

ISSUER COMMENT

12 May 2020

RATING

General Obligation (or GO Related) ¹

Aa2 No Outlook

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City of The Dalles, OR

Annual Comment on The Dalles

Issuer Profile

The City of The Dalles is located in Wasco County in north central Oregon, on the Oregon-Washington border. It is approximately 73 miles east of Portland. The county has a population of 25,866 and a low population density of 11 people per square mile. The county's median family income is \$60,438 (3rd quartile) and the March 2020 unemployment rate was 4.8% (3rd quartile) ². The largest industry sectors that drive the local economy are health services, retail trade, and local government.

We regard the coronavirus outbreak as a social risk under our environmental, social and governance framework, given the substantial implications for public health and safety and the economy. We do not see any material immediate credit risks for The Dalles. However, the situation surrounding coronavirus is rapidly evolving and the longer term impact will depend on both the severity and duration of the crisis. If our view of the credit quality of The Dalles changes, we will update our opinion at that time.

Credit Overview

The Dalles has a very good credit position, and its Aa2 rating is slightly above the US cities median of Aa3. The key credit factors include a robust financial position, exceptionally low debt and pension liabilities, a healthy tax base, but a somewhat weak wealth and income profile.

Finances: The financial position of The Dalles is very strong and is relatively favorable with respect to the assigned rating of Aa2. The cash balance as a percent of operating revenues (64.2%) is well above the US median, and saw an impressive increase between 2015 and 2019. In addition, the city's fund balance as a percent of operating revenues (53.6%) is notably higher than the US median.

Debt and Pensions: The Dalles has extremely small debt and pension burdens overall, which are favorable relative to its Aa2 rating. The city does not carry a pension liability, a credit positive. Moreover, the net direct debt to full value (0.3%) is materially lower than the US median, and declined from 2015 to 2019.

Economy and Tax Base: The city's economy and tax base are strong overall. On the other hand, this factor is slightly unfavorable in relation to its Aa2 rating position. The Dalles' full value per capita (\$147,842) is stronger than the US median, and saw an impressive increase between 2015 and 2019. That said, the total full value (\$2.3 billion) is consistent with the US median. Furthermore, the median family income equals only 74.2% of the US level.

The coronavirus is driving an unprecedented economic slowdown. We currently forecast US GDP to decline significantly during 2020 with a gradual recovery commencing toward the end of the year. Local governments with the highest exposure to tourism, hospitality, healthcare, retail, and oil and gas could suffer particularly severe impacts..

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 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.

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 1

Key Indicators [4.5](#) The Dalles

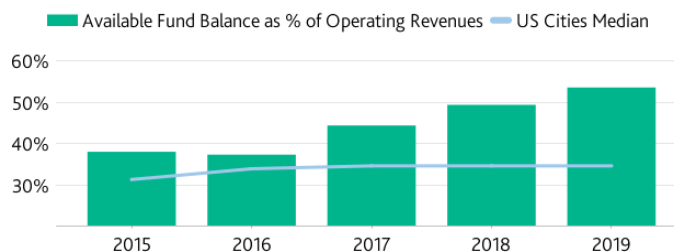
	2015	2016	2017	2018	2019	US Median	Credit Trend
Economy / Tax Base							
Total Full Value	\$1,296M	\$1,505M	\$1,652M	\$1,790M	\$2,299M	\$1,904M	Improved
Full Value Per Capita	\$85,658	\$98,566	\$108,540	\$116,857	\$147,842	\$94,106	Improved
Median Family Income (% of US Median)	73%	76%	75%	74%	74%	111%	Stable
Finances							
Available Fund Balance as % of Operating Revenues	38.0%	37.3%	44.4%	49.4%	53.6%	34.6%	Improved
Net Cash Balance as % of Operating Revenues	42.8%	47.0%	49.7%	60.4%	64.2%	39.6%	Improved
Debt / Pensions							
Net Direct Debt / Full Value	0.8%	0.6%	0.6%	0.5%	0.3%	1.1%	Stable
Net Direct Debt / Operating Revenues	1.02x	0.89x	0.87x	0.78x	0.66x	0.84x	Stable
Moody's-adjusted Net Pension Liability (3-yr average) to Full Value	0.0%	0.0%	0.0%	0.0%	0.0%	1.9%	Stable
Moody's-adjusted Net Pension Liability (3-yr average) to Operating Revenues	0.00x	0.00x	0.00x	0.00x	0.00x	1.56x	Stable

	2015	2016	2017	2018	2019	US Median
Debt and Financial Data						
Population	15,136	15,276	15,224	15,320	15,554	N/A
Available Fund Balance (\$000s)	\$3,866	\$4,078	\$4,622	\$5,312	\$6,281	\$8,028
Net Cash Balance (\$000s)	\$4,347	\$5,134	\$5,175	\$6,498	\$7,520	\$9,530
Operating Revenues (\$000s)	\$10,167	\$10,928	\$10,414	\$10,757	\$11,722	\$23,172
Net Direct Debt (\$000s)	\$10,400	\$9,757	\$9,089	\$8,417	\$7,719	\$19,139
Moody's Adjusted Net Pension Liability (3-yr average) (\$000s)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$35,448

Source: Moody's Investors Service

EXHIBIT 2

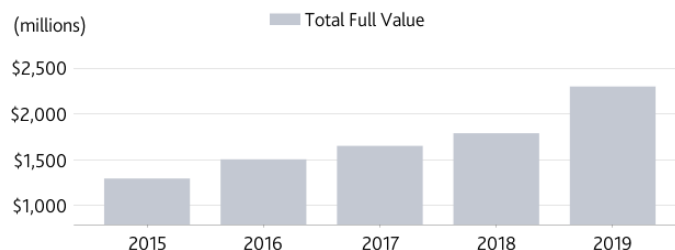
Available fund balance as a percent of operating revenues increased from 2015 to 2019



Source: Issuer financial statements; Moody's Investors Service

EXHIBIT 3

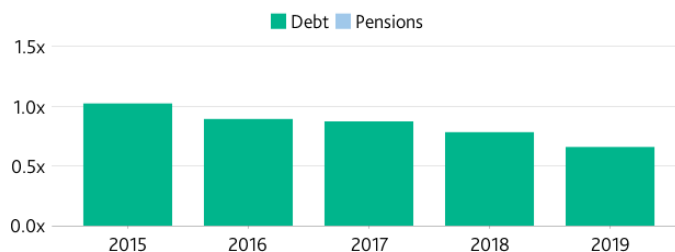
Full value of the property tax base increased from 2015 to 2019



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

EXHIBIT 4

The debt burden to operating revenues was consistent from 2015 to 2019



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 \(September 2019\)](#) 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 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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