

ISSUER COMMENT

18 October 2021

RATING

General Obligation (or GO Related) ¹

A1 No Outlook

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City of Stayton, OR

Annual Comment on Stayton

Issuer Profile

The City of Stayton is located along the Santiam River in Marion County in northwestern Oregon, approximately 15 miles southeast of Salem. The county has a population of 339,641 and a moderate population density of 287 people per square mile. The county's median family income is \$69,928 (2nd quartile) and the August 2021 unemployment rate was 4.4% (2nd quartile) ². The largest industry sectors that drive the local economy are health services, retail trade, and state government.

Credit Overview

Stayton's credit position is solid and its A1 rating is slightly beneath the median rating of Aa3 for US cities. Key credit factors include a robust financial position, a small debt burden and a somewhat elevated pension liability. It also reflects a healthy resident wealth and income profile and a modestly sized tax base.

Finances: Stayton has a very strong financial position, which is a notable strength relative to the assigned rating of A1. The city's fund balance as a percent of operating revenue (52.7%) is materially higher than the US median. Furthermore, cash balance as a percent of operating revenue (35.4%) is on par with the US median.

Debt and Pensions: The debt burden of Stayton is exceptionally light and is very favorable with respect to the assigned rating of A1. Net direct debt to full value (0%) is materially below other Moody's-rated cities nationwide. However, Stayton has a somewhat elevated pension liability that is unfavorable compared to its A1 rating. For example, the city's Moody's-adjusted net pension liability to operating revenue (2.2x) is higher than the US median.

Economy and Tax Base: Overall, the economy and tax base of the city are quite healthy and are a modest credit strength with respect to the A1 rating assigned. Stayton's full value per capita (\$118,014) is roughly equivalent to the US median and median family income is 92.7% of the US level. However, full value (\$959 million) is lower than other Moody's-rated cities nationwide.

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} Stayton

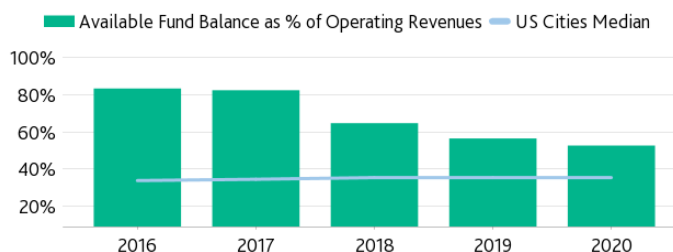
	2016	2017	2018	2019	2020	US Median	Credit Trend
Economy / Tax Base							
Total Full Value	\$693M	\$727M	\$782M	\$856M	\$959M	\$2,024M	Improved
Full Value Per Capita	\$88,089	\$91,750	\$97,475	\$105,330	\$118,014	\$97,657	Improved
Median Family Income (% of US Median)	79%	81%	92%	93%	93%	114%	Improved
Finances							
Available Fund Balance as % of Operating Revenues	83.3%	82.3%	64.7%	56.5%	52.7%	35.5%	Weakened
Net Cash Balance as % of Operating Revenues	32.7%	30.1%	36.0%	40.0%	35.4%	40.0%	Stable
Debt / Pensions							
Net Direct Debt / Full Value	0.0%	0.0%	0.0%	0.0%	0.0%	1.1%	Stable
Net Direct Debt / Operating Revenues	0.00x	0.00x	0.00x	0.00x	0.00x	0.82x	Stable
Moody's-adjusted Net Pension Liability (3-yr average) to Full Value	0.9%	1.1%	1.2%	1.1%	1.0%	1.9%	Stable
Moody's-adjusted Net Pension Liability (3-yr average) to Operating Revenues	2.00x	2.25x	2.40x	2.47x	2.16x	1.57x	Stable
	2016	2017	2018	2019	2020	US Median	
Debt and Financial Data							
Population	7,875	7,927	8,025	8,130	8,130	N/A	
Available Fund Balance (\$000s)	\$2,708	\$2,975	\$2,437	\$2,190	\$2,357	\$8,489	
Net Cash Balance (\$000s)	\$1,062	\$1,087	\$1,357	\$1,553	\$1,587	\$9,759	
Operating Revenues (\$000s)	\$3,252	\$3,613	\$3,768	\$3,879	\$4,476	\$36,135	
Net Direct Debt (\$000s)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$19,137	
Moody's Adjusted Net Pension Liability (3-yr average) (\$000s)	\$6,498	\$8,122	\$9,041	\$9,578	\$9,673	\$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.moody's.com for the most updated credit rating action information and rating history.

EXHIBIT 2

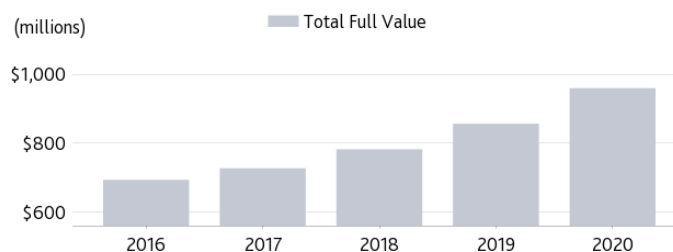
Available fund balance as a percent of operating revenues decreased from 2016 to 2020



Source: Issuer financial statements; Moody's Investors Service

EXHIBIT 3

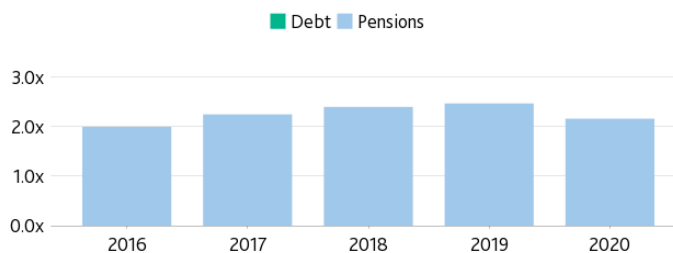
Full value of the property tax base increased from 2016 to 2020



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

- 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.
 - 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.
- 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.
 - 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.
 - The medians come from our most recently published local government medians report, [Medians - Tax base and revenue increases outpace growth of long-term liabilities \(May 2021\)](#) 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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