

RatingsDirect®

Summary:

West Linn, Oregon; General Obligation

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Table Of Contents

Credit Highlights

Outlook

Related Research

Summary:

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Credit Profile

US\$12.5 mil full faith and credit oblig ser 2023 dtd 01/23/2023 due 12/01/2042

Long Term Rating AA+/Stable New

West Linn GO

Long Term Rating AA+/Stable Affirmed

Credit Highlights

- S&P Global Ratings assigned its 'AA+' long-term rating to West Linn, Ore.'s proposed \$12.5 million series 2023 full faith and credit obligations.
- At the same time, S&P Global Ratings affirmed its 'AA+' long-term rating on the city's full faith and credit obligations outstanding.
- The outlook is stable.

Security

The bonds are secured by the full faith and credit of the city, including all lawfully available funds and the obligation to levy ad valorem property taxes within constitutional and statutory restrictions. Based on the application of our criteria "Issue Credit Ratings Linked To U.S. Public Finance Obligors' Creditworthiness" (published Nov. 20, 2019), we view West Linn's limited-tax full faith and credit pledge on par with its general creditworthiness. Bond proceeds will be used to finance and refinance costs related to water line replacements required by Oregon Department of Transportation highway construction and other water system capital projects.

Credit overview

West Linn is a mostly built-out, wealthy suburb of Portland, Ore., located along the Willamette River. The city is a bedroom community, and the majority of residents work in the surrounding metropolitan statistical area.

For accounting purposes, the city separates functions that we have found are typically combined in the general fund among other cities in the state, and has via formal resolution continued this approach under Government Accounting Standard Board (GASB) Statement No. 54 guidelines. Accordingly, we have applied our criteria applicable to general fund ratios for the combined operations of the following funds: general, parks, library, and public safety. In cases where we view the city has sufficient legal and political flexibility to transfer reserves classified as "committed" under GASB guidelines to other funds, we have included them in our calculation of available balances. The funds we have considered as analogous to a general fund on a combined basis include general, parks, library, and public safety.

The city posted a very large surplus in fiscal 2022 due to a large one-time intergovernmental revenues. The city received both Federal Emergency Management Agency reimbursements and one-time federal stimulus funds. The city has adopted a fiscal 2023 budget with a deficit, but does not expect that it will be as large as budgeted. The city does

not have current plans to significantly spend down reserves, and is committed to keeping reserves above 15% of expenditures in the majority of its funds.

The city may issue additional bonds for water infrastructure needs. The city went to voters in fiscal 2022 for a bond authorization for water line replacements in conjunction with a state interstate improvement project. The authorization was unsuccessful, and management reports that they are considering asking voters to authorize a greater than 5% increase in water bills in order to pay for the current and future debt issuances to improve and replace aging infrastructure.

The rating reflects our view of West Linn's:

- Primarily residential tax base and position as a bedroom community within the Portland metropolitan area, with above-average incomes and property wealth;
- Very strong financial position reflecting a history of positive operating results and maintenance of very strong general fund reserves;
- Strong management, with good financial policies and practices including a track record of conservative budget assumptions, multiyear budget forecasting, quarterly budget reviews with the governing body, and formal policies for investment management and reserves, combined with a strong institutional framework score for Oregon municipalities;
- Moderate fixed-cost profile including a relatively affordable pension and other postemployment benefits burden.

Environmental, social, and governance

Environmental risks to the city include acute physical risks such as inland flooding and to a lesser extent, wildfires and earthquakes, which are common in the region. We view the city's social and governance risks as neutral within our credit rating analysis.

Outlook

The stable outlook reflects our opinion of West Linn's very strong underlying economy with access to the broader Portland economy. It also takes into account our expectation that the city will maintain very strong reserves.

Downside scenario

Should the city post deficits in excess of forecast numbers, resulting in significant declines in reserves or continuous operational imbalance, we could lower the rating.

Upside scenario

We could raise the rating if the city sustained consistent operating balance and maintained reserves at very strong levels while managing its debt profile with significant capital needs of the water system.

West Linn, Oregon--Key Credit Metrics	Most recent	Historical information		
		2022	2021	2020
Very strong economy				
Projected per capita EBI % of U.S.	170			
Market value per capita (\$)	220,738			
Population		28,390	28,397	
County unemployment rate(%)		4.8		
Market value (\$000)	6,266,756	5,856,230	5,695,502	
Ten largest taxpayers % of taxable value	5.6			
Strong budgetary performance				
Operating fund result % of expenditures		18.7	1.9	3.3
Total governmental fund result % of expenditures		18.4	0.5	(6.6)
Very strong budgetary flexibility				
Available reserves % of operating expenditures		49.4	30.7	29.7
Total available reserves (\$000)	11,509	7,053	6,583	
Very strong liquidity				
Total government cash % of governmental fund expenditures		90	63	55
Total government cash % of governmental fund debt service		1549	855	847
Strong management				
Financial Management Assessment	Good			
Adequate debt & long-term liabilities				
Debt service % of governmental fund expenditures		5.8	7.4	6.5
Net direct debt % of governmental fund revenue	101			
Overall net debt % of market value	4.4			
Direct debt 10-year amortization (%)	49			
Required pension contribution % of governmental fund expenditures		6.0		
OPEB actual contribution % of governmental fund expenditures		0.0		
Strong institutional framework				

EBI--Effective buying income. OPEB--Other postemployment benefits. Data points and ratios may reflect analytical adjustments.

Related Research

- Through The ESG Lens 3.0: The Intersection Of ESG Credit Factors And U.S. Public Finance Credit Factors, March 2, 2022
- 2022 Update Of Institutional Framework For U.S. Local Governments

Ratings Detail (As Of January 13, 2023)

West Linn Full Faith and Crdit oblig ser 2009B dtd 01/21/2009 due 06/01/2008 2010-2018 2022 2024 2026 2029
 Long Term Rating AA+/Stable Affirmed

Ratings Detail (As Of January 13, 2023) (cont.)		
West Linn GO bnds		
<i>Long Term Rating</i>	AA+/Stable	Affirmed
West Linn GO		
<i>Long Term Rating</i>	AA+/Stable	Affirmed

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