

ISSUER COMMENT

2 July 2021

RATING

General Obligation (or GO Related) ¹

Aa2 No Outlook

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City of West Linn, OR

Annual Comment on West Linn

Issuer Profile

The City of West Linn is located in Clackamas County in northwestern Oregon, and is part of the greater Portland metro area. The county has a population of 410,463 and a moderate population density of 220 people per square mile. The county's median family income is \$97,130 (1st quartile) and the May 2021 unemployment rate was 5.2% (3rd quartile) ². The largest industry sectors that drive the local economy are retail trade, health services, and manufacturing.

Credit Overview

West Linn has a very high quality credit position. Its Aa2 rating is slightly stronger than the median rating of Aa3 for cities nationwide. The key credit factors include a solid financial position, a very strong wealth and income profile and a large tax base. It also reflects a small debt burden and a moderate pension liability.

Finances: The financial position of West Linn is robust though trails sector medians. The cash balance as a percent of operating revenues (28.7%) is a little weaker than the US median, but rose between 2016 and 2020. Moreover, the city's fund balance as a percent of operating revenues (26.9%) is slightly lower than the US median.

Economy and Tax Base: West Linn has an exceptionally healthy economy and tax base, which are relatively strong when compared to its Aa2 rating. The median family income equates to a robust 171.9% of the US level. Furthermore, the city's full value per capita (\$213,667) is above the US median, and increased dramatically from 2016 to 2020. Lastly, the total full value (\$5.7 billion) exceeds other Moody's-rated cities nationwide.

Debt and Pensions: The debt burden of West Linn is negligible and is favorable in comparison to the assigned rating of Aa2. The net direct debt to full value (0.5%) is under the US median, and remained stable between 2016 and 2020. On the other hand, the pension liability of the city is moderate and is a weakness when compared to its Aa2 rating. The Moody's-adjusted net pension liability to operating revenues (1.9x) is slightly higher than the US median.

Management and Governance: Oregon Cities have an institutional framework score ³ of "Aa," which is strong. Property tax, a major revenue source, is subject to a cap that can be overridden with voter approval only; the cap of approximately 3% for most properties still allows for moderate revenue-raising ability. Revenue predictability is strong, with highly stable and predictable revenue sources. Expenditure reduction ability is moderate, with fixed costs generally between 10-25% of expenditures driven by growing pension contributions.

for many. Major expenditures, typically for public safety, tend to be highly stable, for strong expenditure predictability.

EXHIBIT 1

Key Indicators ^{4 5} West Linn

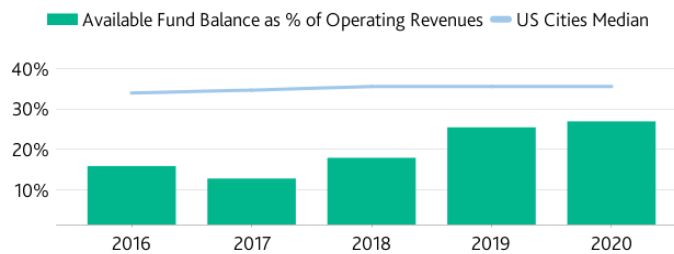
	2016	2017	2018	2019	2020	US Median	Credit Trend
Economy / Tax Base							
Total Full Value	\$4,232M	\$4,691M	\$5,073M	\$5,371M	\$5,695M	\$2,024M	Improved
Full Value Per Capita	\$161,272	\$178,338	\$191,368	\$201,524	\$213,667	\$97,657	Improved
Median Family Income (% of US Median)	155%	167%	170%	172%	172%	114%	Improved
Finances							
Available Fund Balance as % of Operating Revenues	15.9%	12.8%	17.9%	25.4%	26.9%	35.5%	Improved
Net Cash Balance as % of Operating Revenues	20.3%	14.8%	19.7%	28.2%	28.7%	40.0%	Improved
Debt / Pensions							
Net Direct Debt / Full Value	0.4%	0.3%	0.2%	0.6%	0.5%	1.1%	Stable
Net Direct Debt / Operating Revenues	0.64x	0.52x	0.44x	1.18x	1.11x	0.82x	Stable
Moody's-adjusted Net Pension Liability (3-yr average) to Full Value	0.8%	0.9%	1.0%	0.9%	0.9%	1.9%	Stable
Moody's-adjusted Net Pension Liability (3-yr average) to Operating Revenues	1.35x	1.65x	1.81x	1.98x	1.94x	1.57x	Weakened
	2016	2017	2018	2019	2020	US Median	
Debt and Financial Data							
Population	26,242	26,307	26,511	26,656	26,656	N/A	
Available Fund Balance (\$000s)	\$3,765	\$3,300	\$4,835	\$6,542	\$7,158	\$8,489	
Net Cash Balance (\$000s)	\$4,804	\$3,814	\$5,322	\$7,253	\$7,638	\$9,759	
Operating Revenues (\$000s)	\$23,671	\$25,722	\$26,966	\$25,723	\$26,606	\$36,135	
Net Direct Debt (\$000s)	\$15,100	\$13,500	\$11,830	\$30,410	\$29,402	\$19,137	
Moody's Adjusted Net Pension Liability (3-yr average) (\$000s)	\$31,839	\$42,373	\$48,700	\$50,901	\$51,572	\$38,399	

