

March 21, 2022

SALE DAY REPORT FOR:

## City of Sheboygan, Wisconsin

**\$2,195,000 General Obligation Promissory Notes,  
Series 2022A**



---

Prepared by:

Ehlers  
N21W23350 Ridgeview Parkway  
West,  
Suite 100  
Waukesha, WI 53188

Philip Cosson,  
Senior Municipal Advisor

David Ferris, CPA,  
Senior Municipal Advisor

---

**BUILDING COMMUNITIES. IT'S WHAT WE DO.**

## Competitive Sale Results

<b>PURPOSE:</b>	For public purposes, including paying the cost of various construction, improvement and acquisition projects set forth in the City's 2022 Capital Improvement Plan, including street and sidewalk repair and improvements, park improvements and upgrades, storm water projects, the acquisition of vehicles and other equipment and providing financial assistance to community development projects for the City's Tax Incremental Districts.
<b>RATING:</b>	Moody's Investor's Service "Aa2"
<b>NUMBER OF BIDS:</b>	8
<b>LOW BIDDER:</b>	Baird, Milwaukee, Wisconsin

### COMPARISON FROM LOWEST TO HIGHEST BID: (TIC as bid)

<b>LOW BID:</b>	2.3336%
<b>HIGH BID:</b>	2.8299%
<b>INTEREST DIFFERENCE:</b>	\$63,988

Summary of Sale Results:	
Principal Amount*:	\$2,195,000
Underwriter's Discount:	\$23,043
Reoffering Premium:	\$101,175
True Interest Cost:	2.3301%
Costs of Issuance:	\$58,437
Yields:	1.30%-2.25%
Total P&I	\$2,578,605

<b>NOTES:</b>	Bond Trust Services Corporation, Roseville, Minnesota will serve as Paying Agent on the Notes.  The Notes maturing April 1, 2030 and thereafter are callable April 1, 2029 or any date thereafter.
---------------	--

\* Subsequent to bid opening, the issue size was decreased by \$20,000 to \$2,195,000.00.

**CLOSING DATE:** April 13, 2022

**DESIGNATED  
OFFICIAL ACTION:** Adopt a resolution awarding the sale of \$2,195,000 General Obligation Promissory Notes, Series 2022A.

## **SUPPLEMENTARY ATTACHMENTS**

- Bid Tabulation
- Sources and Uses of Funds
- Updated Debt Service Schedules
- Tax Impact Schedule
- Rating Report
- BBI Graph

## BID TABULATION

**\$2,215,000\* General Obligation Promissory Notes, Series 2022A**

**City of Sheboygan, Wisconsin**

**SALE: March 21, 2022**

**AWARD: BAIRD**

**Rating: Moody's Investor's Service "Aa2"**

**Tax Exempt - Non-Bank Qualified**

NAME OF BIDDER	MATURITY (April 1)	RATE	REOFFERING YIELD	PRICE	NET INTEREST COST	TRUE INTEREST RATE
BAIRD				\$2,293,884.75	\$310,700.25	2.3336%
Milwaukee, Wisconsin	2023	3.000%	1.300%			
C.L. King & Associates	2024	3.000%	1.550%			
Fidelity Capital Markets	2025	3.000%	1.700%			
Edward Jones	2026	3.000%	1.800%			
Loop Capital Markets	2027	3.000%	1.900%			
Crews & Associates, Inc.	2028	3.000%	2.000%			
Sierra Pacific Securities	2029	3.000%	2.100%			
Isaak Bond Investments, Inc	2030	3.000%	2.150%			
Country Club Bank	2031	3.000%	2.200%			
Midland Securities	2032	3.000%	2.250%			
FMS Bonds Inc.						
Multi Bank Securities Inc.						
First Southern LLC						
Dinosaur Securities						
First Bankers' Banc Securities, Inc.						
Mountainside Securities LLC						
COLLIERS SECURITIES LLC				\$2,324,755.85	\$318,467.48	2.3856%
Minneapolis, Minnesota						
BERNARDI SECURITIES, INC.				\$2,287,069.85	\$317,515.15	2.3896%
Chicago, Illinois						
HUNTINGTON SECURITIES, INC				\$2,324,973.25	\$328,608.42	2.4510%
Chicago, Illinois						

Subsequent to bid opening the issue size was decreased to \$2,195,000.

Adjusted Price - \$2,273,132.68

Adjusted Net Interest Cost - \$305,472.32

Adjusted TIC - 2.3301%

NAME OF BIDDER	MATURITY (April 1)	RATE	REOFFERING YIELD	PRICE	NET INTEREST COST	TRUE INTEREST RATE
THE BAKER GROUP Oklahoma City, Oklahoma				\$2,272,336.80	\$323,360.70	2.4602%
NORTHLAND SECURITIES, INC. Minneapolis, Minnesota				\$2,268,952.95	\$328,088.72	2.4790%
BOK FINANCIAL SECURITIES, INC. Milwaukee, Wisconsin				\$2,324,924.60	\$333,912.07	2.4928%
UBS FINANCIAL SERVICES INC. New York, New York				\$2,288,725.21	\$374,688.12	2.8299%



