Resolution No. R-135-2019

RESOLUTION PROVIDING FOR THE SALE OF APPROXIMATELY
$1,900,000 WATERWORKS SYSTEM MORTGAGE REVENUE BONDS

WHEREAS, the City of Stoughton, Dane County, Wisconsin (the "City") is presently in need of approximately $1,900,000 for the public purpose of financing improvements to the City's Waterworks System (the "System"); and

WHEREAS, it is desirable to borrow said funds through the issuance of waterworks system revenue bonds pursuant to Section 66.0621, Wis. Stats.

NOW, THEREFORE, BE IT RESOLVED by the Common Council of the City that:

Section 1. Issuance of the Bonds. The City shall issue its Waterworks System Mortgage Revenue Bonds (the "Bonds") in an amount of approximately $1,900,000 for the purpose above specified.

Section 2. Sale of the Bonds. The Common Council hereby authorizes and directs that the Bonds be offered for public sale. At a subsequent meeting, the Common Council shall consider such bids for the Bonds as may have been received and take action thereon.

Section 3. Notice of Sale. The City Clerk (in consultation with the City's financial advisor, Ehlers & Associates, Inc. ("Ehlers")) is hereby authorized and directed to cause the sale of the Bonds to be publicized at such times and in such manner as the City Clerk may determine and to cause copies of a complete Notice of Sale and other pertinent data to be forwarded to interested bidders as the City Clerk may determine.

Section 4. Official Statement. The City Clerk (in consultation with Ehlers) shall also cause an Official Statement to be prepared and distributed. The appropriate City officials shall determine when the Official Statement is final for purposes of Securities and Exchange Commission Rule 15c2-12 and shall certify said Statement, such certification to constitute full authorization of such Statement under this resolution.

Adopted, approved and recorded September 10, 2019.

_____
Tim B. Swadley
Mayor

ATTEST:

_____
Holly Licht
City Clerk

(SEAL)

September 10, 2019

Pre-Sale Report for

City of Stoughton, Wisconsin

$1,900,000 Waterworks System Revenue Bonds, Series 2019B

Prepared by:

David Ferris, CPA
Municipal Advisor

Philip Cosson, CIPMA
Senior Municipal Advisor

Executive Summary of Proposed Debt

Proposed Issue:	$1,900,000 Waterworks System Revenue Bonds, Series 2019B
Purposes:	The proposed issue includes financing for the following purposes: • 2019 and 2020 water system capital improvements
Authority:	The Bonds are being issued pursuant to Wisconsin Statute(s): • 66.0621 The Bonds are not general obligations of the City but are payable only from and secured by a pledge of income and revenue to be derived from the operation of the Water System.
Term/Call Feature:	The Bonds are being issued for a term of 15 years. Principal on the Bonds will be due on May 1 in the years 2020 through 2034. Interest is payable every six months beginning May 1, 2020. The Bonds will be subject to prepayment at the discretion of the City on May 1, 2027 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 Bonds as "bank qualified" obligations. Bank qualified status broadens the market for the Bonds, which can result in lower interest rates.
Rating:	The City's most recent bond issues were rated by Moody's Investors Service. The current ratings on those bonds are "A1". The City will request a new rating for the Bonds. If the winning bidder on the Bonds elects to purchase bond insurance, the rating for the issue may be higher than the City's bond rating in the event that the bond rating of the insurer is higher than that of the City.
Basis for Recommendation:	Based on our knowledge of your situation, your objectives communicated to us, our advisory relationship as well as characteristics of various municipal financing options, we are recommending the issuance of Bonds as a suitable option based on: • Net system revenues available for debt service that provide sufficient coverage for the estimated principal and interest payments of the proposed Bonds and existing parity debt. • The City's past practice of using revenue bonds to finance enterprise system improvements.

