

May 8, 2023

PRE-SALE REPORT FOR

City of Sheboygan, Wisconsin

**\$3,320,000 General Obligation Promissory Notes,
Series 2023A**



Prepared by:

Ehlers
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Suite 100
Waukesha, WI 53188

Advisors:

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BUILDING COMMUNITIES. IT'S WHAT WE DO.

EXECUTIVE SUMMARY OF PROPOSED DEBT

Proposed Issue:

\$3,320,000 General Obligation Promissory Notes, Series 2023A

Purposes:

The proposed issue includes financing for the following Capital Projects:

- Improvements to City Buildings. Debt service will be paid from ad valorem property taxes.
- Fire Equipment. Debt service will be paid from ad valorem property taxes.
- Public Works Street and Traffic Improvements. Debt service will be paid from ad valorem property taxes.
- TID 16 Improvements. Debt service will be paid from ad valorem property taxes and abated with revenues of TID 16.
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Authority:

The Notes are being issued pursuant to Wisconsin Statute(s):

- 67.12(12)

The Notes will be general obligations of the City for which its full faith, credit and taxing powers are pledged.

The Notes count against the City's General Obligation Debt Capacity Limit of 5% of total City Equalized Valuation. Following issuance of the Notes, the City's total General Obligation debt principal outstanding will be approximately \$59.3 million, which is 31% of its limit. Remaining General Obligation Borrowing Capacity will be approximately \$133.6 million.

Term/Call Feature:

The Notes are being issued for a term of 10 years. Principal on the Notes will be due on April 1 in the years 2024 through 2033. Interest is payable every six months beginning April 1, 2024.

The Notes will be subject to prepayment at the discretion of the City on April 1, 2030 or any date thereafter.

Bank Qualification:

Because the City is expecting to issue no more than \$10,000,000 in tax exempt debt during the calendar year, the City will be able to designate the Notes as “bank qualified” obligations. Bank qualified status broadens the market for the Notes, which can result in lower interest rates.

Rating:

The City’s most recent bond issues were rated by Moody’s Investors Service. The current rating on those bonds is “Aa2”. The City will request a new rating for the Notes.

If the winning bidder on the Notes elects to purchase bond insurance, the rating for the issue may be higher than the City’s bond rating if the bond rating of the insurer is higher than that of the City.

Basis for Recommendation:

Based on your objectives, financial situation and need, risk tolerance, liquidity needs, experience with the issuance of Notes and long-term financial capacity, as well as the tax status considerations related to the Notes and the structure, timing and other similar matters related to the Notes, we are recommending the issuance of Notes as a suitable option.

Method of Sale/Placement:

We are recommending the Notes be issued as municipal securities and offered through a competitive underwriting process. We will solicit competitive bids for the purchase of the Notes from underwriters and banks.

We will include an allowance for discount bidding in the terms of the issue. The discount is treated as an interest item and provides the underwriter with all or a portion of their compensation in the transaction.

If the Notes are purchased at a price greater than the minimum bid amount (maximum discount), the unused allowance may be used to reduce your borrowing amount.

Premium Pricing:

In some cases, investors in municipal bonds prefer “premium” pricing structures. A premium is achieved when the coupon for any maturity (the interest rate paid by the issuer) exceeds the yield to the investor, resulting in a price paid that is greater than the face value of the bonds. The sum of the amounts paid more than face value is considered “reoffering

premium.” The underwriter of the bonds will retain a portion of this reoffering premium as their compensation (or “discount”) but will pay the remainder of the premium to the City.

For this issue of Notes, any premium amount received that is more than the underwriting discount and any capitalized interest amounts must be placed in the debt service fund and used to pay a portion of the interest payments due on the Notes. We anticipate using any premium amounts received to reduce the issue size.

The amount of premium allowed can be restricted in the bid specifications. Restrictions on premium may result in fewer bids but may also eliminate large adjustments on the day of sale and unintended results with respect to debt service payment impacts. Ehlers will identify appropriate premium restrictions for the Notes intended to achieve the City’s objectives for this financing.

