June 2, 2021

SALE DAY REPORT FOR:

City of Stoughton, Wisconsin

$2,325,000 General Obligation Promissory Notes, Series 2021A

Prepared by:

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COMPETITIVE SALE RESULTS

Purpose: For public purposes, including paying the cost of acquiring equipment, park improvements, street improvements, parking lot repairs, stormwater improvements, and other capital projects.

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

Number of Bids: 6

Low Bidder: UMB Bank, N.A., Kansas City, Missouri

Comparison from Lowest to Highest Bid: (TIC as bid)

Low Bid	1.0580%
High Bid	1.3067%
Interest Difference	**$35,748**

Summary of Sale Results:

Principal Amount*:	$2,325,000
Underwriter's Discount:	$12,803
Reoffering Premium:	$88,846
True Interest Cost:	1.0444%
Costs of Issuance:	$50,100
Yields:	0.20%-1.20%
Total P&I	$2,536,175

Notes: Associated Trust Company, N.A., Green Bay, Wisconsin will serve as Paying Agent on the Notes.

The Notes maturing May 1, 2030 and thereafter are callable May 1, 2029 or any date thereafter.

* Subsequent to bid opening, the issue size was decreased by $25,000 from $2,350,000.

Closing Date: June 23, 2021

Designated Official Action: Award the sale of $2,325,000 General Obligation Promissory Notes, Series 2021A.

Supplementary Attachments

- ✓ Bid Tabulation
- ✓ Sources and Uses of Funds
- ✓ Updated Debt Service Schedule/Tax Levy Impact
- ✓ Updated Issue Allocation
- ✓ Updated Debt Limit Calculation
- ✓ Rating Report
- ✓ Bond Buyer Index

BID TABULATION

$2,350,000* General Obligation Promissory Notes, Series 2021A

City of Stoughton, Wisconsin

SALE: June 2, 2021

AWARD: UMB BANK, N.A.

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

Tax Exempt - Bank Qualified

NAME OF BIDDER	MATURITY (May 1)	RATE	REOFFERING YIELD	PRICE	NET INTEREST COST	TRUE INTEREST RATE
UMB BANK, N.A.				$2,425,858.10	$145,409.79	1.0580%
Kansas City, Missouri	2022	2.000%	0.200%			
	2023	2.000%	0.350%			
	2024	2.000%	0.450%			
	2025	2.000%	0.550%			
	2026	2.000%	0.700%			
	2027	2.000%	0.800%			
	2028	2.000%	0.950%			
	2029	2.000%	1.050%			
	2030	1.100%	1.100%			
	2031	1.200%	1.200%			
BOK FINANCIAL SECURITIES, INC.				$2,444,000.00	$150,487.22	1.0820%
Milwaukee, Wisconsin						
BANKERS' BANK				$2,354,625.65	$151,963.93	1.1238%
Madison, Wisconsin						
BAIRD				$2,442,664.20	$155,513.52	1.1294%
Milwaukee, Wisconsin						
NORTHLAND SECURITIES, INC.				$2,433,562.60	$162,383.40	1.1760%
Minneapolis, Minnesota						
BNY MELLON CAPITAL MANAGEMENT				$2,442,395.25	$181,158.08	1.3067%
Pittsburgh, Pennsylvania						

* Subsequent to bid opening the issue size was decreased to $2,325,000.

