Research Update:

Linn And Marion Counties School District No.129J (Santiam Canyon), OR GO Rating Affirmed At 'A+'

April 7, 2026

Overview

- S&P Global Ratings affirmed its 'A+' underlying rating on Linn and Marion Counties School District No. 129J (Santiam Canyon), Ore.'s series 2019 general obligation (GO) bonds.
- The outlook is stable.

Rationale

Security

The district's full faith and credit and unlimited ad valorem tax revenue secure the bonds.

Credit highlights

The rating reflects our view of district's somewhat limited but stable economy, stable financial position with robust operating reserves, and moderate but manageable debt burden. The district remains weaker than peers with respect to its institutionalized financial policies and long-term planning practices. However, we understand that, under new leadership, the district is working to strengthen practices.

Santiam Canyon School District is one of several districts within the State of Oregon that sponsor a virtual charter school, Oregon Charter Academy (OCA). Under this arrangement, the district receives funding for all students enrolled within the district (based on weighted average daily membership) including those attending the charter school. Student enrollment for the 2025-2026 school year was 568 for the two district-operated schools and 2,345 for OCA. The state aid revenue associated with the students enrolled in the charter school is remitted to the charter with the district retaining a percentage based on a multiyear contract with the charter school. In recent years, the district has received about $1.5 million for sponsoring the virtual charter school. The district's current agreement with OCA was renewed for seven years, starting in 2025. The district neither directly operates the charter school nor is responsible for its finances or liabilities. The Oregon State School Funds (state aid) tied to the virtual charter effectively flow as a pass-through payment on the district's financial statements, somewhat skewing the size of the

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true operating budget. Our analysis recognizes that the presence of the sizable charter school payments, which accounted for 72% of the total fiscal 2026 budget, skews financial ratios.

The district's financial position has improved in recent years with available reserves exceeding $5 million as of fiscal 2025. The district also anticipates ending fiscal 2026 with break-even-to-modest surplus results. With exclusion of the pass-through charter school payments, general fund revenue for fiscal 2026 is projected at $10.8 million, resulting in available reserves exceeding 50% of operating revenue.

The rating further reflects our view of the district's:

- Limited economy given its location in rural Linn and Marion counties in southwestern Oregon, about 38 miles east of Salem. Our economic assessment is based on measures of economic output and personal income that are below average relative to the nation. We expect the local economy to remain relatively stable with modest new development and home price appreciation fueling additional tax base growth over the near term.
- Favorable financial trends with surpluses reported in each of the past two audited years. The reserve position (relative to the size of the core budget) is a strength compared with that of peers, and we understand that management has no plans to materially draw down reserves. Student count is expected to remain stable after rebounding somewhat following the fires in 2020. In recent years, supplemental state funding offset the impact of lower student counts following the fires and thus supported finances. In total, the district received about $3 million in additional support, which sunset after fiscal 2025.
- Financial management practices that include use of historical data and available economic indicators for revenue and expenditure forecasting, coupled with monthly budget-to-actual reporting. However, the district lacks formal long-term capital and financial planning practices as well as formal policies governing debt management and reserves. Investment activities are limited to the state investment pool, with monthly reporting to the board.
- Manageable fixed-cost burden, with no plans for additional debt. Our debt and liabilities assessment has been adjusted to acknowledge that current costs are understated as a result of the presence of the charter school payments, which inflate total governmental funds revenue. We estimate that current costs on an adjusted basis exceed 14% of revenue. The total direct debt burden is about $18 million, with all debt scheduled to mature by 2044. The district has no plans to issue additional debt. Pension costs and liabilities are not a material source of credit or fixed-cost pressure.
- For more information on the institutional framework assessment for Oregon school districts, see "Institutional Framework Assessment: Oregon Local Governments," Sept. 11, 2024.