Source: Moody's Investors Service

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the ratings tab on the issuer/entity page on www.moodys.com for the most updated credit rating action information and rating history.

EXHIBIT 2

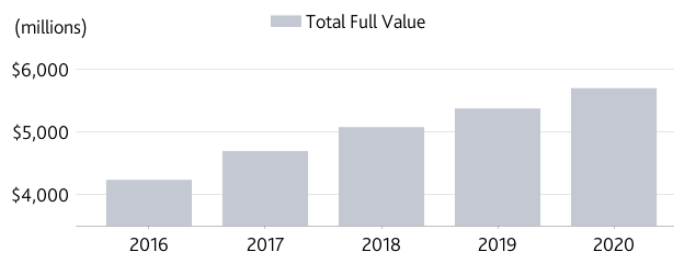
Available fund balance as a percent of operating revenues increased from 2016 to 2020



Source: Issuer financial statements; Moody's Investors Service

EXHIBIT 3

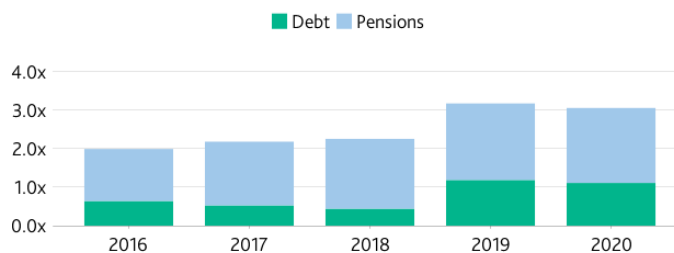
Full value of the property tax base increased from 2016 to 2020



Source: Issuer financial statements; Government data sources; Offering statements; Moody's Investors Service

EXHIBIT 4

Moody's-adjusted net pension liability to operating revenues increased from 2016 to 2020



Source: Issuer financial statements; Government data sources; Offering statements; Moody's Investors Service

Endnotes

- 1 The rating referenced in this report is the issuer's General Obligation (GO) rating or its highest public rating that is GO-related. A GO bond is generally backed by the full faith and credit pledge and total taxing power of the issuer. GO-related securities include general obligation limited tax, 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 guarantees, enhancement programs or bond insurance.
 - 2 The demographic data presented, including population, population density, per capita personal income and unemployment rate are derived from the most recently available US government databases. Population, population density and per capita personal income come from the American Community Survey while the unemployment rate comes from the Bureau of Labor Statistics.
- The largest industry sectors are derived from the Bureau of Economic Analysis. Moody's allocated the per capita personal income data and unemployment data for all counties in the US census into 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.
- 3 The institutional framework score assesses 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 \(July 2020\)](#) methodology report for more details.
 - 4 For definitions of the metrics in the Key Indicators Table, [US Local Government General Obligation Methodology and Scorecard User Guide \(July 2014\)](#). 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 - Tax base expansion bolsters revenue, but pensions remain a hurdle \(May 2020\)](#), which is available on Moodys.com. The medians presented here are based on the key metrics outlined in Moody's GO methodology and the associated scorecard.

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