Method of Sale/Placement:	We will solicit competitive bids for the purchase of the Bonds 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 Bonds 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 in excess of 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 Bonds, any premium amount received may: be retained; used to reduce the issue size; or combination thereof. These adjustments may slightly change the true interest cost of the original bid, either up or down. 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 Bonds intended to achieve the City's objectives for this financing.
Other Considerations:	The Bonds 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 Bonds. 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:	Because the Bonds tax-exempt obligations, the City must ensure compliance with certain Internal Revenue Service (IRS) rules throughout the life of the issue. These rules apply to all gross proceeds of the issue, including initial bond proceeds and investment earnings in construction, escrow, debt service, and any reserve funds. How issuers spend bond proceeds and how they track interest earnings on funds (arbitrage/yield restriction compliance) are common subjects of IRS inquiries. Your specific responsibilities will be detailed in the Tax Exemption Certificate prepared by your Bond Attorney and provided at closing. We recommend that you regularly monitor compliance with these rules and/or retain the services of a qualified firm to assist you. We also recommend that you establish written procedures regarding compliance with IRS rules.
Investment of and Accounting for Proceeds:	In order to more efficiently segregate funds for this project and maximize interest earnings, we recommend using an investment advisor, to assist with the investment of bond proceeds until they are needed to pay project costs. Ehlers Investment Partners, a subsidiary of Ehlers and registered investment advisor, is available to discuss an appropriate investment strategy with the City.
Risk Factors:	**Utility Revenue:** The City expects to pay the Bond debt service with: • Water Revenues In the event utility revenues are insufficient to pay debt service, the Common Council is committing to consider appropriating funds from any other available sources in an amount sufficient to cover the shortfall. If it chooses to do so, the City may levy a tax to make up a shortfall. Any amount levied for this purpose is exempted from levy limits. While the City is not required to appropriate the funds necessary to remedy any shortfall in revenues needed to pay debt service, failure to do so would result in either a lack of access to capital markets in the future, or access at a substantially higher cost.

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 if there are Term Bonds **Rating Agency:** Moody's Investors Service, Inc.

Proposed Debt Issuance Schedule

Pre-Sale Review by Common Council:	September 10, 2019
Due Diligence Call to review Official Statement:	To be determined
Distribute Official Statement:	Week of October 14, 2019
Conference with Rating Agency:	To be determined
Common Council Meeting to Award Sale of the Bonds:	October 22, 2019
Estimated Closing Date:	November 14, 2019

Attachments

Estimated Sources and Uses of Funds

Project Listing

Estimated Proposed Debt Service Schedule

Bond Buyer Index

Ehlers Contacts

Municipal Advisors:	David Ferris	(262) 796-6194
	Philip Cosson	(262) 796-6161
Disclosure Coordinator:	Peter Curtin	(262) 796-6187
Financial Analyst:	Kathy Myers	(262) 796-6177

The Preliminary Official Statement for this financing will be sent to the Common Council at their home or email address for review prior to the sale date.

Water Utility Capital Financing Plan & Sizing

	Preliminary
Projects	
Water	
Water System Projects - 2019	1,044,600
Water System Projects - 2020	693,400
Project Needs	1,738,000
Debt Service Reserve	
New Debt Service Reserve Requirement	344,852
Transfer from Prior Issue Debt Service Reserve funds	(252,000)
Additional Debt Service Requirement Needs	92,852
Issuance Expenses	
Municipal Advisor	18,960
Bond Counsel	11,000
Disclosure Counsel	6,600
Paying Agent If terms	850
Rating	13,000
Underwriter Fees	23,750
	74,160
Total Funds Needed	1,905,012
Less Interest	(8,690)
Rounding	3,678
Size of Issue	1,900,000

THE CITY OF STOUGHTON

EHLERS LEADERS IN PUBLIC FINANCE

Water Utility Capital Projects – 2019 - 2020

Description	Funding Source	2019	2020
2019-2024 Main Replace Engineering	Revenue Bonds	117,500	61,000
2019 Main replace - Monroe: Main to Lowell	Revenue Bonds	386,000	-
2019 Main replace - Monroe: Main to Patterson	Revenue Bonds	71,000	-
2019 Main replace - Lowell: Monroe to Page	Revenue Bonds	259,300	-
2019 Main replace - Patterson	Revenue Bonds	149,800	-
2020 Main replace-Grant: Prospect to Taft	Revenue Bonds	-	77,000
2020 Main replace- Prospect: Page to Mckinley (O)	Revenue Bonds	-	323,000
2020 Hydrant replace - Roby Road	Revenue Bonds	-	20,000
Chemicals	Utility Reserve	18,000	20,000
Generator Testing - Wells 5 & 7, Tower II	Utility Reserve	1,500	3,000
Large Meter Replacements	Revenue Bonds	28,000	25,000
Large meter testing	Utility Reserve	-	6,000
Lead Service Replacements	Revenue Bonds	8,000	75,000
Meters - New and Replacements	Revenue Bonds	25,000	26,500
Seal Coat Driveways	Utility Reserve	-	2,500
Water Service Truck #23 (2010)	Revenue Bonds	-	35,000
Water System Study	Revenue Bonds	-	30,000
Water Valve Adustments For Street Dept. Projects	Utility Reserve	8,000	-
Water Valve Adustments For Street Dept. Projects	Revenue Bonds	-	20,900
WDNR Regulations Samples	Utility Reserve	15,000	15,000
		$ 1,087,100	**$ 739,900**