Parameters:

The Common Council will consider adoption of a Parameters Resolution on May 15, 2023, which delegates authority to the Finance Director/Treasurer or Deputy Finance Director to accept and approve a bid for the Notes so long as the bid meets certain parameters. These parameters are:

- * Issue size not to exceed \$3,320,000
- * Maximum Bid of 107%
- * Minimum Bid of 99%
- * Maximum True Interest Cost (TIC) of 5%
- * Maturity Schedule Adjustments not to exceed \$200,000 per maturity

Other Considerations:

The Notes will be offered with the option of the successful bidder utilizing a term bond structure. By offering underwriters the option to “term up” some of the maturities at the time of the sale, it gives them more flexibility in finding a market for your Notes. This makes your issue more marketable, which can result in lower borrowing costs. In the event that the successful bidder utilizes a term bond structure, we recommend the City retain a paying agent to handle responsibility for processing mandatory redemption/call notices associated with term bonds.

Review of Existing Debt:

We have reviewed all outstanding indebtedness for the City and find that there are no refunding opportunities at this time.

We will continue to monitor the market and the call dates for the City's outstanding debt and will alert you to any future refunding opportunities.

Continuing Disclosure:

Because the City has more than \$10,000,000 in outstanding debt (including this issue) and this issue is over \$1,000,000, the City will be agreeing to provide certain updated Annual Financial Information and its Audited Financial Statement annually, as well as providing notices of the occurrence of certain reportable events to the Municipal Securities Rulemaking Board (the "MSRB"), as required by rules of the Securities and Exchange Commission (SEC). The City is already obligated to provide such reports for its existing bonds and has contracted with Ehlers to prepare and file the reports.

Arbitrage Monitoring:

The City must ensure compliance with certain sections of the Internal Revenue Code and Treasury Regulations ("Arbitrage Rules") throughout the life of the issue to maintain the tax-exempt status of the Notes. These Arbitrage Rules apply to amounts held in construction, escrow, reserve, debt service account(s), etc., along with related investment income on each fund/account.

IRS audits will verify compliance with rebate, yield restriction and records retention requirements within the Arbitrage Rules. The City's specific arbitrage responsibilities will be detailed in the Tax Exemption Certificate (the "Tax Compliance Document") prepared by your Bond Attorney and provided at closing.

The Notes may qualify for one or more exception(s) to the Arbitrage Rules by meeting 1) small issuer exception, 2) spend down requirements, 3) bona fide debt service fund limits, 4) reasonable reserve requirements, 5) expenditure within an available period limitation, 6) investments yield restrictions, 7) de minimis rules, or; 8) borrower limited requirements.

We recommend that the City review its specific responsibilities related to the Notes with an arbitrage expert to utilize one or more of the exceptions listed above. We also recommend that you establish written procedures regarding compliance with IRS rules and/or contract with Ehlers to assist you.

Investment of Note Proceeds:

Ehlers can assist the City in developing a strategy to invest your Note proceeds until the funds are needed to pay project costs.

Risk Factors:

GO with Planned Abatement: The City expects to abate a portion of the City debt service with tax incremental revenues. In the event these revenues are not available, the City is obligated to levy property taxes in an amount sufficient to make all debt payments.

Other Service Providers:

This debt issuance will require the engagement of other public finance service providers. This section identifies those other service providers, so Ehlers can coordinate their engagement on your behalf. Where you have previously used a particular firm to provide a service, we have assumed that you will continue that relationship. For services you have not previously required, we have identified a service provider. Fees charged by these service providers will be paid from proceeds of the obligation, unless you notify us that you wish to pay them from other sources. Our pre-sale bond sizing includes a good faith estimate of these fees, but the final fees may vary. If you have any questions pertaining to the identified service providers or their role, or if you would like to use a different service provider for any of the listed services please contact us.

Bond Counsel: Quarles & Brady LLP

Paying Agent: Bond Trust Services Corporation

Rating Agency: Moody's Investors Service, Inc.