## Financing Plan & Issue Sizing

	Preliminary GO Notes 2022	FINAL GO Notes 2022
<b>Projects</b>		
Street Improvement Projects	455,000	455,000
Fire Department Equipment	932,365	932,365
Park Projects	325,000	325,000
TID 16 Projects	171,400	171,400
Stormwater Projects	250,000	250,000
Funds available	0	0
<b>Project Needs</b>	2,133,765	2,133,765
<b>Reoffering Premium (built into rates)</b>	0	(101,175)
<b>Bid Premium Deposit to Debt Service</b>	0	78,133
<b>Issuance Expenses</b>		
Municipal Advisor	23,800	23,800
Bond Counsel	12,000	12,000
Disclosure Counsel (Estimated)	7,200	7,800
Rating	14,000	14,000
Paying Agent	850	837
Underwriter Fees	22,150	23,043
<b>Total Funds Needed</b>	2,213,765	2,192,202
<b>Less Interest Earnings</b>	(267)	(267)
<b>Rounding</b>	1,502	3,065
<b>Size of Issue</b>	2,215,000	2,195,000

Rate	Months
0.05%	3



# 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	General Obligation Notes, 2022 \$2,195,000 Dated 4-13-22			Less Abatements TID 16 Projects	Total Projected Debt Service Less Abatements	Net Debt Service Levy	Levy Change	Debt Service Tax Rate	Impact on \$ 100,000 of Value Taxes	Change	Debt Service Tax Rate @ 3% Growth	YEAR	
2021	3,080,099,100	12.86%	6,881,981	(3,041,180)	3,840,801	1.25	Prin	Int	Prem	Total		3,840,801		1.25	124.70			2021	2021
2022	3,156,346,500	2.48%	7,084,856	(3,233,804)	3,851,052	1.22	270,000	3.00%	92,530	(78,885)	283,645	3,851,052	10,251	1.22	122.01	(2.69)	1.25	2022	2022
2023	3,229,187,030	2.31%	5,824,689	(1,712,062)	4,112,626	1.27	100,000	3.00%	56,250	(14,800)	156,250	4,112,626	534,519	1.36	135.81	13.80	1.35	2023	2023
2024	3,473,873,471	7.58%	6,287,438	(1,809,978)	4,477,460	1.29	100,000	3.00%	53,250	(14,800)	153,250	4,477,460	233,339	1.33	132.96	(2.85)	1.31	2024	2024
2025	3,543,350,940	2.00%	6,408,776	(1,918,508)	4,490,269	1.27	250,000	3.00%	48,000	(14,200)	298,000	4,490,269	10,109	1.31	130.64	(2.32)	1.27	2025	2025
2026	3,614,217,959	2.00%	5,734,039	(1,584,413)	4,149,626	1.15	230,000	3.00%	40,800	(13,900)	283,800	4,149,626	(195,593)	1.23	122.67	(7.97)	1.18	2026	2026
2027	3,686,502,318	2.00%	5,512,390	(1,763,490)	3,748,900	1.02	245,000	3.00%	33,675	(28,375)	256,900	3,748,900	(427,626)	1.09	108.66	(14.01)	1.04	2027	2027
2028	3,760,232,364	2.00%	5,036,985	(1,719,370)	3,317,625	0.88	220,000	3.00%	26,700	(27,625)	250,300	3,317,625	(437,875)	0.95	94.89	(13.78)	0.90	2028	2028
2029	3,835,437,012	2.00%	4,947,570	(1,761,580)	3,185,990	0.83	270,000	3.00%	19,350	(26,875)	262,475	3,185,990	(162,860)	0.89	88.78	(6.11)	0.83	2029	2029
2030	3,912,145,752	2.00%	4,075,280	(1,623,235)	2,452,045	0.63	330,000	3.00%	10,350	(26,125)	314,225	2,452,045	(690,545)	0.69	69.39	(19.39)	0.64	2030	2030
2031	3,990,388,667	2.00%	2,850,015	(1,611,315)	1,238,700	0.31	180,000	3.00%	2,700	(25,375)	157,325	1,238,700	(1,161,595)	0.39	38.92	(30.47)	0.36	2031	2031
2032	4,070,196,440	2.00%	2,849,828	(1,632,068)	1,217,760	0.30						1,217,760	(177,840)	0.34	33.78	(5.13)	0.31	2032	2032
2033	4,151,600,369	2.00%	2,986,555	(1,640,305)	1,346,250	0.32						1,346,250	(28,835)	0.32	32.43	(1.36)	0.29	2033	2033
2034	4,234,632,376	2.00%	2,585,340	(1,636,490)	948,850	0.22						948,850	(397,400)	0.22	22.41	(10.02)	0.20	2034	2034
2035	4,319,225,024	2.00%	1,985,300	(1,640,700)	344,600	0.08						344,600	(604,250)	0.08	7.98	(14.43)	0.07	2035	2035
2036	4,405,711,524	2.00%	1,965,230	(1,632,630)	332,600	0.08						332,600	(12,000)	0.08	7.55	(0.43)	0.07	2036	2036
2037	4,493,825,755	2.00%	1,953,280	(1,632,680)	320,600	0.07						320,600	(12,000)	0.07	7.13	(0.42)	0.06	2037	2037
2038	4,583,702,270	2.00%	1,854,480	(1,630,880)	223,600	0.05						223,600	(97,000)	0.05	4.88	(2.26)	0.04	2038	2038
2039	4,675,376,315	2.00%	1,032,268	(1,032,268)		0.00							(223,600)	0.00		(4.88)	0.00	2039	2039
2040	4,768,883,842	2.00%	1,029,120	(1,029,120)		0.00								0.00		0.00	0.00	2040	2040
2041	4,864,261,519	2.00%				0.00								0.00		0.00	0.00	2041	2041
2042	4,961,546,749	2.00%				0.00								0.00		0.00	0.00	2042	2042
2043	5,060,777,684	2.00%				0.00								0.00		0.00	0.00	2043	2043
2044	5,161,993,238	2.00%				0.00								0.00		0.00	0.00	2044	2044
TOTALS			78,885,428	(35,286,074)	43,599,354		2,195,000	383,605	(78,885)	2,499,720	(202,475)	2,297,245						TOTALS	TOTALS

