

ISSUER COMMENT

12 January 2018

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 323,259 and a moderate population density of 273 people per square mile. The county's median family income is \$56,537 (3rd quartile) and the September 2017 unemployment rate was 4.3% (3rd quartile) ². The largest industry sectors that drive the local economy are health services, retail trade, and state government.

Credit Overview

Stayton has a favorable credit position. However, its A1 rating is slightly weaker than the median rating of Aa3 for US cities. The key credit factors include a strong financial position, a negligible debt burden, a mid-ranged pension liability, a modestly sized tax base with solid income and wealth levels.

Finances: The financial position of Stayton is healthy and is a strength with respect to the assigned rating of A1. The fund balance as a percent of operating revenues (83.3%) far surpasses the US median, and stayed the same from 2012 to 2016. Moreover, the city's cash balance as a percent of operating revenues (32.7%) is roughly equivalent to the US median. That said, the city's reserve levels are well below the US median on an absolute basis.

Debt and Pensions: The debt burden of Stayton is negligible and is very favorable with respect to its A1 rating. The net direct debt to full value (0%) is materially below the US median. On the other hand, the city has a slightly inflated pension liability and is in line with the assigned rating of A1. The Moody's-adjusted net pension liability to operating revenues (2.0x) is above the US median, but decreased dramatically from 2013 to 2016.

Economy and Tax Base: The economy and tax base of Stayton are satisfactory overall and are comparable to its A1 rating position. The full value per capita (\$88,834) is roughly equivalent to the US median, but fell between 2012 and 2016. The median family income is just 87.3% of the US level. Finally, the city's total full value (\$694 million) is below other Moody's-rated cities nationwide.

Management and Governance: Oregon cities have an Institutional Framework score ³ of Aa, which is high compared to the nation. Institutional Framework scores measure a sector's legal ability to increase revenues and decrease expenditures. Property tax, a major revenue source, is subject to a cap which can be overridden with voter approval only. However, the cap of approximately 3% for most properties still allows for moderate revenue-raising ability. Unpredictable revenue fluctuations tend to be minor, or under 5% annually. Across the sector, fixed and mandated costs are generally less than 25% of expenditures.

However, Oregon has public sector unions, which can limit the ability to cut expenditures. Unpredictable expenditure fluctuations tend to be minor, under 5% annually.

Sector Trends - Oregon Cities

Oregon cities are expected to perform well as the state's economy continues to expand. Full values are increasing and gaining back losses experienced during the downturn. Property tax revenue growth will be strong as a result of economic expansion. The improving economy continues to attract in-migration, which will, over time, increase the cost of service provision. Additionally, statewide economic expansion should result in increased state revenues, which could mean additional grant funding for local governments. Pension costs remain a long-term concern, and contribution rates will increase in coming years.

EXHIBIT 1

Key Indicators ⁴ ⁵ Stayton

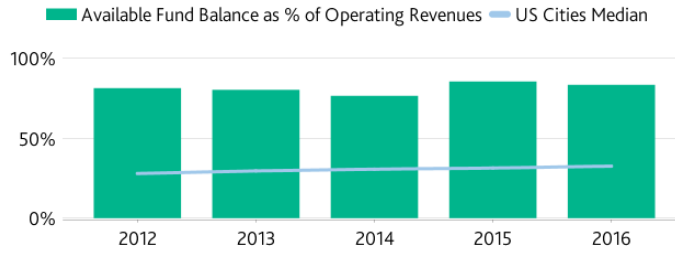
	2012	2013	2014	2015	2016	US Median	Credit Trend
Economy / Tax Base							
Total Full Value	\$737M	\$699M	\$728M	\$774M	\$693M	\$1,787M	Weakened
Full Value Per Capita	\$96,612	\$91,026	\$94,335	\$99,240	\$88,834	\$88,380	Weakened
Median Family Income (% of US Median)	88%	73%	78%	87%	87%	113%	Stable
Finances							
Available Fund Balance as % of Operating Revenues	81.2%	80.2%	76.4%	85.4%	83.3%	32.5%	Stable
Net Cash Balance as % of Operating Revenues	20.4%	22.8%	31.9%	35.8%	32.7%	35.4%	Improved
Debt / Pensions							
Net Direct Debt / Full Value	0.0%	0.0%	0.0%	0.0%	0.0%	1.2%	Stable
Net Direct Debt / Operating Revenues	0.00x	0.00x	0.00x	0.00x	0.00x	0.93x	Stable
Moody's-adjusted Net Pension Liability (3-yr average) to Full Value	N/A	1.6%	1.3%	1.0%	0.9%	1.7%	Improved
Moody's-adjusted Net Pension Liability (3-yr average) to Operating Revenues	N/A	4.05x	3.19x	2.53x	2.00x	1.46x	Improved
	2012	2013	2014	2015	2016	US Median	
Debt and Financial Data							
Population	7,637	7,690	7,719	7,809	N/A	N/A	
Available Fund Balance (\$000s)	\$2,118	\$2,218	\$2,303	\$2,633	\$2,708	\$7,221	
Net Cash Balance (\$000s)	\$532	\$632	\$963	\$1,105	\$1,062	\$7,930	
Operating Revenues (\$000s)	\$2,608	\$2,767	\$3,015	\$3,085	\$3,252	\$21,262	
Net Direct Debt (\$000s)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$18,822	
Moody's Adjusted Net Pension Liability (3-yr average) (\$000s)	N/A	\$11,210	\$9,624	\$7,819	\$6,498	\$29,896	

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

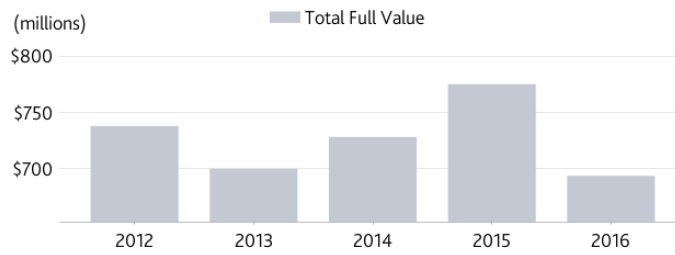
Available fund balance as a percent of operating revenues increased from 2012 to 2016



Source: Issuer financial statements; Moody's Investors Service

EXHIBIT 3

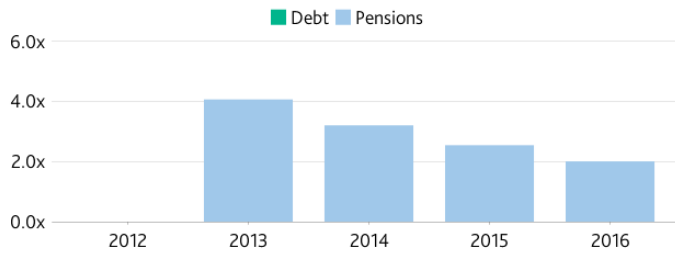
Full value of the property tax base decreased from 2012 to 2016



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

EXHIBIT 4

Moody's-adjusted net pension liability to operating revenues decreased from 2012 to 2016



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 \(December 2016\)](#) 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 Growth Reinforces Sector Stability as Pension Troubles Remain \(March 2017\)](#) 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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