PROPOSED DEBT ISSUANCE SCHEDULE

Pre-Sale Review by Common Council:	May 15, 2023
Due Diligence Call to review Official Statement:	Week of May 29, 2023
Conference with Rating Agency:	Week of June 5, 2023
Distribute Official Statement:	June 6, 2023
Designated Officials Award Sale of the Notes:	June 14, 2023
Estimated Closing Date:	July 6, 2023

Attachments

- Estimated Sources and Uses of Funds
- Estimated Proposed Debt Service Schedule by Purpose
- Tax Impact Analysis
- Bond Buyer Index

EHLERS' CONTACTS

Philip Cosson, Senior Municipal Advisor	(262) 796-6161
David Ferris, Senior Municipal Advisor	(262) 796-6194
Sue Porter, Senior Public Finance Analyst/Marketing Coordinator	(262) 796-6167
Kathy Myers, Senior Financial Analyst	(262) 796-6177



Financing Plan & Issue Sizing

	GO Notes 2023
Projects	
City Buildings	250,000
Public Works - Traffic	415,000
Public Works - Traffic TID 16	171,400
Equipment of a Fire Department	68,500
Street Improvement Projects	2,338,000
Project Needs	3,242,900
Issuance Expenses	
Municipal Advisor	27,500
Bond Counsel	15,000
Disclosure Counsel (Estimated)	9,750
Rating	14,500
Paying Agent	850
Underwriter Fees	33,200
Total Funds Needed	3,343,700
Less Interest Earnings	(24,322)
Rounding	622
Size of Issue	3,320,000

Notes: Interest earnings is based upon an interest rate of 3.00% with a spend down period of 3 months.



Allocation of General Obligation Notes, 2023

Issue	Street Improvement Projects 10 year Levy				Fire Department Equipment 10 years Levy				City Buildings				Public Works - Traffic				Public Works - Traffic TID 16				TOTAL		
Purpose	\$2,395,000				\$70,000				\$255,000				\$425,000				\$175,000						
Amount	7/6/2023				7/6/2023				7/6/2023				7/6/2023				7/6/2023						
Dated	4/1				4/1				4/1				4/1				4/1						
Payment Date	Principal	Rate	Interest	Total	Rate	Interest	Total	Principal	Rate	Interest	Total	Principal	Rate	Interest	Total	Principal	Rate	Interest	Total	Principal	Interest	Total	
2023																							
2024	235,000	3.50%	100,098	335,098	5,000	3.50%	2,966	7,966	25,000	3.50%	10,663	35,663	40,000	3.50%	17,798	57,798	15,000	3.50%	7,358	22,358	320,000	138,883	458,883
2025	240,000	3.50%	71,880	311,880	5,000	3.50%	2,208	7,208	25,000	3.50%	7,668	32,668	40,000	3.50%	12,865	52,865	15,000	3.50%	5,378	20,378	325,000	99,998	424,998
2026	240,000	3.50%	63,480	303,480	5,000	3.50%	2,033	7,033	25,000	3.50%	6,793	31,793	40,000	3.50%	11,465	51,465	15,000	3.50%	4,853	19,853	325,000	88,623	413,623
2027	240,000	3.50%	55,080	295,080	5,000	3.50%	1,858	6,858	25,000	3.50%	5,918	30,918	40,000	3.50%	10,065	50,065	15,000	3.50%	4,328	19,328	325,000	77,248	402,248
2028	240,000	3.50%	46,680	286,680	5,000	3.50%	1,683	6,683	25,000	3.50%	5,043	30,043	40,000	3.50%	8,665	48,665	15,000	3.50%	3,803	18,803	325,000	65,873	390,873
2029	240,000	3.50%	38,280	278,280	5,000	3.50%	1,508	6,508	25,000	3.50%	4,168	29,168	45,000	3.50%	7,178	52,178	20,000	3.50%	3,190	23,190	335,000	54,323	389,323
2030	240,000	3.50%	29,880	269,880	10,000	3.50%	1,245	11,245	25,000	3.50%	3,293	28,293	45,000	3.50%	5,603	50,603	20,000	3.50%	2,490	22,490	340,000	42,510	382,510
2031	240,000	3.50%	21,480	261,480	10,000	3.50%	895	10,895	25,000	3.50%	2,418	27,418	45,000	3.50%	4,028	49,028	20,000	3.50%	1,790	21,790	340,000	30,610	370,610
2032	240,000	3.60%	12,960	252,960	10,000	3.60%	540	10,540	25,000	3.60%	1,530	26,530	45,000	3.60%	2,430	47,430	20,000	3.60%	1,080	21,080	340,000	18,540	358,540
2033	240,000	3.60%	4,320	244,320	10,000	3.60%	180	10,180	30,000	3.60%	540	30,540	45,000	3.60%	810	45,810	20,000	3.60%	360	20,360	345,000	6,210	351,210
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	\$ 2,395,000		\$ 444,138	\$ 2,839,138	\$ 70,000	\$ 15,113	\$ 85,113	\$ 255,000	\$ 48,030	\$ 303,030	\$ 425,000	\$ 80,906	\$ 505,906	\$ 175,000	\$ 34,628	\$ 209,628	\$ 3,320,000	\$ 622,815	\$ 3,942,815				



