MOODY'S
INVESTORS SERVICE

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January 17, 2012

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

Dear Mr. Seals:

We wish to inform you that on January 6, 2012, Moody's Investors Service assigned a rating of **Aa2** to WEST LINN (CITY OF) OR, General Obligation Bonds, Series 2012.

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.
In accordance with our usual policy, assigned ratings are subject to revision or withdrawal by Moody's at any time, without notice, in the sole discretion of Moody's. For the most current rating, please visit www.moodys.com.

Should you have any questions regarding the above, please do not hesitate to contact me or the analyst assigned to this transaction, Dan Steed at 415-274-1716.

Sincerely,

Kenneth B. Kurtz

Kenneth B. Kurtz
Senior Vice President

KBK: DS/cm

cc: Mr. Javier Fernandez
Two Centerpoint Drive Suite 400
Lake Oswego, OR 97035

New Issue: MOODY'S ASSIGNS Aa2 RATING TO CITY OF WEST LINN, OREGON'S G.O. BONDS; $15.4 MILLION OF UTGO DEBT AFFECTED

Global Credit Research - 09 Jan 2012

Aa3 RATING AFFIRMED ON CITY'S FULL, FAITH AND CREDIT OBLIGATIONS

WEST LINN (CITY OF) OR
Cities (including Towns, Villages and Townships)
OR

Moody's Rating

ISSUE	RATING
General Obligation Bonds, Series 2012	Aa2
Sale Amount $8,500,000	
Expected Sale Date 01/18/12	
Rating Description General Obligation	

Moody's Outlook N/A

Opinion

NEW YORK, January 09, 2012 --Moody's Investors Service has assigned a Aa2 rating to the City of West Linn, Oregon, General Obligation Bonds, Series 2012 in the amount of $8.5 million. At this time, Moody's affirms the Aa2 rating on the city's outstanding general obligation bonds in the amount of approximately $6.89 million. Moody's also affirms the city's Aa3 rating on previously issued Full Faith and Credit Refunding Obligations Series 2010 outstanding in the amount of $2.3 million. The current sale and parity general obligation bonds are secured by the city's full faith, credit, and unlimited property tax pledge. Full Faith and Credit Obligations are secured by the city's full faith and credit pledge of non-restricted general revenues and other available funds. Bond proceeds will be used to construct a replacement police station.

SUMMARY RATING RATIONALE

The rating assignment primarily reflects an affluent residential tax base located close to the Portland metropolitan area, a stable financial position, and a manageable debt profile.

STRENGTHS

-Above average socioeconomic measures and location near the Portland metropolitan area

-Stable financial position and conservative financial planning

CHALLENGES

-Sizeable declines in full market value in recent years

-Limited revenue raising ability

DETAILED CREDIT DISCUSSION

AFFLUENT BEDROOM COMMUNITY OUTSIDE OF 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 161% and 166% of national levels, respectively. Between 2007 and 2012, the city's real market value declined an average of 1.7% annually, including an above average drop of 12.1% in 2010. Still, the 2012 real market value remains slightly above the national Aa2 city median at $3.49 billion. Recent declines in real market value reflect the delayed housing correction locally and Moody's expects recovery in this sector will be slow at best over the near- to medium-term.

Positively, the city's assessed valuation (AV) continues to realize growth despite declines in real market value, which is due in part to the intricacies of Oregon's property tax system. AV grew at a five-year average rate of 4.6% through 2012 (to $2.97 billion), which is supported by the state's Measure 50 provisions that allow for a property's AV to grow by up to 3.0% annually as long as assessed value remains below real market value plus adjustments for new development and improvements. As of 2012, the city's aggregate ratio of assessed value to real market value is about 85.5%, which although above average does leave sound margin for continued assessed value growth under Measure 50 provisions despite any near-term tax base declines.