Preliminary Planning	2,215,000	238,890	0	2,453,890
Difference	(20,000)	144,715	(78,885)	45,830

NOTES







Allocation of General Obligation Notes, 2022

Purpose	Fire Department Equipment					Street Improvement Projects					Park Projects					Storm Water Projects					Trails Projects					TOTAL				
	Amount	Rate	Interest	Premium	Total	Amount	Rate	Interest	Premium	Total	Amount	Rate	Interest	Premium	Total	Amount	Rate	Interest	Premium	Total	Amount	Rate	Interest	Premium	Total	Principal	Interest	Premium	Total	Outstanding
Amount	\$960,000					\$470,000					\$335,000					\$255,000					\$175,000									
Dated	4/13/2022					4/13/2022					4/13/2022					4/13/2022					4/13/2022									
Payment Date	4/1					4/1					4/1					4/1					4/1									
Year	Principal	Rate	Interest	Premium	Total	Principal	Rate	Interest	Premium	Total	Principal	Rate	Interest	Premium	Total	Principal	Rate	Interest	Premium	Total	Principal	Rate	Interest	Premium	Total	Principal	Interest	Premium	Total	Outstanding
2021																														2,195,000
2022																														1,925,000
2023	110,000	3.00%	40,590	(33,230)	117,360	75,000	3.00%	19,555	(16,787)	77,768	50,000	3.00%	13,990	(12,140)	51,850	25,000	3.00%	10,845	(9,878)	25,967	10,000	3.00%	7,550	(6,850)	10,700	270,000	92,530	(78,885)	283,645	1,825,000
2024	75,000	3.00%	24,375		99,375	5,000	3.00%	11,775		16,775	5,000	3.00%	8,475		13,475	5,000	3.00%	6,825		11,825	10,000	3.00%	4,800		14,800	100,000	58,250		158,250	1,725,000
2025	75,000	3.00%	22,125		97,125	5,000	3.00%	11,625		16,625	5,000	3.00%	8,325		13,325	5,000	3.00%	6,675		11,675	10,000	3.00%	4,500		14,500	100,000	53,250		153,250	1,475,000
2026	135,000	3.00%	18,975		153,975	50,000	3.00%	10,800		60,800	30,000	3.00%	7,800		37,800	25,000	3.00%	6,225		31,225	10,000	3.00%	4,200		14,200	250,000	48,000		298,000	1,245,000
2027	100,000	3.00%	15,450		115,450	50,000	3.00%	9,300		59,300	40,000	3.00%	6,750		46,750	30,000	3.00%	5,400		35,400	10,000	3.00%	3,900		13,900	230,000	40,800		270,800	1,000,000
2028	100,000	3.00%	12,450		112,450	50,000	3.00%	7,800		57,800	40,000	3.00%	5,550		45,550	30,000	3.00%	4,500		34,500	25,000	3.00%	3,375		28,375	245,000	33,675		278,675	780,000
2029	70,000	3.00%	9,900		79,900	50,000	3.00%	6,300		56,300	40,000	3.00%	4,350		44,350	35,000	3.00%	3,525		38,525	25,000	3.00%	2,625		27,625	220,000	26,700		246,700	510,000
2030	75,000	3.00%	7,725		82,725	75,000	3.00%	4,425		79,425	50,000	3.00%	3,000		53,000	45,000	3.00%	2,325		47,325	25,000	3.00%	1,875		26,875	270,000	19,350		289,350	180,000
2031	160,000	3.00%	4,200		164,200	60,000	3.00%	2,400		62,400	50,000	3.00%	1,500		51,500	35,000	3.00%	1,125		36,125	25,000	3.00%	1,125		26,125	330,000	10,350		340,350	
2032	60,000	3.00%	900		60,900	50,000	3.00%	750		50,750	25,000	3.00%	375		25,375	20,000	3.00%	300		20,300	25,000	3.00%	375		25,375	180,000	2,700		182,700	
	\$ 960,000		\$ 156,690	\$ (33,230)	\$ 1,083,460	\$ 470,000		\$ 84,730		\$ 537,943	\$ 335,000		\$ 60,115		\$ 382,975	\$ 255,000		\$ 47,745		\$ 292,867	\$ 175,000		\$ 34,325		\$ 202,475	\$ 2,195,000	\$ 383,605	\$ (78,885)	\$ 2,499,720	