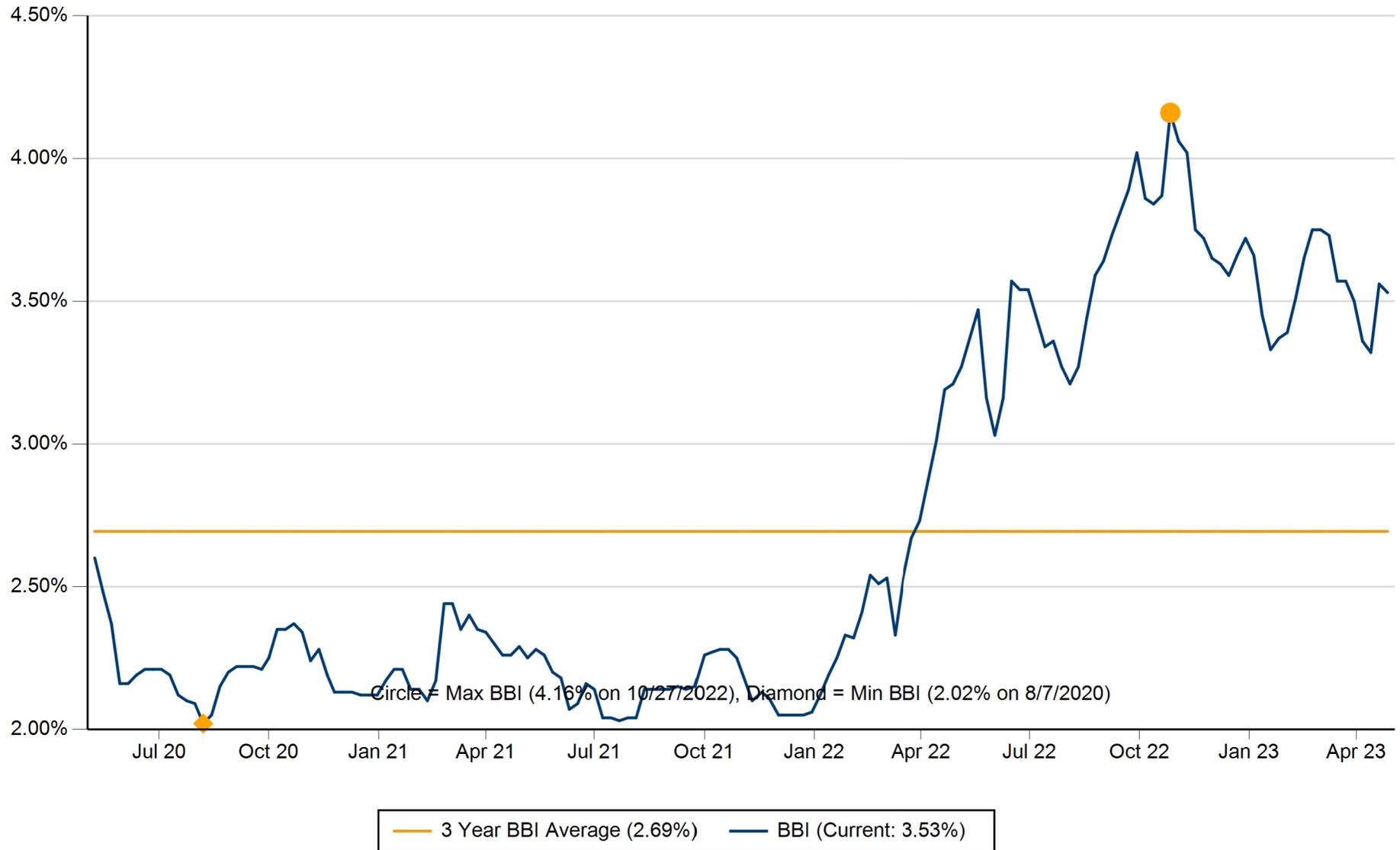
Projected Impact of Capital Financing Plan

