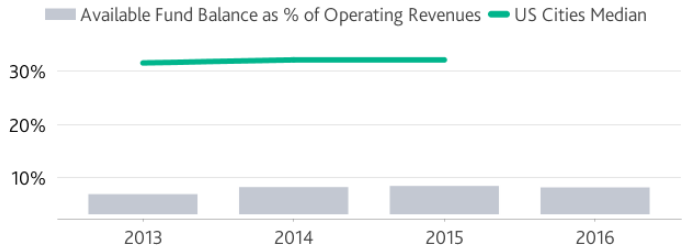
West Warwick, RI

	2013	2014	2015	2016	US Median	Credit Trend
Economy / Tax Base						
Total Full Value	$2,233M	$2,032M	$2,061M	$2,079M	$1,722M	Weakened
Full Value Per Capita	$76,914	$70,171	$71,338	$71,958	$85,195	Weakened
Median Family Income (% of US Median)	97.4%	98.8%	99.7%	99.7%	115.2%	Stable
Finances						
Available Fund Balance as % of Operating Revenues	7.0%	8.3%	8.5%	8.2%	32.1%	Stable
Net Cash Balance as % of Operating Revenues	12.1%	11.0%	17.3%	17.9%	34.4%	Improved
Debt / Pensions						
Net Direct Debt / Full Value	1.0%	1.0%	1.1%	1.3%	1.2%	Stable
Net Direct Debt / Operating Revenues	0.27x	0.24x	0.26x	0.30x	0.94x	Stable
Moody's-adjusted Net Pension Liability (3-yr average) to Full Value	10.5%	11.2%	11.4%	11.8%	1.7%	Weakened
Moody's-adjusted Net Pension Liability (3-yr average) to Operating Revenues	2.85x	2.66x	2.67x	2.68x	1.35x	Stable

Source: Moody's Investors Service

EXHIBIT 2

Available fund balance as a percent of operating revenues grew from 2013 to 2016



Source: Issuer financial statements; Moody's Investors Service

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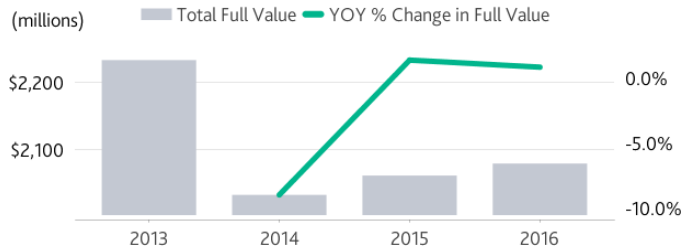
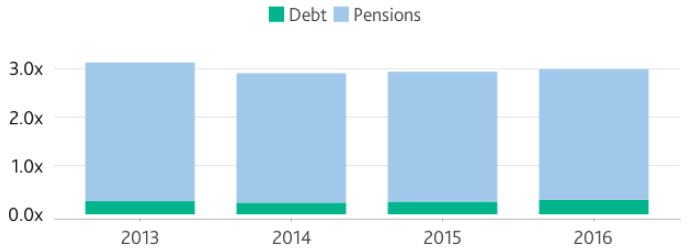
EXHIBIT 3
Total full value decreased between 2013 and 2016



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 2013 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 government's General Obligation (GO) rating or its highest public rating that is GO-related. A GO bond is generally a security backed by the full faith and credit pledge and total taxing power of the local government. See Local Government GO Pledges Vary Across States . for more details. GO-related ratings include issuer ratings, which are GO-equivalent ratings for governments that do not issue GO debt. GO-related ratings also include ratings on other securities that are notched or otherwise related to what the government's GO rating would be, such as 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 guarantee or enhancement programs or bond insurance.

2 The per capita personal income data and unemployment data for all counties in the US census are allocated to 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. The first quartile consists of the top 25% of observations in the dataset, the second quartile consists of the next 25%, and so on. The median per capita personal income for US counties is $46,049 for 2014. The median unemployment rate for US counties is 5.1 % for June 2016.

3 The institutional framework score measures 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 (January 2014) 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) . The population figure used in the Full Value Per Capita ratio is the most recently available, most often sourced from either the US Census or the American Community Survey.

Similarly, the Median Family Income data reported as of 2012 and later is always the most recently available data and is sourced from the American Community Survey. The Median Family Income data prior to 2012 is sourced from the 2010 US Census. The Full Value figure used in the Net Direct Debt and Moody's-adjusted Net Pension Liability (3-year average ANPL) ratios is matched to the same year as audited financial data, or if not available, lags by one or two years.

Certain state-specific rules also apply to Full Value. For example, in California and Washington, assessed value is the best available proxy for Full Value. Certain state specific rules also apply to individual data points and ratios. Moody's makes adjustments to New Jersey local governments' reported financial statements to make it more comparable to GAAP.

Additionally, Moody's ANPLs reflect analyst adjustments, if any, for pension contribution support from non-operating funds and self-supporting enterprises. Many local government pension liabilities are associated with its participation in the statewide multiple-employer cost-sharing plans. 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 – Growing Tax Bases and Stable Fund Balances Support Sector's Stability (March 2016) . The medians conform to our US Local Government General Obligation Debt rating methodology published in January 2014.

As such, the medians presented here are based on the key metrics outlined in the methodology and the associated scorecard. The appendix of this report provides additional metrics broken out by sector, rating category, and population. We use data from a variety of sources to calculate the medians, many of which have differing reporting schedules. Whenever possible, we calculated these medians using available data for fiscal year 2014.

However, there are some exceptions. Population data is based on the 2010 Census and Median Family Income is derived from the 2012 American Community Survey. Medians for some rating levels are based on relatively small sample sizes. These medians, therefore, may be subject to potentially substantial year-over-year variation. Our ratings reflect our forward looking opinion derived from forecasts of financial performance and qualitative factors, as opposed to strictly historical quantitative data used for the medians.

Our expectation of future performance combined with the relative importance of certain metrics on individual local government ratings account for the range of values that can be found within each rating category. Median data for prior years published in this report may not match last year's publication due to data refinement and changes in the sample sets used, as well as rating changes, initial ratings, and rating withdrawals.

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