

# RatingsDirect®

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## Summary:

# Coburg, Oregon; General Obligation

### Primary Credit Analyst:

Cenisa C Gutierrez, San Francisco (510) 206-8913; [cenisa.gutierrez@spglobal.com](mailto:cenisa.gutierrez@spglobal.com)

### Secondary Contact:

Amahad K Brown, Dallas + 1 (214) 765 5876; [amahad.brown@spglobal.com](mailto:amahad.brown@spglobal.com)

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### Credit Profile

Coburg full faith and credit rfdg obligations ser 2020 due 06/30/2055

*Long Term Rating*

A-/Stable

Downgraded

### Credit Highlights

- S&P Global Ratings lowered its long-term rating on Coburg, Ore.'s existing full-faith-and-credit obligations two notches to 'A-' from 'A+' and removed the rating from Under Criteria Observation.
- The outlook is stable.
- The rating change reflects the application of our criteria, "Methodology For Rating U.S. Governments," published Sept. 9, 2024, on RatingsDirect, noting the city's thin nominal reserves and more narrow economic base relative to higher-rated state and national peers.

### Security

The obligations are secured by the city's full-faith, credit, and taxing power, including ad valorem property tax subject to statutory and constitutional limitations. Our rating reflects our view of the city's general creditworthiness, as obligor, because the ad valorem taxes are not levied on a narrower or distinctly different tax base than the city and there are no limitations on the fungibility of resources available for debt service.

### Credit overview

The 'A-' rating reflects our view of the city's relatively thin general fund reserve (\$207,000 or 7% of revenues in 2024), small and limited local economy, and debt burden that is largely supported by its enterprise water and sewer system. Available reserves and key credit weakness relative to peers, have decreased 72% since fiscal 2021. Following a change in senior leadership over the last two years, we view the city's strengthening budgeting and financial practices as supporting stable credit quality over the near-term.

Coburg has demonstrated mixed financial performance over the last four fiscal years, including substantial deficits, largely due to rising public safety expenditures, particularly police salaries, and ongoing capital expenditures for parks-related projects. For fiscal 2024, the city continued to scale back capital projects and seek cost saving measures to remain structurally balanced while targeting a long-term plan to rebuild fund balances. The city's adopted fiscal 2025 budget projects nearly balanced operations, and the city's multi-year projections reflect similar year-end results through fiscal 2028. We believe that in the short term the city will adjust its budget to align with possible changes in its revenue environment and service demands, replenish its fund balances, and balance its budget. In addition, we expect that total cash and liquid investments across the total organization (including enterprise utilities) will remain stable, and we have not identified sources of material contingent liquidity risk.

Coburg is located roughly eight miles north of Eugene. Because of its proximity to major interstates, the city is

continuing to attract development, especially following its annexation of about 106 acres in early 2024 that will likely add to its transportation-oriented land uses, supporting continued growth in assessed value. We expect the city's stable tax base will continue to support property tax revenue resilience in the next few years.

The rating reflects our view of the city's:

- Location in Lane County where county-wide measures of economic output and incomes are below average nationally. The city's location along Interstate 5 supports potential growth in the logistics sector and provides local residents access to the broader Eugene-Springfield regional economy for employment opportunities. In addition, the local tax base is growing but remains concentrated.
- Balanced to negative net performance in the general fund over the last four fiscal years that has led to deterioration in available reserves. We anticipate that the city's low nominal reserve position could persist over the near-term, barring any material cuts to services or improvements in the city's revenue structure.
- Improving financial practices under new management including monthly investment and budget-to-actual reports provided to the council, a five-year capital improvement plan with funding sources and project costs, a three-year budget forecast included in the fiscal 2025 budget, and an informal reserve target of building a contingency of \$250,000. Coburg also follows state guidelines for investments and does not have a debt management policy.
- Current costs for debt and liability that we expect will remain manageable, with no significant medium-term debt plans. We understand that a large portion of the city's outstanding series 2020 full faith and credit obligations are supported by its enterprise water and sewer utilities, limiting contingent exposure to the city's general fund. We view the city as being potentially exposed to rising pension costs over the medium term. As of the latest measurement date (June 30, 2023), the city's net pension liability under the Oregon Public Employees Retirement System (OPERS) was \$1.7 million. The pension system was funded 81.7% based on a 6.9% discount rate. Although contributions remain a relatively small portion of the budget, the city's required contributions to the OPERS have risen 128% since 2020.
- For more information on our institutional framework assessment for Oregon municipalities, see "Institutional Framework Assessment: Oregon Local Governments," published Sept. 11, 2024, on RatingsDirect.