Existing Debt Payments							Projected Debt Service												
YEAR	Equalized Value Projection	Change in Value	Total of All Obligations	Total Abatement Sources	Net Debt Service Levy	Debt Service Tax Rate	Capital Plan Debt Service			Less Abatements		Total Projected Debt Service Less Abatements	Net Debt Service Levy	Levy Change	Debt Service Tax Rate	Impact on \$ 100,000 of Value		Debt Service Tax Rate @ 3% Growth	YEAR
										Public Works - Traffic TID 16	Total Abatements					Taxes	Change		
2022	3,156,346,500	2.48%	7,084,856	(3,233,804)	3,851,052	1.22						3,851,052		1.22	122.01		1.22	2022	
2023	3,583,934,700	13.55%	6,187,219	(1,801,647)	4,385,571	1.22						4,385,571	534,519	1.22	122.37	0.36	1.22	2023	
2024	3,665,651,894	2.28%	6,443,688	(1,824,778)	4,618,910	1.26	320,000	138,883	458,883	(22,358)	(22,358)	436,525	5,055,435	1.38	137.91	15.55	1.37	2024	
2025	3,914,143,232	6.78%	6,562,026	(1,933,008)	4,629,019	1.18	325,000	99,998	424,998	(20,378)	(20,378)	404,620	5,033,639	1.29	128.60	(9.31)	1.32	2025	
2026	3,992,426,097	2.00%	6,032,039	(1,598,613)	4,433,426	1.11	325,000	88,623	413,623	(19,853)	(19,853)	393,770	4,827,196	1.21	120.91	(7.69)	1.18	2026	
2027	4,072,274,618	2.00%	5,783,190	(1,777,390)	4,005,800	0.98	325,000	77,248	402,248	(19,328)	(19,328)	382,920	4,388,720	1.08	107.77	(13.14)	1.04	2027	
2028	4,153,720,111	2.00%	5,315,670	(1,747,745)	3,567,925	0.86	325,000	65,873	390,873	(18,803)	(18,803)	372,070	3,939,995	0.95	94.85	(12.92)	0.91	2028	
2029	4,236,794,513	2.00%	5,194,270	(1,789,205)	3,405,065	0.80	335,000	54,323	389,323	(23,190)	(23,190)	366,133	3,771,198	0.89	89.01	(5.84)	0.84	2029	
2030	4,321,530,403	2.00%	4,364,630	(1,650,110)	2,714,520	0.63	340,000	42,510	382,510	(22,490)	(22,490)	360,020	3,074,540	0.71	71.14	(17.87)	0.67	2030	
2031	4,407,961,011	2.00%	3,190,365	(1,637,440)	1,552,925	0.35	340,000	30,610	370,610	(21,790)	(21,790)	348,820	1,901,745	0.43	43.14	(28.00)	0.40	2031	
2032	4,496,120,232	2.00%	3,032,528	(1,657,443)	1,375,085	0.31	340,000	18,540	358,540	(21,080)	(21,080)	337,460	1,712,545	0.38	38.09	(5.05)	0.35	2032	
2033	4,586,042,636	2.00%	2,986,555	(1,640,305)	1,346,250	0.29	345,000	6,210	351,210	(20,360)	(20,360)	330,850	1,677,100	0.37	36.57	(1.52)	0.33	2033	
