STANDARD & POOR'S

RATINGSDIRECT®

December 23, 2008

Summary:

West Linn, Oregon; General Obligation

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Summary:

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Credit Profile		
West Linn GO		
Long Term Rating	AA-/Stable	Affirmed
West Linn Full Faith and Crdit oblig ser 2009B dtd 12/22/2008 due 06/01/2029		
Long Term Rating	AA-/Stable	Rating Assigned
West Linn GO rfdg bnds ser 2009A dtd 12/22/2008 due 06/01/2018		
Long Term Rating	AA-/Stable	Rating Assigned
West Linn GO		
Unenhanced Rating	AA-(SPUR)/Stable	Affirmed

Rationale

Standard & Poor's Ratings Services assigned its 'AA-' long-term rating to West Linn, Ore.'s 2009A general obligation (GO) refunding bonds and its 2009B full faith and credit obligations. In addition, Standard & Poor's affirmed its 'AA-' long-term rating and underlying rating (SPUR) on the city's outstanding GO and full faith and credit obligations.

The GO bonds are full faith and credit obligations of the city, including the obligation to levy property taxes without limitation as to rate or amount. The property tax pledge of the city's full faith and credit bonds is limited by constitutional restrictions on revenue growth.

In our opinion, the city's primary credit strengths include its:

- Service area that shows very strong economic characteristics and is integrated with the large and diverse Portland regional economy; and
- Implementation of strengthened financial policies and practices, including the use of long-term financial forecasting and capital planning models, in the past two years.

Constraining credit quality is the city's history of what we consider to be volatile financial performance.

Proceeds will refund the city's series 1998 and 1999 obligations and generate about $4 million in financing for capital projects such as street maintenance, land for a future police facility, and design services for parks improvements.

Located 12 miles south of downtown Portland, the City of West Linn serves an established, primarily residential area with a market value of $4.5 billion. Its economic indicators are generally very strong, including median household effective buying income that is 150% of the national median and a $186,400 per capita market value. The city also has experienced very strong market value growth during the past seven years, although we think that its property tax base growth will slow in the medium term due to virtual build-out conditions and a retrenching housing market.

Financial performance has varied considerably but, in our view, the city has taken substantive steps to address structural challenges. After available balances reached a low of 4.7% of expenditures in fiscal 2005, we understand that turnover in the city's political leadership contributed to a policy decision to increase its available balances. At the end of fiscal 2007, the city's available balances reached what we consider to be a very strong 25.7% of expenditures. However, management indicates that in fiscal 2008 (unaudited) revenue pressures related to the expiration of a police services levy cut the city's financial cushion to about 14% of expenditures. Management expects that new streets and parks fees will substantially replace the lost levy revenues and will contribute to a slight increase in available balances in fiscal 2009. We also think that the November 2008 approval of a taxing district to replace and enhance decreasing county grants for library services and an underassessment cushion after a period of strong revenue growth will help provide the conditions for balanced operations in fiscal 2010.

Another cloud that we think may be lifting is the city's delayed financial disclosures following an embezzlement by its finance director during fiscals 2001-2005. In our view, the city has substantially strengthened its financial polices since then and has made progress in releasing audited financial statements. Although it appears that the transition period that has accompanied the installation of a permanent finance director has contributed to a three-month delay in the release of the fiscal 2007 statement, the accompanying fiscal 2007 auditor's opinion is not qualified for the first time since the embezzlement and management expects that the city will release its fiscal 2008 statement by early January 2009.

The city's management practices are considered 'good' under Standard & Poor's Financial Management Assessment (FMA). An FMA of 'good' indicates that practices exist in most areas, although not all may be formalized or regularly monitored by governance officials. Notable among these is the city's use of a five-year financial forecast to build budgets and quarterly reports on budget-to-actuals performance to the city council.

Combined direct and overlapping debt supported by the city's taxpayers translates into a low 2.7% of market value, and pro forma debt service carrying charges are moderate at 11.1% of fiscal 2007 government-wide non-capital expenditures. The city may request about $3.5 million in voted debt authorization in the medium term to fund a new police facility; should this move forward, we anticipate that this would represent a minor increase to the city's relative debt burden.

Outlook

The stable outlook reflects the city's strong available reserves on an unaudited basis in fiscal 2008, substantial restoration of its financial disclosures, and good policies and practices that we think both reduce the risk of future financial control failures and improve its ability to transparently consider the long-term implications of budget decisions. Historical fluctuations in financial performance represent a credit concern, although we believe that political stability since the control failures, the selection of a permanent finance director, and new revenue streams provide the environment for more stable available reserves going forward.

Ratings Detail (As Of December 23, 2008)		
West Linn GO bnds ser 1998 dtd 12/01/1998 due 06/01/2000-2018		
Unenhanced Rating	AA-(SPUR)/Stable	Affirmed
Many issues are enhanced by bond insurance.		

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