Adjusted Price - $2,401,042.47 Adjusted Net Interest Cost - $135,132.36 Adjusted TIC - 1.0444%

Financing Plan Issue Sizing

			Preliminary GO Notes 2021	FINAL GO Notes 2021
Projects				
Capital Projects - 10 Year			2,279,436	2,279,436
Stormwater Utility			144,750	144,750
Funds available			(150,000)	(150,000)
Project Needs			2,274,186	2,274,186
Reoffering Premium (built into rates)			0	(88,846)
Bid Premium Deposit to Debt Service			0	76,042
Issuance Expenses				
Municipal Advisor			23,900	23,900
Bond Counsel			13,000	11,900
Rating			13,500	13,500
Paying Agent			850	800
Underwriter Fees			23,500	12,803
Total Funds Needed			2,348,936	2,324,286
	Rate	Months		
Less Interest Earnings	0.06%	3	(341)	(341)
Rounding			1,405	1,055
Size of Issue			2,350,000	2,325,000

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Projected Impact of Proposed Projects

Existing Debt Payments

YEAR	Equalized Value Projection	Change in Value	Total of All Obligations	Total Abatement Sources	Net Debt Service Levy	Debt Service Tax Rate
2020	1,176,283,200	5.88%	5,239,393	(1,894,781)	3,344,613	2.84
2021	1,199,002,400	1.93%	4,452,731	(1,018,804)	3,433,927	2.86
2022	1,246,132,248	3.93%	4,749,663	(1,524,692)	3,224,971	2.59
2023	1,271,054,893	2.00%	4,539,863	(1,227,849)	3,312,014	2.61
2024	1,296,475,991	2.00%	4,483,597	(1,062,204)	3,421,393	2.64
2025	1,322,405,511	2.00%	4,420,409	(1,055,645)	3,364,764	2.54
2026	1,348,853,621	2.00%	4,132,025	(946,390)	3,185,635	2.36
2027	1,383,696,793	2.58%	3,696,121	(907,368)	2,788,753	2.02
2028	1,411,370,729	2.00%	2,532,873	(766,945)	1,765,927	1.25
2029	1,439,598,144	2.00%	2,159,929	(683,579)	1,476,350	1.03
2030	1,468,390,107	2.00%	1,220,404	(243,229)	977,175	0.67
2031	1,497,757,909	2.00%	991,879	(396,979)	594,900	0.40
2032	1,527,713,067	2.00%	998,479	(397,829)	600,650	0.39
2033	1,558,267,328	2.00%	998,741	(398,179)	600,563	0.39
2034	1,589,432,675	2.00%	1,002,116	(397,816)	604,300	0.38
2035	1,621,221,328	2.00%	669,529	(62,454)	607,075	0.37
2036	1,653,645,755	2.00%	671,654	(62,454)	609,200	0.37
2037	1,686,718,670	2.00%	610,675		610,675	0.36
2038	1,720,453,043	2.00%	611,125		611,125	0.36
TOTALS			48,181,204	(13,047,196)	35,134,008	