2034	4,677,763,489	2.00%	2,585,340	(1,636,490)	948,850	0.20						948,850		0.20	20.28	(16.29)	0.18	2034	
2035	4,771,318,759	2.00%	1,985,300	(1,640,700)	344,600	0.07						344,600		0.07	7.22	(13.06)	0.06	2035	
2036	4,866,745,134	2.00%	1,965,230	(1,632,630)	332,600	0.07						332,600		0.07	6.83	(0.39)	0.06	2036	
2037	4,964,080,037	2.00%	1,953,280	(1,632,680)	320,600	0.06						320,600		0.06	6.46	(0.38)	0.06	2037	
2038	5,063,361,637	2.00%	1,854,480	(1,630,880)	223,600	0.04						223,600		0.04	4.42	(2.04)	0.04	2038	
2039	5,164,628,870	2.00%	1,032,268	(1,032,268)	0.00	0.00								0.00		(4.42)	0.00	2039	
2040	5,267,921,447	2.00%	1,029,120	(1,029,120)	0.00	0.00								0.00	0.00	0.00	0.00	2040	
2041	5,373,279,876	2.00%			0.00	0.00								0.00	0.00	0.00	0.00	2041	
2042	5,480,745,474	2.00%			0.00	0.00								0.00	0.00	0.00	0.00	2042	
2043	5,590,360,383	2.00%			0.00	0.00								0.00	0.00	0.00	0.00	2043	
2044	5,702,167,591	2.00%			0.00	0.00								0.00	0.00	0.00	0.00	2044	
2045	5,816,210,943	2.00%			0.00	0.00								0.00	0.00	0.00	0.00	2045	
2046	5,932,535,162	2.00%			0.00	0.00								0.00	0.00	0.00	0.00	2046	
2047	6,051,185,865	2.00%			0.00	0.00								0.00	0.00	0.00	0.00	2047	
2048	6,172,209,582	2.00%			0.00	0.00								0.00	0.00	0.00	0.00	2048	
2049	6,295,653,774	2.00%			0.00	0.00								0.00	0.00	0.00	0.00	2049	
2050	6,421,566,849	2.00%			0.00	0.00								0.00	0.00	0.00	0.00	2050	
2051	6,549,998,186	2.00%			0.00	0.00								0.00	0.00	0.00	0.00	2051	
2052	6,680,998,150	2.00%			0.00	0.00								0.00	0.00	0.00	0.00	2052	
2053	6,814,618,113	2.00%			0.00	0.00								0.00	0.00	0.00	0.00	2053	
2054	6,950,910,475	2.00%			0.00	0.00								0.00	0.00	0.00	0.00	2054	
2055	7,089,928,685	2.00%			0.00	0.00								0.00	0.00	0.00	0.00	2055	
2056	7,231,727,259	2.00%			0.00	0.00								0.00	0.00	0.00	0.00	2056	
TOTALS			74,582,052	(32,526,254)	42,055,798		3,320,000	622,815	3,942,818	(209,630)	(209,630)	3,733,188	45,788,986					TOTALS	

NOTES

3 YEAR TREND IN MUNICIPAL BOND INDICES

Weekly Rates May, 2020 - May, 2023



The Bond Buyer "20 Bond Index" (BBI) shows average yields on a group of municipal bonds that mature in 20 years and have an average rating equivalent to Moody's Aa2 and S&P's AA.

Source: The Bond Buyer

