

# MOODY'S

## INVESTORS SERVICE

One Front Street, Suite 1900  
San Francisco, CA 94111  
415.274.1700 tel  
www.moody.com

August 6, 2010

Mr. Richard Seals  
Finance Director  
City of West Linn  
22500 Salamo Road  
West Linn, OR 97068

Dear Mr. Seals:

We wish to inform you that on August 4, 2010, Moody's Investors Service assigned a rating of **Aa2** to the City of West Linn, Oregon's General Obligation Refunding Bonds, Series 2010. Moody's also reviewed and assigned a rating of **Aa3** to the city's Full Faith and Credit Refunding Obligations, Series 2010.

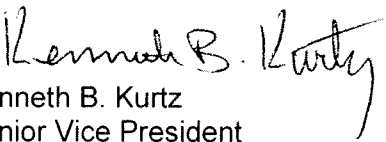
In order for us to maintain the currency of our ratings, we request that you provide ongoing disclosure of current financial and statistical information.

Moody's will monitor this rating and reserves the right, at its sole discretion, to revise or withdraw this rating at any time in the future.

The rating, as well as any revisions or withdrawals thereof, will be publicly disseminated by Moody's through normal print and electronic media and in response to verbal requests to Moody's Rating Desk.

Should you have any questions regarding the above, please do not hesitate to contact me or the analyst assigned to this transaction, Patrick Liberatore at 415-274-1709.

Sincerely,

  
Kenneth B. Kurtz  
Senior Vice President

KBK:PL/cm

cc: Mr. Javier Fernandez  
D.A. Davidson & Company, Inc.  
Two Centerpoint Drive  
Suite 400  
Lake Oswego, OR 97035

**New Issue: MOODY'S ASSIGNS Aa2 RATING TO CITY OF WEST LINN, OR, GENERAL OBLIGATION REFUNDING BONDS, SERIES 2010 AND Aa3 RATING TO FULL FAITH AND CREDIT REFUNDING OBLIGATIONS, SERIES 2010**

---

Global Credit Research - 06 Aug 2010

**\$14.6 MILLION OF DEBT AFFECTED, POST-REFUNDING**

Municipality  
OR

**Moody's Rating**

<b>ISSUE</b>	<b>RATING</b>
General Obligation Refunding Bonds, Series 2010	Aa2
<b>Sale Amount</b> \$3,165,000	
<b>Expected Sale Date</b> 08/18/10	
<b>Rating Description</b> Unlimited Tax General Obligation Bonds	
Full Faith and Credit Refunding Obligations, Series 2010	Aa3
<b>Sale Amount</b> \$2,780,000	
<b>Expected Sale Date</b> 08/18/10	
<b>Rating Description</b> Limited Tax General Obligation Bonds	

**Opinion**

NEW YORK, Aug 6, 2010 -- Moody's Investors Service has assigned a Aa2 rating to the City of West Linn, Oregon, General Obligation Refunding Bonds, Series 2010 in the approximate amount of \$3.2 million and are secured by the city's full faith, credit, and unlimited property tax pledge; Moody's also has assigned a Aa3 rating to the Full Faith and Credit Refunding Obligations, Series 2010 in the approximate amount of \$2.8 million and are secured by the city's full faith and credit pledge of non-restricted general revenues and other available funds. At this time, Moody's also affirms the rating on the city's outstanding parity debt. The bonds' proceeds will refund certain maturities of the city's outstanding General Obligation Bonds, Series 2000 and Full Faith and Credit Obligations, 2000. The rating assignments primarily reflect the city's improved managerial oversight and stronger financial position, affluent tax base, and manageable debt profile.

**AFFLUENT BEDROOM COMMUNITY PROXIMATE TO PORTLAND**

The city is an affluent bedroom community located in Clackamas County (Aa1 Issuer rating) and is approximately 14 miles southeast of the City of Portland (Aaa UTGO rating with stable outlook). As of the 2000 census, the city's per capita and median family incomes represented 165.6% and 171.0% of state levels, respectively. In years 2004 through 2009, the city's tax base grew at an average annual rate of 11.2% to a real market valuation of \$4.5 billion. However, real market value declined 12.1% to \$4.0 billion in 2010 amid strained economic conditions.

For 2011, official tax base projections are unavailable but management noted that the local economy appears to be stabilizing. Property tax revenues should grow going forward as assessed valuation is expected to appreciate by a minimum 3.0% annually in accordance with the state's Measure 50 provisions, as long as assessed values remain below real market values. The city's assessed value as a share of real market value was 69.9% as of 2010, which provides a margin for continued assessed valuation growth despite any near-term declines in real market valuation.