**CREDIT OPINION**

18 March 2022

 Rate this Research

**Contacts**

Natalie Claes +1.312.706.9973  
 AVP-Analyst  
 natalie.claes@moodys.com

Douglas Goldmacher +1.212.553.1477  
 VP-Senior Analyst  
 douglas.goldmacher@moodys.com

**CLIENT SERVICES**

Americas 1-212-553-1653  
 Asia Pacific 852-3551-3077  
 Japan 81-3-5408-4100  
 EMEA 44-20-7772-5454

**Sheboygan (City of) WI**
**Update to credit analysis**
**Summary**

[Sheboygan](#) (Aa2) continues to experience strong tax base growth. The steady increase in valuations and corresponding increases in property tax revenue, coupled with proactive management, support the city's very strong financial position and serve as mitigants to its limited revenue-raising ability. Leverage is moderate, however fixed costs are elevated and resident wealth and income levels are below-average.

**Credit strengths**

- » Strong financial position
- » Growing tax base

**Credit challenges**

- » Elevated fixed costs
- » Growth in property tax revenue constrained by strict state-imposed revenue limits

**Rating outlook**

Moody's does not typically assign outlooks to local governments with this amount of debt.

**Factors that could lead to an upgrade**

- » Declines in total leverage
- » Strengthened resident wealth and income

**Factors that could lead to a downgrade**

- » Tax base contraction
- » Material narrowing of operating reserves

## Key indicators

Exhibit 1

Sheboygan (City of) WI	2016	2017	2018	2019	2020
<b>Economy/Tax Base</b>					
Total Full Value (\$000)	\$2,446,194	\$2,619,605	\$2,809,903	\$2,919,239	\$3,298,516
Population	48,813	48,560	48,531	48,327	48,327
Full Value Per Capita	\$50,114	\$53,946	\$57,899	\$60,406	\$68,254
Median Family Income (% of US Median)	83.9%	82.8%	83.6%	83.2%	83.2%
<b>Finances</b>					
Operating Revenue (\$000)	\$42,084	\$41,743	\$42,184	\$47,304	\$46,562
Fund Balance (\$000)	\$31,021	\$30,574	\$27,841	\$28,548	\$32,511
Cash Balance (\$000)	\$28,900	\$28,071	\$34,648	\$37,497	\$39,546
Fund Balance as a % of Revenues	73.7%	73.2%	66.0%	60.3%	69.8%
Cash Balance as a % of Revenues	68.7%	67.2%	82.1%	79.3%	84.9%
<b>Debt/Pensions</b>					
Net Direct Debt (\$000)	\$35,976	\$36,128	\$64,518	\$60,152	\$61,900
3-Year Average of Moody's ANPL (\$000)	\$60,875	\$68,435	\$74,135	\$76,486	\$85,908
Net Direct Debt / Full Value (%)	1.5%	1.4%	2.3%	2.1%	1.9%
Net Direct Debt / Operating Revenues (x)	0.9x	0.9x	1.5x	1.3x	1.3x
Moody's - adjusted Net Pension Liability (3-yr average) to Full Value (%)	2.5%	2.6%	2.6%	2.6%	2.6%
Moody's - adjusted Net Pension Liability (3-yr average) to Revenues (x)	1.4x	1.6x	1.8x	1.6x	1.8x

Sources: the city's audited financial statements, US Census Bureau and Moody's Investors Service

## Profile

The City of Sheboygan is located along the shores of Lake Michigan, about 50 miles north of [Milwaukee](#) (A2 negative) and 60 miles south of [Green Bay](#) (Aa3). It encompasses 16 square miles in [Sheboygan County](#) (Aa2) and provides a full range of municipal services, including public safety, public works and municipal utilities, to just under 50,000 residents.

## Detailed credit considerations

### Economy and tax base: growing tax base

Sheboygan is experiencing solid growth because of steady residential and commercial development. The \$3.4 billion tax base consists largely of residential (62% of assessed value) and commercial (30%) property, and has averaged strong 7% annual growth over the past five years. Management reports three housing developments underway as the area's high demand for workers has also translated to a demand for housing. The tax base has room for future expansion with a fair amount of land available for development. The city plans to close six tax increment districts (TIDs) in 2022, which will add almost \$190 million to the tax rolls in 2024.

Sheboygan's economy is diverse with a material healthcare presence. Taxpayer concentration is modest with the top ten taxpayers comprising 12% of full value. The city's largest employers are Aurora Medical Group (1,597 employees), Acuity Mutual Insurance (1,500 employees), and the [Sheboygan Area School District](#) (Aa2, 1,293 employees).

### Financial operations and reserves: very strong financial position

Tax base growth has, by extension, resulted in increased property tax revenue and the city's proactive budget management will continue to support a solid financial position. Unaudited fiscal 2021 estimates reflect a \$581,000 general fund surplus. Sheboygan closed fiscal 2020 (year-end December 31) with an available operating fund (general and debt service funds) balance of \$32.5 million or a robust 70% of operating revenue.