STABLE RESERVE LEVELS; DIVERSE REVENUE STREAM SUPPORTS OPERATIONS

The city's financial position has remained sound supported by well developed financial plans, conservative budgeting, and a relatively diverse revenue stream. In earlier years general fund reserves had declined to 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. The city has recovered nearly all of the stolen funds from insurance proceeds and the seizure of assets from the former finance director.

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. Property taxes comprised the largest source of FY 2011 revenues for the combined funds at 42%, followed by charges for services (36%) and intergovernmental revenues (13%). 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 $5.9 million of property tax revenues in fiscal 2011. In fiscal years 2007 through 2010, the city's combined operating funds balance averaged a healthy 25.0% of revenues ($3.3 million). FY 2011 results reflect a drawdown to a still sound 16.2% of revenues ($3.1 million) primarily due to the city's planned use of a portion of reserves in the public safety fund in order to purchase land in conjunction with the current general obligation borrowing. Going forward, the city's biennial budget indicates balanced operations although a slight draw down of reserves is anticipated by FY 2013 given management's conservative revenue estimates and no changes in expenditure growth. Similarly, the city's five-year forecast projects a sight, gradual drawdown of reserve levels in anticipation that a continued slow economy will likely limit revenue growth.

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 0.6%, above average payout of principal at 62.3% in ten years, and no near term borrowing plans. The current offering represents the entire authorization approved by 53.6% voters in November 2011. Moody's notes peak debt service on all full, faith and credit obligations comprise a low 3.2% of general fund revenues and 0.96% of combined operating fund revenues. Management has no plans to go back to voters for additional authorization and no near term plans for additional full, faith and credit borrowing.

KEY STATISTICS

Estimated population: 25,250

2012 full value: $3.49 billion

Average annual growth in real market value (2007-2012):-1.7%

2012 real market value per capita: $138,111

1999 per capita income: $34,671 (160.6% of U.S.)

1999 median family income: $83,252 (166.4% of state)

Direct debt burden: 0.4%

Overall debt burden: 4.1%

Payout of principal (10 years): 62.3%

Fiscal 2011 total general fund balance: $1.2 million (19.9% of general fund revenues)

Fiscal 2011 total primary operating funds balance: $3.1 million (16.2% of primary operating funds revenues)

Other postemployment benefits (OPEB) liability, 2011: $1.5 million

The principal methodology used in this rating was General Obligation Bonds Issued by U.S. Local Governments published in October 2009. Please see the Credit Policy page on www.moodys.com for a copy of this methodology.

REGULATORY DISCLOSURES

Although this credit rating has been issued in a non-EU country which has not been recognized as endorsable at this date, this credit rating is deemed "EU qualified by extension" and may still be used by financial institutions for regulatory purposes until 31 January 2012. ESMA may extend the use of credit ratings for regulatory purposes in the European Community for three additional months, until 30 April 2012, if ESMA decides that exceptional circumstances arise that may imply potential market disruption or financial instability. Further information on the EU endorsement status and on the Moody's office that has issued a particular Credit Rating is available on www.moodys.com.

For ratings issued on a program, series or category/class of debt, this announcement provides relevant regulatory disclosures in relation to each rating of a subsequently issued bond or note of the same series or category/class of debt or pursuant to a program for which the ratings are derived exclusively from existing ratings in accordance with Moody's rating practices. For ratings issued on a support provider, this announcement provides relevant regulatory disclosures in relation to the rating action on the support provider and in relation to each particular rating action for securities that derive their credit ratings from the support provider's credit rating. For provisional ratings, this announcement provides relevant regulatory disclosures in relation to the provisional rating assigned, and in relation to a definitive rating that may be assigned subsequent to the final issuance of the debt, in each case where the transaction structure and terms have not changed prior to the assignment of the definitive rating in a manner that would have affected the rating. For further information please see the ratings tab on the issuer/entity page for the respective issuer on www.moodys.com.

Information sources used to prepare the rating are the following: parties involved in the ratings, and public information.

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