**STRONGER MANAGERIAL OVERSIGHT AND IMPROVED FINANCIAL PERFORMANCE**

The city's financial position has improved in recent years following a period of unusual weakness. General fund reserves had declined as low as 4.5% of general fund revenues (\$439,000) in fiscal 2005 due to the city's former finance director embezzling approximately \$1.4 million of city funds over a period of several years. The crime was discovered in fiscal 2006 and the city implemented several positive changes, including: replacement of management, addition of a staff accountant for more oversight, and a broad overhaul of financial procedures. So far, the city has recovered over \$800,000 of the stolen funds from insurance proceeds and the seizure of assets from the former finance director. Officials expect that additional funds should be recovered in the near-term.

Beginning in fiscal 2007, the city altered its financial reporting structure from relying on the general fund as its primary fund to having several operating funds segregated by function (general, debt service, library, parks, planning, and public safety funds). Each of these primary operating funds has a policy of maintaining reserves of 15.0% to 20.0% of expenditures. In fiscal years 2007 through 2009, the city's combined operating funds balance averaged a healthy 30.0% of revenues. The city implemented a biennial budget process beginning in fiscal 2010, and management reported that expenditures are currently below expectations while revenues are in-line with budgeted expectations.

The city continues to benefit from its permanent property tax levy at a fixed rate of \$2.12/\$1,000 of assessed value, which generated \$5.5 million of property tax revenues in fiscal 2009. However, the city's local option property tax levy expired in 2007. The levy provided up to \$1.8 million of revenues that were used primarily to fund public safety operations. The city did not return to voters for renewal of the levy; instead, various fees and service charges were increased in order to replace the lost levy revenues.

Moody's notes that the city's independent auditor declined to offer an opinion for the fiscal 2005 financial statements in the wake of the misappropriation of funds perpetrated by the city's former finance director. In fiscal 2006 and 2007, the auditor offered a qualified opinion for the city's financial statements. Since fiscal 2008, the city has received an unqualified opinion for its annual financial statements.

## MANAGEABLE DEBT PROFILE

Moody's expects that the city's debt profile will remain manageable given a low direct debt burden of 0.4% and rapid payout of principal at 80.0% in ten years. Of note, the city's voters rejected a \$10.0 million general obligation bond measure in May 2010 to fund a new police facility. Management still plans to buy the land for the facility and return to voters again in the near-term for an \$8.0 million general obligation bond measure to finance the construction of the facility.

## KEY STATISTICS

Estimated population: 24,400

2010 full value: \$4.0 billion

Average annual growth in full value (2005-2010): 6.5%

2010 full value per capita: \$162,322

1999 per capita income: \$34,671 (165.6% of state)

1999 median family income: \$83,252 (171.0% of state)

Direct debt burden: 0.4%

Overall debt burden: 3.8%

Payout of principal (10 years): 80.0%

Fiscal 2009 total general fund balance: \$985,000 (16.1% of general fund revenues)

Fiscal 2009 total primary operating funds balance: \$4.1 million (29.3% of primary operating funds revenues)

Other postemployment benefits (OPEB) liability, 2008: \$1.4 million

The principal methodology used in assigning the rating was "General Obligation Bonds Issued by U.S. Local Governments", published in October 2009, which can be found at [www.moody's.com](http://www.moody's.com) in the Credit Policy & Methodologies directory, in the Ratings Methodologies subdirectory. Other methodologies and factors that may have been considered in the process of rating this issue can also be found in the Credit Policy & Methodologies directory.

The last rating action with respect to the City of West Linn, Oregon was on June 6, 2006, when the municipal scale rating on the city's outstanding unlimited tax general obligation bonds was downgraded to A1 from Aa3 and the rating removed from Moody's Watchlist. That rating was subsequently recalibrated to a global scale rating of Aa2 on May 1, 2010.

## Analysts

Patrick Liberatore  
Analyst  
Public Finance Group  
Moody's Investors Service

Matthew A. Jones  
Backup Analyst  
Public Finance Group  
Moody's Investors Service

## Contacts

Journalists: (212) 553-0376  
Research Clients: (212) 553-1653

Moody's Investors Service  
250 Greenwich Street  
New York, NY 10007  
USA



© 2010 Moody's Investors Service, Inc. and/or its licensors and affiliates (collectively, "MOODY'S"). All rights reserved.