The city's largest source of revenue is property taxes, which comprised 53% of fiscal 2020 operating revenue, followed by state aid at 32%. The fiscal 2022 budget includes a \$1.7 million use of fund balance, consisting of just under \$1 million for capital projects and a

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

\$750,000 contingency. Sheboygan's American Rescue Plan Act (ARPA) allocation funding is \$22 million. Planned uses include water and sewer projects, lost revenue replacement, and economic development.

Like many [Wisconsin](#) (Aa1 stable) cities, Sheboygan manages and finances development through TIDs that could pose operating pressure if revenues were to fall short of projections. The city currently has eleven active TIDs and plans to close six in 2022. At the close of fiscal 2020, the TID funds had \$2.9 million in outstanding interfund advances. A portion of these advances will be repaid upon the 2022 closures, and Moody's expects the balance will be repaid as economic development continues. Incremental revenue has historically been sufficient to cover associated debt service, however TID #16 will continue to need a modest amount of general fund support over the next several years.

#### Liquidity

The city closed fiscal 2020 with a net cash position of \$39.5 million, or an ample 85% of revenue.

#### Debt, pensions and OPEB: elevated fixed costs

Fixed costs and the city's debt burden are above-average because of ongoing borrowing associated with capital projects, however the pension burden is manageable. Sheboygan is in the process of issuing \$2.2 million of general obligation unlimited tax (GOULT) bonds in conjunction with its capital improvement plan. Following the sale, the city's debt burden will be 1.9% of full value and 1.4x operating revenue. The city has no plans for additional GOULT debt in 2022. Fixed costs, inclusive of debt service and pension contributions, are elevated at 22% of operating revenue in fiscal 2020.

#### Legal security

Outstanding GOULT debt is backed by the city's full faith and credit pledge. Debt service is payable from a designated property tax levy that is unlimited as to rate or amount.

#### Debt structure

All of the city's debt is fixed rate. Principal amortization is average with 74% of debt retired within 10 years.

#### Debt-related derivatives

The city has no exposure to any debt-related derivatives.

#### Pensions and OPEB

Sheboygan participates in the Wisconsin Retirement System (WRS), a statewide cost-sharing plan. Contributions are determined using a level contribution actuarial method in an effort to keep employer and employee contribution rates at a level percentage of payroll over time, and are set at 100% of the plan's funding requirement. As a result, WRS remains one of the best-funded public employee retirement systems in the country.

The city's three-year adjusted net pension liability (ANPL) is \$86 million, equivalent to 1.8x operating revenue or 2.6% of full value. Moody's ANPL reflects the use of a market-based discount rate to value pension liabilities rather than the assumed rate of investment return on plan assets. In comparison, the reported net pension liability (NPL), based on the plan's 7% discount rate, was negative \$6.8 million in fiscal 2020, reflecting a net pension asset. The city's ANPL is much higher than reported pension liabilities because the market interest rates that we use to value pension liabilities are far lower than reported discount rates (see Exhibit 2).

#### Exhibit 2

##### Adjusted pension liabilities notably higher than reported pension liabilities because of Moody's adjustments

\$ thousands	2018	2019	2020
Net pension liability, reported basis	(\$6,121)	\$7,398	(\$6,800)
Discount rate	7.20%	7.00%	7.00%
Net OPEB liability, reported basis	\$5,735	\$5,172	\$5,480
Adj. net pension liability	\$84,041	\$74,261	\$99,422
Discount rate	3.60%	4.22%	3.22%
Adj. net OPEB liability	\$5,718	\$5,097	\$5,167

Sources: the city's audited financial statements and Moody's Investors Service



Sheboygan's other post-employment benefits (OPEB) obligations do not pose a material cost. The OPEB liability reflects an implicit rate subsidy for retirees who pay to remain on the city's health care plan and life insurance benefits to eligible employees via the Local Retiree Life Insurance Fund (LRLIF), a multiple-employer defined benefit OPEB plan. These liabilities are funded on a pay-as-you-go basis, with contributions of \$456,000 in fiscal 2020. The city's net OPEB liability at the close of fiscal 2020 was \$5.5 million. Moody's adjusted net OPEB liability, which is similar to our adjustments to pension liabilities, is \$5.2 million, equivalent to 0.2% of full value and 0.1x operating revenue.

## ESG considerations

### Environmental

Environmental risk is generally low for the local government sector and does not factor materially into the city's credit profile. Moody's ESG Solutions indicates that the city has relatively medium exposure to heat stress, water stress and extreme rainfall compared to other local governments nationally. Typically, counties maintain a comprehensive plan for mitigation and response in the event of disaster.

### Social

Social considerations that factor into the city's credit profile include its demographic and socioeconomic characteristics. Population growth is modest, increasing 1.3% since the 2010 census. Median family income is below average at 83% of the national median. As of December 2021, the city's unemployment rate was a very low 1.7%, below both the state (2%) and nation (3.7%).

### Governance

Governance is a key credit consideration for all local government issuers. Management is strong, maintaining a long-term capital improvement plan and formal fund balance policy which requires an unassigned general fund balance of no less than 25% of budgeted expenditures, a level it currently exceeds. The city operates under a mayor/council form of government with ten common council members elected to two-year terms.

