

## ISSUER COMMENT

18 September 2019

### RATING

#### General Obligation (or GO Related) <sup>1</sup>

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 330,453 and a moderate population density of 279 people per square mile. The county's median family income is \$62,694 (3rd quartile) and the July 2019 unemployment rate was 4.5% (3rd quartile) <sup>2</sup>. The largest industry sectors that drive the local economy are health services, retail trade, and state government.

#### Credit Overview

Stayton has a sound credit position, and its A1 rating is slightly beneath the median rating of Aa3 for US cities. Notable credit factors include a very healthy financial position, an extremely small debt burden and a somewhat inflated pension liability. The credit profile also reflects a modestly sized tax base and a moderate wealth and income profile.

**Finances:** The financial position of Stayton is robust and is very strong in relation to the assigned rating of A1. The city's fund balance as a percent of operating revenues (64.7%) is far above the US median, but decreased materially from 2014 to 2018. Also, cash balance as a percent of operating revenues (36%) is on par with the US median.

**Debt and Pensions:** Stayton has a negligible debt burden and is very favorable in relation to its A1 rating. The net direct debt to full value (0%) is materially below the US median. Yet, the pension liability of the city is somewhat elevated and is slightly weak with respect to the assigned rating of A1. Moody's-adjusted net pension liability to operating revenues (2.5x) is unfavorably above the US median, but contracted between 2014 and 2018.

**Economy and Tax Base:** The economy and tax base of Stayton are solid overall and are consistent with city's A1 rating. The full value per capita (\$98,680) is roughly equivalent to the US median, and increased slightly from 2014 to 2018. On the other hand, total full value (\$782 million) is below the US median. Moreover, median family income equals only 81% of the US level.

**Management and Governance:** Oregon Cities have an institutional framework score <sup>3</sup> of Aa, which is strong. 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 but growing pension contributions are increasing fixed costs burdens. 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 much of the loss 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 are expected to increase in coming years.

EXHIBIT 1

### Key Indicators [4](#) [5](#) Stayton

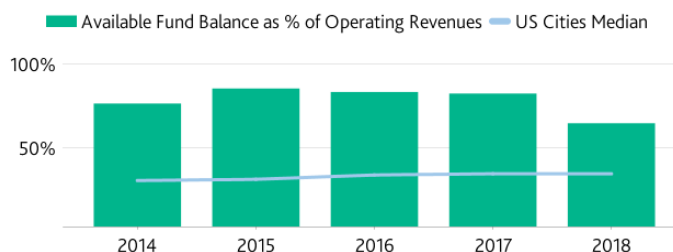
|   | 2014     | 2015     | 2016     | 2017     | 2018     | US Median | Credit Trend |
|---|----------|----------|----------|----------|----------|-----------|--------------|
| <b>Economy / Tax Base</b>   |          |          |          |          |          |           |              |
| Total Full Value  | \$728M   | \$774M   | \$693M   | \$727M   | \$782M   | \$1,904M  | Improved     |
| Full Value Per Capita   | \$94,335 | \$99,240 | \$88,089 | \$91,750 | \$98,680 | \$94,106  | Stable       |
| Median Family Income (% of US Median)                                       | 78%      | 87%      | 79%      | 81%      | 81%      | 111%      | Stable       |
| <b>Finances</b>   |          |          |          |          |          |           |              |
| Available Fund Balance as % of Operating Revenues                           | 76.4%    | 85.4%    | 83.3%    | 82.3%    | 64.7%    | 34.6%     | Weakened     |
| Net Cash Balance as % of Operating Revenues                                 | 31.9%    | 35.8%    | 32.7%    | 30.1%    | 36.0%    | 39.6%     | Stable       |
| <b>Debt / Pensions</b>  |          |          |          |          |          |           |              |
| 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    | 0.84x     | Stable       |
| Moody's-adjusted Net Pension Liability (3-yr average) to Full Value         | 1.3%     | 1.0%     | 0.9%     | 1.1%     | 1.2%     | 1.9%      | Stable       |
| Moody's-adjusted Net Pension Liability (3-yr average) to Operating Revenues | 3.19x    | 2.53x    | 2.00x    | 2.25x    | 2.54x    | 1.56x     | Improved     |
|   | 2014     | 2015     | 2016     | 2017     | 2018     | US Median |              |
| <b>Debt and Financial Data</b>  |          |          |          |          |          |           |              |
| Population  | 7,719    | 7,809    | 7,875    | 7,927    | 7,927    | N/A       |              |
| Available Fund Balance (\$000s)   | \$2,303  | \$2,633  | \$2,708  | \$2,975  | \$2,437  | \$8,028   |              |
| Net Cash Balance (\$000s)   | \$963    | \$1,105  | \$1,062  | \$1,087  | \$1,357  | \$9,530   |              |
| Operating Revenues (\$000s)   | \$3,015  | \$3,085  | \$3,252  | \$3,613  | \$3,768  | \$23,172  |              |
| Net Direct Debt (\$000s)  | \$0.00   | \$0.00   | \$0.00   | \$0.00   | \$0.00   | \$19,139  |              |
| Moody's Adjusted Net Pension Liability (3-yr average) (\$000s)              | \$9,624  | \$7,819  | \$6,498  | \$8,122  | \$9,579  | \$35,448  |              |

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](http://www.moody's.com) for the most updated credit rating action information and rating history.

## EXHIBIT 2

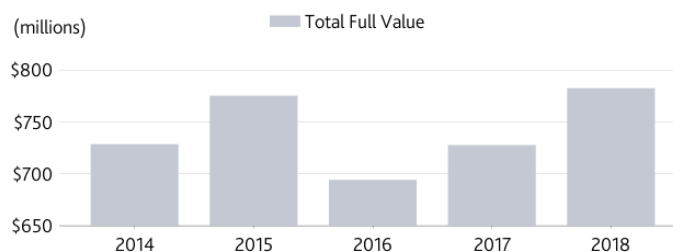
## Available fund balance as a percent of operating revenues decreased from 2014 to 2018



Source: Issuer financial statements; Moody's Investors Service

## EXHIBIT 3

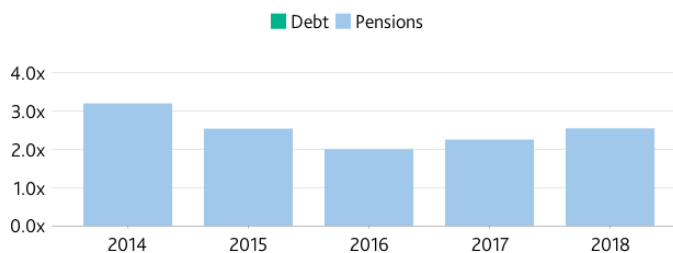
## Full value of the property tax base increased from 2014 to 2018



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 2014 to 2018



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 \(December 2016\)](#) 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 growth underpins sector strength, while pension challenges remain \(May 2019\)](#) which is available on Moody's.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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