**CREDIT RATINGS ARE MOODY'S INVESTORS SERVICE, INC.'S ("MIS") CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES. MIS DEFINES CREDIT RISK AS THE RISK THAT AN ENTITY MAY NOT MEET ITS CONTRACTUAL, FINANCIAL OBLIGATIONS AS THEY COME DUE AND ANY ESTIMATED FINANCIAL LOSS**

**IN THE EVENT OF DEFAULT. CREDIT RATINGS DO NOT ADDRESS ANY OTHER RISK, INCLUDING BUT NOT LIMITED TO: LIQUIDITY RISK, MARKET VALUE RISK, OR PRICE VOLATILITY. CREDIT RATINGS ARE NOT STATEMENTS OF CURRENT OR HISTORICAL FACT. CREDIT RATINGS DO NOT CONSTITUTE INVESTMENT OR FINANCIAL ADVICE, AND CREDIT RATINGS ARE NOT RECOMMENDATIONS TO PURCHASE, SELL, OR HOLD PARTICULAR SECURITIES. CREDIT RATINGS DO NOT COMMENT ON THE SUITABILITY OF AN INVESTMENT FOR ANY PARTICULAR INVESTOR. MIS ISSUES ITS CREDIT RATINGS WITH THE EXPECTATION AND UNDERSTANDING THAT EACH INVESTOR WILL MAKE ITS OWN STUDY AND EVALUATION OF EACH SECURITY THAT IS UNDER CONSIDERATION FOR PURCHASE, HOLDING, OR SALE.**

ALL INFORMATION CONTAINED HEREIN IS PROTECTED BY LAW, INCLUDING BUT NOT LIMITED TO, COPYRIGHT LAW, AND NONE OF SUCH INFORMATION MAY BE COPIED OR OTHERWISE REPRODUCED, REPACKAGED, FURTHER TRANSMITTED, TRANSFERRED, DISSEMINATED, REDISTRIBUTED OR RESOLD, OR STORED FOR SUBSEQUENT USE FOR ANY SUCH PURPOSE, IN WHOLE OR IN PART, IN ANY FORM OR MANNER OR BY ANY MEANS WHATSOEVER, BY ANY PERSON WITHOUT MOODY'S PRIOR WRITTEN CONSENT. All information contained herein is obtained by MOODY'S from sources believed by it to be accurate and reliable. Because of the possibility of human or mechanical error as well as other factors, however, all information contained herein is provided "AS IS" without warranty of any kind. MOODY'S adopts all necessary measures so that the information it uses in assigning a credit rating is of sufficient quality and from reliable sources; however, MOODY'S does not and cannot in every instance independently verify, audit or validate information received in the rating process. Under no circumstances shall MOODY'S have any liability to any person or entity for (a) any loss or damage in whole or in part caused by, resulting from, or relating to, any error (negligent or otherwise) or other circumstance or contingency within or outside the control of MOODY'S or any of its directors, officers, employees or agents in connection with the procurement, collection, compilation, analysis, interpretation, communication, publication or delivery of any such information, or (b) any direct, indirect, special, consequential, compensatory or incidental damages whatsoever (including without limitation, lost profits), even if MOODY'S is advised in advance of the possibility of such damages, resulting from the use of or inability to use, any such information. The ratings, financial reporting analysis, projections, and other observations, if any, constituting part of the information contained herein are, and must be construed solely as, statements of opinion and not statements of fact or recommendations to purchase, sell or hold any securities. Each user of the information contained herein must make its own study and evaluation of each security it may consider purchasing, holding or selling. NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY SUCH RATING OR OTHER OPINION OR INFORMATION IS GIVEN OR MADE BY MOODY'S IN ANY FORM OR MANNER WHATSOEVER.

MIS, a wholly-owned credit rating agency subsidiary of Moody's Corporation ("MCO"), hereby discloses that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by MIS have, prior to assignment of any rating, agreed to pay to MIS for appraisal and rating services rendered by it fees ranging from \$1,500 to approximately \$2,500,000. MCO and MIS also maintain policies and procedures to address the independence of MIS's ratings and rating processes. Information regarding certain affiliations that may exist between directors of MCO and rated entities, and between entities who hold ratings from MIS and have also publicly reported to the SEC an ownership interest in MCO of more than 5%, is posted annually at [www.moody.com](http://www.moody.com) under the heading "Shareholder Relations — Corporate Governance — Director and Shareholder Affiliation Policy."

Any publication into Australia of this document is by MOODY'S affiliate, Moody's Investors Service Pty Limited ABN 61 003 399 657, which holds Australian Financial Services License no. 336969. This document is intended to be provided only to "wholesale clients" within the meaning of section 761G of the Corporations Act 2001. By continuing to access this document from within Australia, you represent to MOODY'S that you are, or are accessing the document as a representative of, a "wholesale client" and that neither you nor the entity you represent will directly or indirectly disseminate this document or its contents to "retail clients" within the meaning of section 761G of the Corporations Act 2001.