Environmental, social, and governance

The district is exposed to certain acute physical risks, primarily in the form of wildfires, which pose a risk to property. We view this environmental exposure as affecting the credit profile through the potential displacement of residents or students following a wildfire event or direct effects on taxable property values (or assessed valuation), which secures the bonds outstanding. Most recently, a wildfire event severely affected the broader Santiam Canyon area, which includes the district, in 2020. In the years following the event, districtwide taxable value has fully recovered; enrollment, while stabilized in recent years, remains slightly below pre-fire levels. Social and governance factors are neutral in our analysis.

Outlook

The outlook reflects our expectation that the financial position will remain strong, supported by healthy reserves and a lack of significant long-term costs. In addition, we anticipate that efforts to further strengthen planning practices under new leadership will support financial stability over the outlook horizon.

Downside scenario

We could lower the rating if the financial position weakens to a level no longer comparable to that of similarly rated peers.

Upside scenario

We could raise the rating if the economy were to materially grow and diversify, leading to stronger local economic indicators. In addition, we could raise the rating if our view of financial management practices improves.

Linn and Marion Counties School District No. 129J (Santiam Canyon), Oregon--credit summary

Institutional framework (IF)	2
Individual credit profile (ICP)	2.86
Economy	4.5
Financial performance	2
Reserves and liquidity	1
Management	3.30
Debt and liabilities	3.50

Linn and Marion Counties School District No. 129J (Santiam Canyon), Oregon--key credit metrics

	Most recent	2025	2024	2023
Economy				
Real GCP per capita as % of U.S.	60	--	60	60
County PCPI as % of U.S.	82	--	82	82
Market value ($000s)	1,337,196	1,213,489	1,135,861	1,087,149
Market value per capita ($)	307,897	279,413	261,538	249,003
Top 10 taxpayers as % of taxable value	--	--	--	--
County unemployment rate (%)	5.0	5.0	4.6	4.1
Local median household EBI as % of U.S.	94	--	94	89
Local per capita EBI as % of U.S.	79	--	79	75
Local population	4,343	--	4,343	4,366
Financial performance				
Operating fund revenue ($000s)	--	42,430	40,065	30,920
Operating fund expenditures ($000s)	--	40,571	36,519	31,306
Net transfers and other adjustments ($000s)	--	(1,106)	(446)	(679)
Operating result ($000s)	--	753	3,100	(1,065)
Operating result as % of revenue	--	1.8	7.7	(3.4)

Linn and Marion Counties School District No. 129J (Santiam Canyon), Oregon--key credit metrics

	Most recent	2025	2024	2023
Operating result three-year average %	--	2.0	1.3	0.3
Enrollment	--	568	567	560
Reserves and liquidity				
Available reserves as % of operating revenue	--	13.8	12.8	6.5
Available reserves ($000s)	--	5,856	5,110	2,010
Debt and liabilities				
Debt service cost as % of revenue	--	3.3	3.5	4.0
Net direct debt per capita ($)	4,213	4,213	4,358	4,483
Net direct debt ($000s)	18,297	18,298	18,928	19,573
Direct debt 10-year amortization (%)	37	36	35	33
Pension and OPEB cost as % of revenue	--	2	2	3
NPLs per capita ($)	--	1,587	1,587	1,244
Combined NPLs ($000s)	--	6,890	6,890	5,432

Financial data may reflect analytical adjustments and is 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. Local population is sourced from Claritas. Claritas estimates are point in time and not meant to show year-over-year trends. EBI--Effective buying income. GCP--Gross county product. NPL--Net pension liability. OPEB--Other postemployment benefits. PCPI--Per capita personal income.

Ratings List	
Ratings Affirmed	
Local Government	
Linn & Marion Counties School District #129 (Santiam Canyon) OR Unlimited Tax Pledge	A+/Stable

The ratings appearing below the new issues represent an aggregation of debt issues (ASID) associated with related maturities. The maturities similarly reflect our opinion about the creditworthiness of the U.S. Public Finance obligor's legal pledge for payment of the financial obligation. Nevertheless, these maturities may have different credit ratings than the rating presented next to the ASID depending on whether or not additional legal pledge(s) support the specific maturity's payment obligation, such as credit enhancement, as a result of defeasance, or other factors.

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