Projected Debt Service

YEAR	General Obligation Notes, 2021 $2,325,000 Dated 6-23-21					Less Abatements			Total Projected Debt Service Less Abatements	Net Debt Service Levy	Levy Change	Debt Service Tax Rate	Impact on a $ 100,000 of Value		YEAR
	Prin (5/1)	Rate	Interest	Premium	Total	Stormwater Utility	Funds on Hand	Total Abatements					Taxes	Change	
2020										3,344,613		2.84	284.34		2020
2021										3,433,927	89,314	2.86	286.40	2.06	2021
2022	400,000	2.00%	52,872	(52,872)	400,000	(15,000)	(45,000)	(60,000)	340,000	3,564,971	131,044	2.86	286.08	(0.32)	2022
2023	215,000	2.00%	31,805	(23,170)	223,635	(15,446)		(15,446)	208,189	3,520,202	(44,768)	2.77	276.95	(9.13)	2023
2024	100,000	2.00%	28,655		128,655	(16,995)		(16,995)	111,660	3,533,053	12,850	2.73	272.51	(4.44)	2024
2025	115,000	2.00%	26,505		141,505	(16,695)		(16,695)	124,810	3,489,574	(43,478)	2.64	263.88	(8.63)	2025
2026	215,000	2.00%	23,205		238,205	(16,395)		(16,395)	221,810	3,407,445	(82,129)	2.53	252.62	(11.26)	2026
2027	215,000	2.00%	18,905		233,905	(16,095)		(16,095)	217,810	3,006,563	(400,882)	2.17	217.28	(35.33)	2027
2028	265,000	2.00%	14,105		279,105	(15,795)		(15,795)	263,310	2,029,237	(977,326)	1.44	143.78	(73.51)	2028
2029	265,000	2.00%	8,805		273,805	(15,495)		(15,495)	258,310	1,734,660	(294,577)	1.20	120.50	(23.28)	2029
2030	265,000	1.10%	4,698		269,698	(15,263)		(15,263)	254,435	1,231,610	(503,050)	0.84	83.87	(36.62)	2030
2031	270,000	1.20%	1,620		271,620	(15,090)		(15,090)	256,530	851,430	(380,180)	0.57	56.85	(27.03)	2031
2032										600,650	(250,780)	0.39	39.32	(17.53)	2032
2033										600,563	(88)	0.39	38.54	(0.78)	2033
2034										604,300	3,738	0.38	38.02	(0.52)	2034
2035										607,075	2,775	0.37	37.45	(0.57)	2035
2036										609,200	2,125	0.37	36.84	(0.61)	2036
2037										610,675	1,475	0.36	36.20	(0.63)	2037
2038										611,125	450	0.36	35.52	(0.68)	2038
TOTALS	2,325,000		211,175	(76,042)	2,460,132	(158,269)	(45,000)	(203,269)	2,256,863	37,390,871					TOTALS

Preliminary Planning	2,350,000	178,220	0	2,528,220
Difference	(25,000)	32,955	(76,042)	(68,088)

THE CITY OF STOUGHTON

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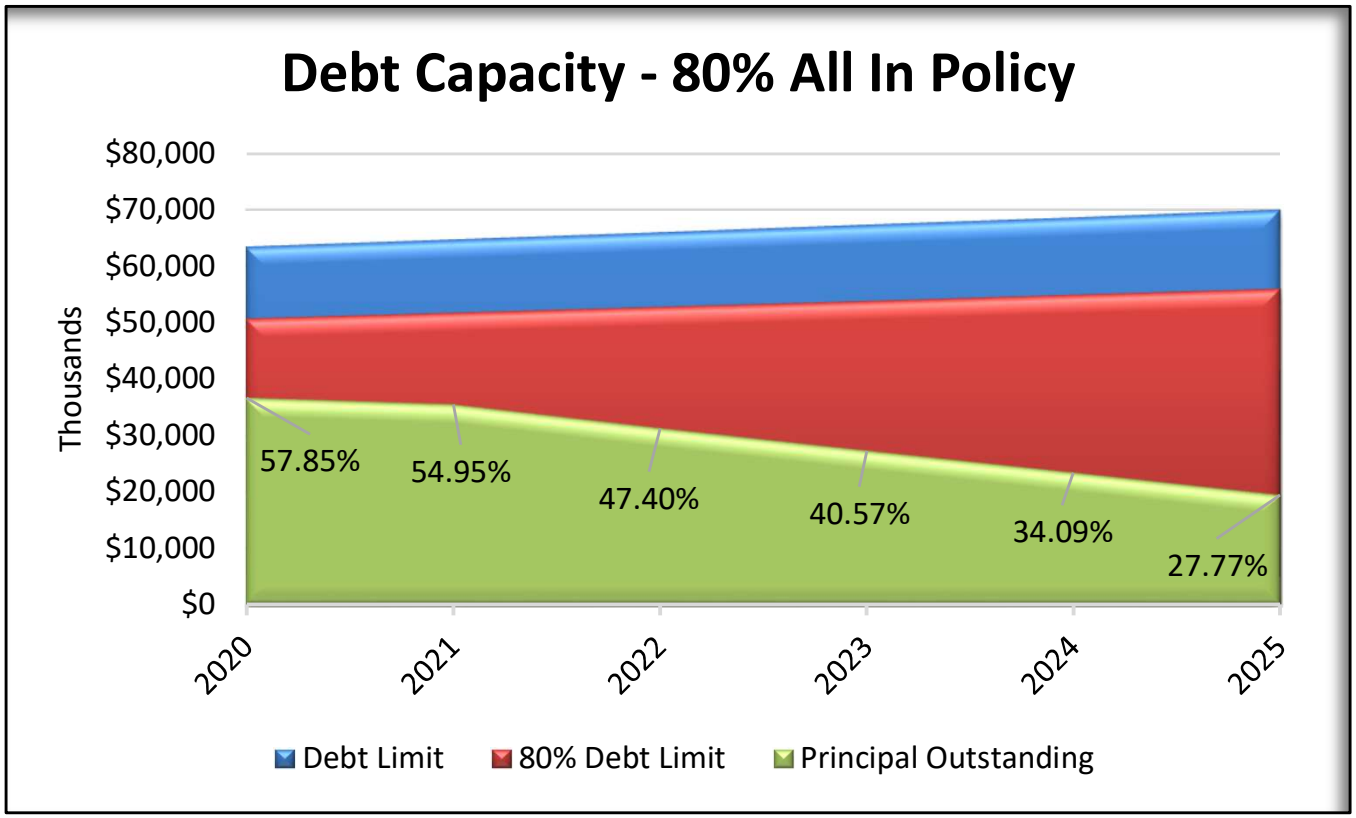
Allocation of General Obligation Notes, 2021