Wisconsin cities have an institutional framework score of "A," which is moderate. The sector's major revenue source, property tax revenue, is subject to a cap that restricts cities from increasing their operating property tax levies except to capture amounts represented by net new construction growth. Revenues and expenditures tend to be predictable. Across the sector, fixed and mandated costs are generally high. Expenditures are somewhat flexible, as collective bargaining is allowed for public safety employees but is curbed for non-public safety employees. Many cities use tax increment districts to attract economic development, often issuing debt to fund initial infrastructure in undeveloped areas. While tax increment districts are ultimately expected to generate revenue sufficient to cover initial city outlay, cities are exposed to economic downturns which could halt development.

## Rating methodology and scorecard factors

The [US Local Government General Obligation Debt methodology](#) includes a scorecard, a tool providing a composite score of a local government's credit profile based on the weighted factors we consider most important, universal and measurable, as well as possible notching factors dependent on individual credit strengths and weaknesses. Its purpose is not to determine the final rating, but rather to provide a standard platform from which to analyze and compare local government credits.

Exhibit 3

### Sheboygan (City of) WI

Scorecard Factors and Subfactors	Measure	Score
<b>Economy/Tax Base (30%)</b> <sup>[1]</sup>		
Tax Base Size: Full Value (in 000s)	\$3,424,318	Aa
Full Value Per Capita	\$70,857	Aa
Median Family Income (% of US Median)	83.2%	A
<b>Finances (30%)</b>		
Fund Balance as a % of Revenues	69.8%	Aaa
5-Year Dollar Change in Fund Balance as % of Revenues	0.8%	A
Cash Balance as a % of Revenues	84.9%	Aaa
5-Year Dollar Change in Cash Balance as % of Revenues	18.2%	Aa
<b>Management (20%)</b>		
Institutional Framework	A	A
Operating History: 5-Year Average of Operating Revenues / Operating Expenditures	0.9x	Ba
<b>Debt and Pensions (20%)</b>		
Net Direct Debt / Full Value (%)	1.9%	A
Net Direct Debt / Operating Revenues (x)	1.4x	A
3-Year Average of Moody's Adjusted Net Pension Liability / Full Value (%)	2.5%	A
3-Year Average of Moody's Adjusted Net Pension Liability / Operating Revenues (x)	1.8x	A
	Scorecard-Indicated Outcome	Aa3
	Assigned Rating	Aa2

[1] Economy measures are based on data from the most recent year available.

[2] Notching Factors are specifically defined in the US Local Government General Obligation Debt methodology.

[3] Standardized adjustments are outlined in the [GO Methodology Scorecard Inputs](#) publication.

Sources: the city's audited financial statements, US Census Bureau and Moody's Investors Service

© 2022 Moody's Corporation, Moody's Investors Service, Inc., Moody's Analytics, Inc. and/or their licensors and affiliates (collectively, "MOODY'S"). All rights reserved. CREDIT RATINGS ISSUED BY MOODY'S CREDIT RATINGS AFFILIATES ARE THEIR CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES, AND MATERIALS, PRODUCTS, SERVICES AND INFORMATION PUBLISHED BY MOODY'S (COLLECTIVELY, "PUBLICATIONS") MAY INCLUDE SUCH CURRENT OPINIONS. MOODY'S DEFINES CREDIT RISK AS THE RISK THAT AN ENTITY MAY NOT MEET ITS CONTRACTUAL FINANCIAL OBLIGATIONS AS THEY COME DUE AND ANY ESTIMATED FINANCIAL LOSS IN THE EVENT OF DEFAULT OR IMPAIRMENT. SEE APPLICABLE MOODY'S RATING SYMBOLS AND DEFINITIONS PUBLICATION FOR INFORMATION ON THE TYPES OF CONTRACTUAL FINANCIAL OBLIGATIONS ADDRESSED BY MOODY'S CREDIT RATINGS. CREDIT RATINGS DO NOT ADDRESS ANY OTHER RISK, INCLUDING BUT NOT LIMITED TO: LIQUIDITY RISK, MARKET VALUE RISK, OR PRICE VOLATILITY. CREDIT RATINGS, NON-CREDIT ASSESSMENTS ("ASSESSMENTS"), AND OTHER OPINIONS INCLUDED IN MOODY'S PUBLICATIONS ARE NOT STATEMENTS OF CURRENT OR HISTORICAL FACT. MOODY'S PUBLICATIONS MAY ALSO INCLUDE QUANTITATIVE MODEL-BASED ESTIMATES OF CREDIT RISK AND RELATED OPINIONS OR COMMENTARY PUBLISHED BY MOODY'S ANALYTICS, INC. AND/OR ITS AFFILIATES. MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND PUBLICATIONS DO NOT CONSTITUTE OR PROVIDE INVESTMENT OR FINANCIAL ADVICE, AND MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND PUBLICATIONS ARE NOT AND DO NOT PROVIDE RECOMMENDATIONS TO PURCHASE, SELL, OR HOLD PARTICULAR SECURITIES. MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND PUBLICATIONS DO NOT COMMENT ON THE SUITABILITY OF AN INVESTMENT FOR ANY PARTICULAR INVESTOR. MOODY'S ISSUES ITS CREDIT RATINGS, ASSESSMENTS AND OTHER OPINIONS AND PUBLISHES ITS PUBLICATIONS WITH THE EXPECTATION AND UNDERSTANDING THAT EACH INVESTOR WILL, WITH DUE CARE, MAKE ITS OWN STUDY AND EVALUATION OF EACH SECURITY THAT IS UNDER CONSIDERATION FOR PURCHASE, HOLDING, OR SALE.

MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS, AND PUBLICATIONS ARE NOT INTENDED FOR USE BY RETAIL INVESTORS AND IT WOULD BE RECKLESS AND INAPPROPRIATE FOR RETAIL INVESTORS TO USE MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS OR PUBLICATIONS WHEN MAKING AN INVESTMENT DECISION. IF IN DOUBT YOU SHOULD CONTACT YOUR FINANCIAL OR OTHER PROFESSIONAL ADVISER.

ALL INFORMATION CONTAINED HEREIN IS PROTECTED BY LAW, INCLUDING BUT NOT LIMITED TO, COPYRIGHT LAW, AND NONE OF SUCH INFORMATION MAY BE COPIED OR OTHERWISE REPRODUCED, REPACKAGED, FURTHER TRANSMITTED, TRANSFERRED, DISSEMINATED, REDISTRIBUTED OR RESOLD, OR STORED FOR SUBSEQUENT USE FOR ANY SUCH PURPOSE, IN WHOLE OR IN PART, IN ANY FORM OR MANNER OR BY ANY MEANS WHATSOEVER, BY ANY PERSON WITHOUT MOODY'S PRIOR WRITTEN CONSENT.

MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND PUBLICATIONS ARE NOT INTENDED FOR USE BY ANY PERSON AS A BENCHMARK AS THAT TERM IS DEFINED FOR REGULATORY PURPOSES AND MUST NOT BE USED IN ANY WAY THAT COULD RESULT IN THEM BEING CONSIDERED A BENCHMARK.

All information contained herein is obtained by MOODY'S from sources believed by it to be accurate and reliable. Because of the possibility of human or mechanical error as well as other factors, however, all information contained herein is provided "AS IS" without warranty of any kind. MOODY'S adopts all necessary measures so that the information it uses in assigning a credit rating is of sufficient quality and from sources MOODY'S considers to be reliable including, when appropriate, independent third-party sources. However, MOODY'S is not an auditor and cannot in every instance independently verify or validate information received in the rating process or in preparing its Publications.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability to any person or entity for any indirect, special, consequential, or incidental losses or damages whatsoever arising from or in connection with the information contained herein or the use of or inability to use any such information, even if MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers is advised in advance of the possibility of such losses or damages, including but not limited to: (a) any loss of present or prospective profits or (b) any loss or damage arising where the relevant financial instrument is not the subject of a particular credit rating assigned by MOODY'S.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability for any direct or compensatory losses or damages caused to any person or entity, including but not limited to by any negligence (but excluding fraud, willful misconduct or any other type of liability that, for the avoidance of doubt, by law cannot be excluded) on the part of, or any contingency within or beyond the control of, MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers, arising from or in connection with the information contained herein or the use of or inability to use any such information.

NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY CREDIT RATING, ASSESSMENT, OTHER OPINION OR INFORMATION IS GIVEN OR MADE BY MOODY'S IN ANY FORM OR MANNER WHATSOEVER.

Moody's Investors Service, Inc., a wholly-owned credit rating agency subsidiary of Moody's Corporation ("MCO"), hereby discloses that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by Moody's Investors Service, Inc. have, prior to assignment of any credit rating, agreed to pay to Moody's Investors Service, Inc. for credit ratings opinions and services rendered by it fees ranging from \$1,000 to approximately \$5,000,000. MCO and Moody's Investors Service also maintain policies and procedures to address the independence of Moody's Investors Service credit ratings and credit rating processes. Information regarding certain affiliations that may exist between directors of MCO and rated entities, and between entities who hold credit ratings from Moody's Investors Service and have also publicly reported to the SEC an ownership interest in MCO of more than 5% is posted annually at [www.moody.com](http://www.moody.com) under the heading "Investor Relations — Corporate Governance — Director and Shareholder Affiliation Policy."

Additional terms for Australia only: Any publication into Australia of this document is pursuant to the Australian Financial Services License of MOODY'S affiliate, Moody's Investors Service Pty Limited ABN 61 003 399 657 AFSL 336969 and/or Moody's Analytics Australia Pty Ltd ABN 94 105 136 972 AFSL 383569 (as applicable). This document is intended to be provided only to "wholesale clients" within the meaning of section 761G of the Corporations Act 2001. By continuing to access this document from within Australia, you represent to MOODY'S that you are, or are accessing the document as a representative of, a "wholesale client" and that neither you nor the entity you represent will directly or indirectly disseminate this document or its contents to "retail clients" within the meaning of section 761G of the Corporations Act 2001. MOODY'S credit rating is an opinion as to the creditworthiness of a debt obligation of the issuer, not on the equity securities of the issuer or any form of security that is available to retail investors.