### **Environmental, social, and governance**

We view the city as facing acute physical risk given the region's exposure to seismic activity originating off the Pacific Coast. We view the city's social and governance factors as neutral in our credit rating analysis.

### **Outlook**

The stable outlook reflects our expectation that the city will continue to review and adjust its budget while evaluating options to rebuild reserves over the near-term. In addition, we expect tax base trends to remain positive providing stability to the city's primary source of operating revenue.

### **Downside scenario**

We could lower the rating if the city's operating performance further deteriorates, resulting in further weakening of its available reserves or liquidity.

## Upside scenario

We could raise the rating if the city's financial performance were to improve, and available reserves were to grow and be sustained at levels commensurate with that of higher-rated peers.

**Table 1**

<b>Coburg, Oregon--credit summary</b>	
Institutional framework (IF)	2
Individual credit profile (ICP)	3.86
Economy	5.0
Financial performance	4
Reserves and liquidity	5
Management	2.30
Debt and liabilities	3.00

**Table 2**

<b>Coburg, Oregon--key credit metrics</b>				
	<b>Most recent</b>	<b>2024</b>	<b>2023</b>	<b>2022</b>
<b>Economy</b>				
Real GCP per capita % of U.S.	71	--	--	71
County PCPI % of U.S.	88	--	--	88
Market value (\$000s)	663,366	639,041	541,228	453,165
Market value per capita (\$)	474,850	457,438	387,422	393,031
Top 10 taxpayers % of taxable value	29.9	29.9	31.3	32.3
County unemployment rate (%)	4.2	4.2	4.0	4.3
Local median household EBI % of U.S.	89	--	89	81
Local per capita EBI % of U.S.	86	--	86	76
Local population	1,397	--	1,397	1,153
<b>Financial performance</b>				
Operating fund revenues (\$000s)	--	3,101	2,756	2,597
Operating fund expenditures (\$000s)	--	3,149	2,743	2,905
Net transfers and other adjustments (\$000s)	--	--	--	--
Operating result (\$000s)	--	-48	13	-308
Operating result % of revenues	--	-1.5	0.5	-11.9
Operating result three-year average %	--	-4.3	-5.5	-15.3
<b>Reserves and liquidity</b>				
Available reserves % of operating revenues	--	6.7	9.3	14.7
Available reserves (\$000s)	--	208	256	382
<b>Debt and liabilities</b>				
Debt service cost % of revenues	--	2.9	0.8	0.9
Net direct debt per capita (\$)	4,587	4,587	4,785	5,169
Net direct debt (\$000s)	6,408	6,408	6,685	5,960
Direct debt 10-year amortization (%)	34	37	--	--
Pension and OPEB cost % of revenues	--	7.0	7.0	7.0
NPLs per capita (\$)	--	1,473	1,242	988

**Table 2**

**Coburg, Oregon--key credit metrics (cont.)**

	<b>Most recent</b>	<b>2024</b>	<b>2023</b>	<b>2022</b>
Combined NPLs (\$000s)	--	2,058	1,735	1,139

Financial data may reflect analytical adjustments and are sourced from issuer audit reports or other annual disclosures. Economic data is generally sourced from S&P Global Market Intelligence, the Bureau of Labor Statistics, Claritas, and issuer audits and other disclosures. GCP--Gross county product. PCPI--Per capita personal income. EBI--Effective buying income. OPEB--Other postemployment benefits. NPLs--Net pension liabilities.

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