Purpose	Levy - 10 Year					Stormwater Utility					TOTAL				
Amount	$2,175,000					$150,000									
Dated	6/23/2021					6/23/2021									
Payment Date	5/1					5/1									
Year	Principal	Rate	Interest	Premium	Total	Principal	Rate	Interest	Premium	Total	Principal	Interest	Premium	Total	Outstanding
2021											-	-	-	-	2,325,000
2022	385,000	2.00%	49,301	(49,301)	385,000	15,000	2.00%	3,571	(3,571)	15,000	400,000	52,872	(52,872)	400,000	1,925,000
2023	200,000	2.00%	29,510	(21,321)	208,189	15,000	2.00%	2,295	(1,849)	15,446	215,000	31,805	(23,170)	223,635	1,710,000
2024	85,000	2.00%	26,660		111,660	15,000	2.00%	1,995		16,995	100,000	28,655	-	128,655	1,610,000
2025	100,000	2.00%	24,810		124,810	15,000	2.00%	1,695		16,695	115,000	26,505	-	141,505	1,495,000
2026	200,000	2.00%	21,810		221,810	15,000	2.00%	1,395		16,395	215,000	23,205	-	238,205	1,280,000
2027	200,000	2.00%	17,810		217,810	15,000	2.00%	1,095		16,095	215,000	18,905	-	233,905	1,065,000
2028	250,000	2.00%	13,310		263,310	15,000	2.00%	795		15,795	265,000	14,105	-	279,105	800,000
2029	250,000	2.00%	8,310		258,310	15,000	2.00%	495		15,495	265,000	8,805	-	273,805	535,000
2030	250,000	1.10%	4,435		254,435	15,000	1.10%	263		15,263	265,000	4,698	-	269,698	270,000
2031	255,000	1.20%	1,530		256,530	15,000	1.20%	90		15,090	270,000	1,620	-	271,620	-
	$ 2,175,000		$ 197,486	$ (70,622)	$ 2,301,864	$ 150,000		$ 13,689	$ (5,420)	$ 158,268	$ 2,325,000	$ 211,175	$ (76,042)	$ 2,460,132	

Debt Limit Calculation



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CREDIT OPINION
28 May 2021

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Stoughton (City of) WI

Updated to credit analysis

Summary

The City of Stoughton, WI's (Aa2) credit profile benefits from a moderately-sized and growing tax base near Madison (Aaa stable) and stable financial performance. The profile is additionally supported by the city's average resident income levels, maintenance of strong reserves, modest pension liability and conservative financial management. The favorable characteristics are weighed against the city's above average debt burden and elevated fixed costs.