Additional terms for Japan only: Moody's Japan K.K. ("MJKK") is a wholly-owned credit rating agency subsidiary of Moody's Group Japan G.K., which is wholly-owned by Moody's Overseas Holdings Inc., a wholly-owned subsidiary of MCO. Moody's SF Japan K.K. ("MSFJ") is a wholly-owned credit rating agency subsidiary of MJKK. MSFJ is not a Nationally Recognized Statistical Rating Organization ("NRSRO"). Therefore, credit ratings assigned by MSFJ are Non-NRSRO Credit Ratings. Non-NRSRO Credit Ratings are assigned by an entity that is not a NRSRO and, consequently, the rated obligation will not qualify for certain types of treatment under U.S. laws. MJKK and MSFJ are credit rating agencies registered with the Japan Financial Services Agency and their registration numbers are FSA Commissioner (Ratings) No. 2 and 3 respectively.

MJKK or MSFJ (as applicable) hereby disclose that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by MJKK or MSFJ (as applicable) have, prior to assignment of any credit rating, agreed to pay to MJKK or MSFJ (as applicable) for credit ratings opinions and services rendered by it fees ranging from JPY100,000 to approximately JPY550,000,000.

MJKK and MSFJ also maintain policies and procedures to address Japanese regulatory requirements.

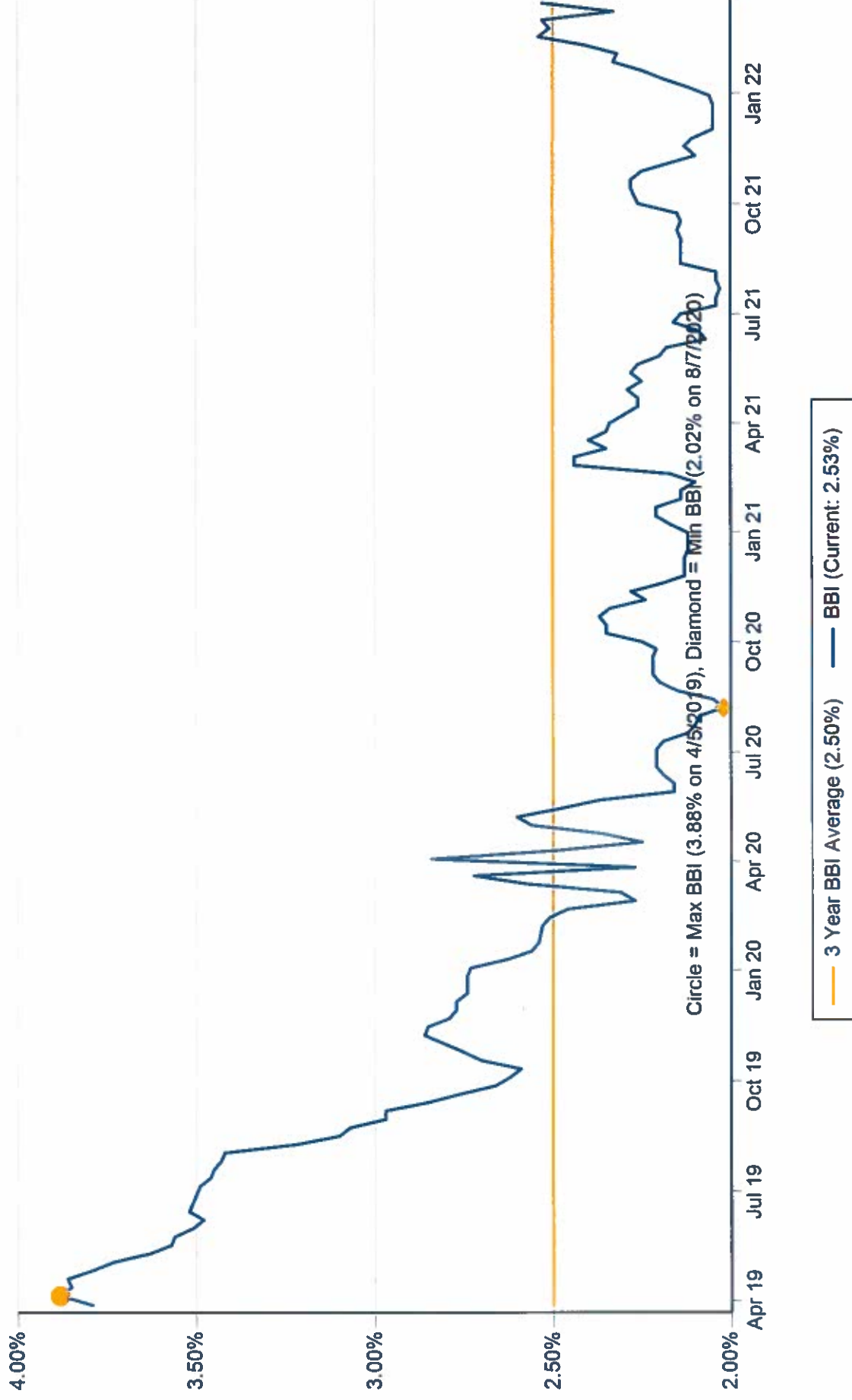


## CLIENT SERVICES

Americas	1-212-553-1653
Asia Pacific	852-3551-3077
Japan	81-3-5408-4100
EMEA	44-20-7772-5454

# 3 YEAR TREND IN MUNICIPAL BOND INDICES

Weekly Rates March, 2019 - March, 2022



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