	2019	2020
Revenue Bonds	$ 1,044,600	$ 693,400
Utility Reserve	42,500	46,500
	$ 1,087,100	$ 739,900

Water Utility Capital Financing Plan & Sizing

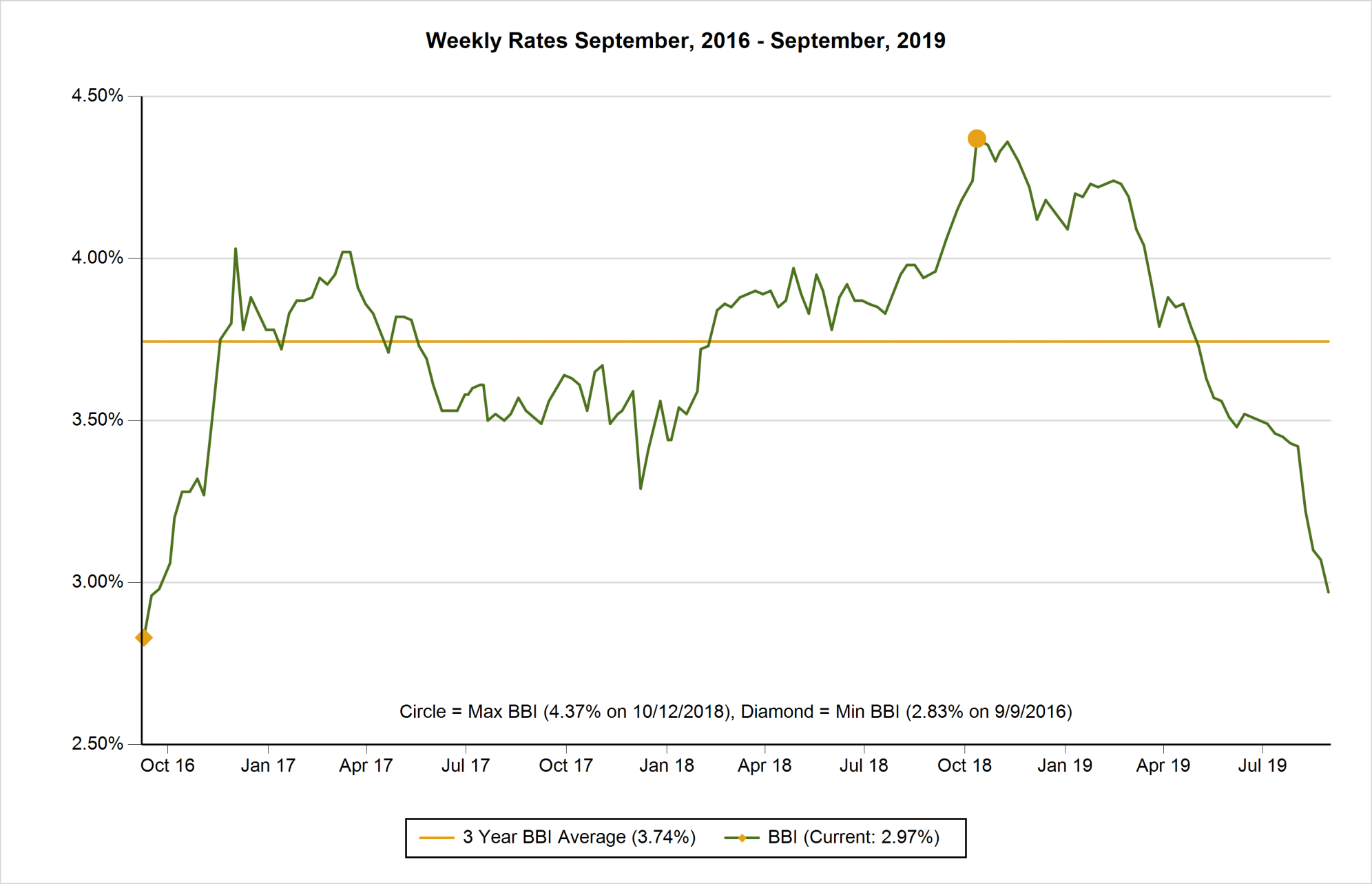
YEAR	System Revenues		Debt Service								Coverage Ratios		YEAR
			Existing Debt			Water Utility Revenue Bond, Series 2019A							
	Total	Net	Principal	Interest	Total	Principal	Rates	Interest	Total	Total Payments	Debt	Capacity	
2019	2,121,101	747,553	314,173	40,257	354,430					354,430	2.11	580,011	**2019**
2020	2,121,101	747,553	339,952	35,760	375,711	110,000	1.42%	37,434	147,434	523,145	1.43	411,296	**2020**
2021	2,121,101	747,553	335,751	30,735	366,486	110,000	1.46%	37,282	147,282	513,768	1.46	420,674	**2021**
2022	2,121,101	747,553	326,571	25,415	351,986	115,000	1.55%	35,587	150,587	502,573	1.49	431,868	**2022**
2023	2,121,101	747,553	352,414	19,560	371,974	115,000	1.67%	33,736	148,736	520,709	1.44	413,732	**2023**
2024	2,121,101	747,553	168,278	14,714	182,992	120,000	1.79%	31,702	151,702	334,694	2.23	599,747	**2024**
2025	2,121,101	747,553	174,166	10,720	184,886	120,000	1.93%	29,470	149,470	334,356	2.24	600,086	**2025**
2026	2,121,101	747,553	180,078	5,890	185,967	120,000	2.04%	27,088	147,088	333,055	2.24	601,386	**2026**
2027	2,121,101	747,553	36,014	2,960	38,974	125,000	2.11%	24,545	149,545	188,518	3.97	745,923	**2027**
2028	2,121,101	747,553	36,974	1,999	38,974	130,000	2.18%	21,809	151,809	190,783	3.92	743,659	**2028**
2029	2,121,101	747,553	37,961	1,013	38,974	130,000	2.26%	18,923	148,923	187,897	3.98	746,545	**2029**
2030	2,121,101	747,553			0	135,000	2.34%	15,875	150,875	150,875	4.95	783,567	**2030**
2031	2,121,101	747,553			0	135,000	2.40%	12,675	147,675	147,675	5.06	786,766	**2031**
2032	2,121,101	747,553			0	140,000	2.48%	9,319	149,319	149,319	5.01	785,122	**2032**
2033	2,121,101	747,553			0	145,000	2.54%	5,742	150,742	150,742	4.96	783,700	**2033**
2034	2,121,101	747,553			0	150,000	2.60%	1,950	151,950	151,950	4.92	782,491	**2034**
			2,302,332	**189,023**	**2,491,355**	**1,900,000**		**343,134**	**2,243,134**	**4,734,488**			