Credit strengths

» Positive demographic trends benefitting from access to Madison metro

» Strong operating reserves and liquidity

Credit challenges

» Above average debt burden that will remain high due to regular planned issuing

» Elevated fixed costs

Rating outlook

Outlooks are typically not assigned to local governments issuers with this amount of debt.

Factors that could lead to an upgrade

» Continued tax base growth coupled with strengthened resident income levels

» Moderation of the debt burden and fixed costs

Factors that could lead to a downgrade

» Economic contraction measured by population, tax base, and income declines

» Material decline in operating reserves or liquidity

» Growth in the city's debt and/or pension burdens and the associated fixed costs

Key indicators

Exhibit 1

Stoughton (City of) WI	2016	2017	2018	2019	2020
Economy/Tax Base					
Total Full Value ($000)	$1,000,797	$1,065,541	$1,163,262	$1,233,724	$1,268,042
Population	13,041	13,058	13,080	13,097	-
Full Value Per Capita	$76,742	$81,601	$88,934	$94,199	N/A
Median Family Income (% of US Median)	112.6%	113.0%	107.8%	106.5%	0.0%
Finances					
Operating Revenue ($000)	$12,049	$12,706	$13,314	$14,465	$13,907
Fund Balance ($000)	$4,520	$5,343	$5,378	$6,242	$6,269
Cash Balance ($000)	$6,899	$4,566	$5,106	$5,740	$5,698
Fund Balance as a % of Revenues	37.5%	42.1%	40.4%	43.2%	45.1%
Cash Balance as a % of Revenues	57.3%	35.9%	38.4%	39.7%	41.0%
Debt/Pensions					
Net Direct Debt ($000)	$25,966	$27,158	$32,748	$36,383	$34,545
3-Year Average of Moody's ANPL ($000)	$13,153	$15,539	$16,164	$15,950	$16,502
Net Direct Debt / Full Value (%)	2.6%	2.5%	2.8%	2.9%	2.7%
Net Direct Debt / Operating Revenues (x)	2.2x	2.1x	2.5x	2.5x	2.5x
Moody's - adjusted Net Pension Liability (3-yr average) to Full Value (%)	1.3%	1.5%	1.4%	1.3%	1.3%
Moody's - adjusted Net Pension Liability (3-yr average) to Revenues (x)	1.1x	1.2x	1.2x	1.1x	1.2x

Sources: US Census Bureau, Stoughton (City of) WI's financial statements and Moody's Investors Service

Profile

The City of Stoughton is in southeastern Wisconsin (Aa1 stable), approximately 15 miles southeast of the City of Madison. The city provides public safety (police and fire), water, sewer, storm sewer and electric service to approximately 13,000 residents.

Detailed credit considerations

Economy and tax base

The city's moderately-sized tax base and average resident wealth and income levels will continue to benefit from its proximity to Madison. The $1.3 billion tax base has grown at an average annual rate of 5.9% over the past five years and is now well above its prior peak of $983 million in 2010. Officials expect similar growth over the near-term given continued residential development and commercial and manufacturing development within the city's business park including a new industrial painting operation. The economic impact of the coronavirus pandemic on the local economy was relatively limited given no large business closures or layoffs in regard to the coronavirus.

The city is mostly residential (74% of assessed valuation), but also has a commercial and manufacturing presence (24%). The top 10 taxpayers represent only 6.5% of the tax base. The estimated population of about 13,000 has exhibited steady growth over the past few decades, including a 3.8% increase from 2010 to 2018. Resident income levels are in line with those of the nation, with median family income 107% of the US.

Financial operations and reserves

The city's stable financial operations and conservative budgeting are a credit strength and will support the maintenance of healthy operating reserves. In fiscal 2021, management expects a modest surplus in the general fund. The city will likely benefit from an estimated $1.3 million in funds from the American Rescue Plan, though expenditure plans have not been decided by management. Over the last five years, the city has consistently generated surplus operations and increased available operating fund balance to

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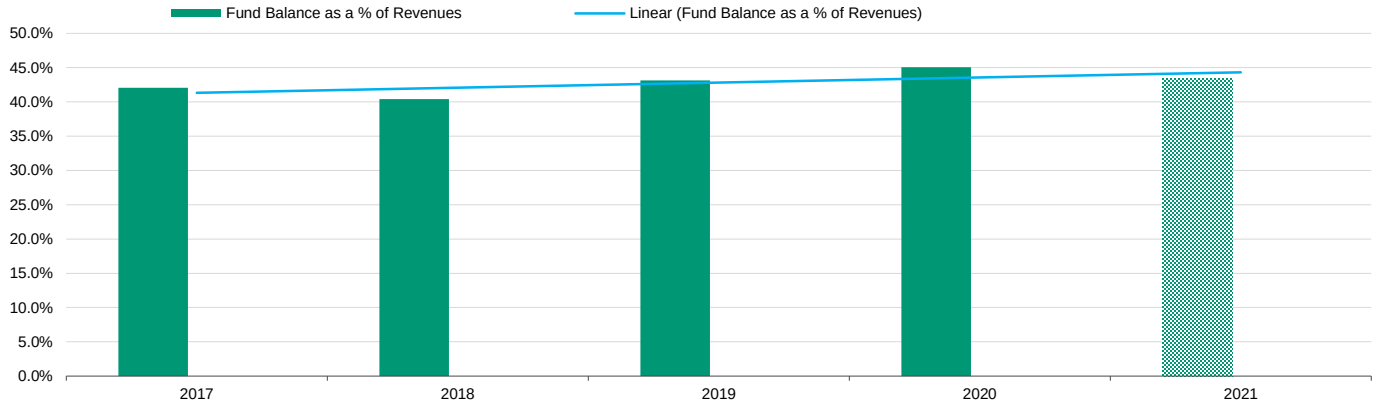
$6.3 million in 2020 from $4.5 million in 2015 (see exhibit 2). In fiscal 2020, the city realized cost savings related to coronavirus closures and capital expenditure reductions that outweighed a reduction in revenue from fees and charges for services such as park and recreation fees and court fees.

The city's revenue mix provides relative stability, given it is primarily funded by property taxes at 68% of total operating revenue, followed by intergovernmental aid and grants at 17%. The general fund also receives annual PILOT payments from the city's utility systems, the amounts of which are based on the net assets of the utilities. In fiscal 2020, the city's water and electric utility systems transferred $883,000 to the general fund, which accounted for 6.3% of general fund revenue. The city's waterworks (A1) and electric (A2) systems are expected to experience stable operations while providing annual transfers to the general fund.

Exhibit 2

Operating fund balance as % of revenue expected to remain solid



Source: Issuer financial statements; Moody's Investors Service

Liquidity

Available operating fund cash was $5.7 million at the close of fiscal 2020, equivalent to a strong 41% of revenue. In addition to strong governmental liquidity, the city maintains healthy liquidity across business enterprises with the water enterprise at 421 days cash on hand, the sewer enterprise at 242 days cash on hand and the electric enterprise at 200 days cash on hand.

Debt and pensions

Stoughton's debt burden is expected to remain above average due to planned additional borrowing. Inclusive of the city's Series 2021 bonds, the city's net direct debt will total $34 million or an above average 2.7% of full value and 2.4x fiscal 2020 operating revenue. The city plans to issue debt annually in accordance with the city's five-year capital improvement plan which is evaluated annually. Additionally, the city plans to issue $2 million in 2021 via the state's Safe Drinking Water Revolving Loan Program to fund lead service line replacement. Total fixed costs, consisting of debt service and pension and OPEB contributions, was elevated at 38% of operating revenue in fiscal 2020 driven by debt service. Favorably, amortization of outstanding principal is fairly rapid over the next ten years.

Legal security

The Series 2021A notes, and the city's outstanding GOULT debt, is secured by the city's full faith and credit and pledge to levy unlimited ad valorem property taxes.

Debt structure

All of the city's outstanding debt is long-term and fixed rate. Principal amortization is fairly rapid with 83% of principal scheduled for repayment within 10 years.

Debt-related derivatives

The city is not party to any derivatives or interest rate swap agreements.

Pensions and OPEB

The city 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, with statewide employer contributions to WRS in 2018 totaling 152.9% of the amount needed to tread water.

The city's three-year adjusted net pension liability (ANPL) is $16.5 million, equivalent to 1.2x operating revenue and 1.3% 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 a $178,000 asset in fiscal 2020. The city's other post-employment benefits (OPEB) obligations do not pose a material credit risk.

ESG considerations

Environmental

Environmental risk is generally low for the local government sector and does not factor materially into the city's credit profile. Data from Moody's affiliate Four Twenty Seven indicates that Dane County, where the city is located, has high exposure to heat stress and water stress compared to other counties nationally. The city does not have a significant agricultural presence which is most at risk to heat stress. Responding to water stress is generally the purview of other local governments. Dane County maintains a hazard mitigation plan recognized by FEMA and was last updated in 2017.

Social

The city's demographic profile benefits from population growth and its proximity to the Madison metropolitan area which will likely support long-term growth. Overall population has increased a 3.8% since the 2010 census and unemployment rates are below state and nation averages. The city's wealth and income profile is average, evidenced by median family income (MFI) equal to 107% of the nation and median home value equal to 100% of the nation.

Governance

Management is strong, employing conservative budget assumptions and a multiyear capital plan which has supported stable operations. The city's formal fund balance policy is to maintain a minimum unassigned general fund balance equivalent to 20-25% of general fund budgeted expenditures.

Wisconsin cities have an institutional framework score [1] 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 utilize 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 revenues 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

Stoughton (City of) WI

Scorecard Factors and Subfactors	Measure	Score
Economy/Tax Base (30%) [1]		
Tax Base Size: Full Value (in 000s)	$1,268,042	A
Full Value Per Capita	$96,819	Aa
Median Family Income (% of US Median)	106.5%	Aa
Finances (30%)		
Fund Balance as a % of Revenues	45.1%	Aaa
5-Year Dollar Change in Fund Balance as % of Revenues	13.2%	Aa
Cash Balance as a % of Revenues	41.0%	Aaa
5-Year Dollar Change in Cash Balance as % of Revenues	15.8%	Aa
Management (20%)		
Institutional Framework	A	A
Operating History: 5-Year Average of Operating Revenues / Operating Expenditures (x)	1.0x	A
Debt and Pensions (20%)		
Net Direct Debt / Full Value (%)	2.7%	A
Net Direct Debt / Operating Revenues (x)	2.4x	A
3-Year Average of Moody's Adjusted Net Pension Liability / Full Value (%)	1.3%	Aa
3-Year Average of Moody's Adjusted Net Pension Liability / Operating Revenues (x)	1.2x	A
Notching Adjustments:[2]		
Other Scorecard Adjustment Related to Debt and Pensions: Elevated fixed costs driven by debt service		Down
	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 dated December 16, 2016.
[3] Standardized adjustments are outlined in the GO Methodology Scorecard Inputs publication.
Source: Issuer's audited financial statements; US Census Bureau

Endnotes

1 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 (July 2020) methodology report for more details.

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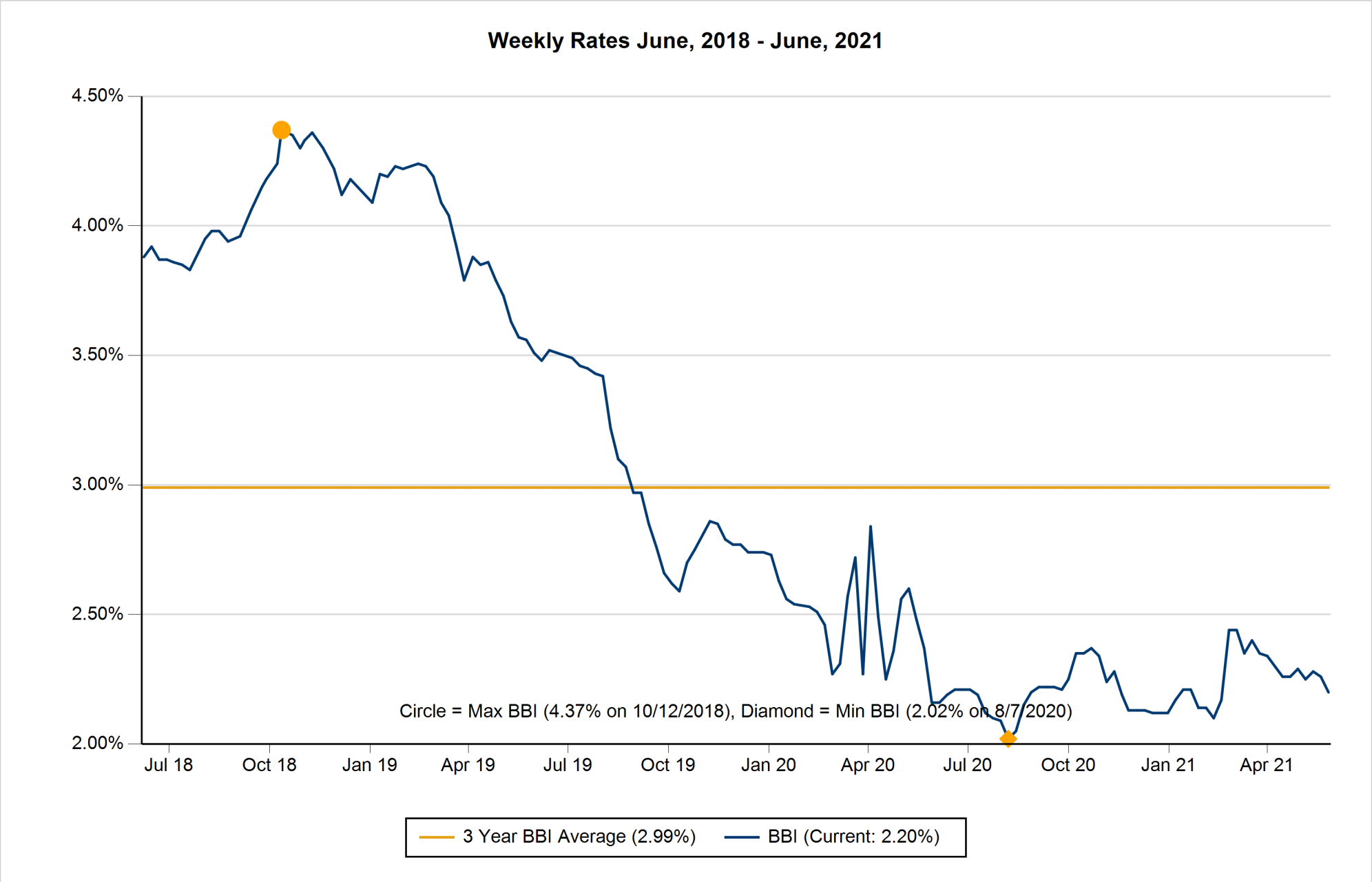
3 YEAR TREND IN MUNICIPAL BOND INDICES



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

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