NOTES:

Rates based upon 8/26/19 sale of A- rated Water/Sewer Revenue Bond + 0.25.

[1]Total system revenues available for debt service is based upon the 2018 audit.

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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City of Stoughton, WI

$1,900,000 Waterworks System Revenue Bonds, Series 2019B
SINGLE PURPOSE
Dated November 14, 2019 Assumes BVAL A- Rev Scale 8/26/19 + .25

Sources & Uses

Dated 11/14/2019 | Delivered 11/14/2019

Sources Of Funds

Par Amount of Bonds	$1,900,000.00
Transfers from Prior Issue DSR Funds	252,000.00
Est. Int. Earnings @ 2.0@ for 3 mos	8,690.00
Total Sources	**$2,160,690.00**

Uses Of Funds

Total Underwriter's Discount (1.250%)	23,750.00
Financial Advisor	18,960.00
Disclosure Counsel	6,600.00
Bond Counsel	11,000.00
Paying Agent	850.00
Rating Agency Fee	13,000.00
Deposit to Debt Service Reserve Fund (DSRF)	344,852.02
Deposit to Project Construction Fund	1,738,000.00
Rounding Amount	3,677.98
Total Uses	**$2,160,690.00**

City of Stoughton, WI

$1,900,000 Waterworks System Revenue Bonds, Series 2019B
SINGLE PURPOSE
Dated November 14, 2019 Assumes BVAL A- Rev Scale 8/26/19 + .25

Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I	Fiscal Total
11/14/2019	-	-	-	-	-
05/01/2020	110,000.00	1.420%	18,391.57	128,391.57	-
11/01/2020	-	-	19,042.25	19,042.25	147,433.82
05/01/2021	110,000.00	1.460%	19,042.25	129,042.25	-
11/01/2021	-	-	18,239.25	18,239.25	147,281.50
05/01/2022	115,000.00	1.550%	18,239.25	133,239.25	-
11/01/2022	-	-	17,348.00	17,348.00	150,587.25
05/01/2023	115,000.00	1.670%	17,348.00	132,348.00	-
11/01/2023	-	-	16,387.75	16,387.75	148,735.75
05/01/2024	120,000.00	1.790%	16,387.75	136,387.75	-
11/01/2024	-	-	15,313.75	15,313.75	151,701.50
05/01/2025	120,000.00	1.930%	15,313.75	135,313.75	-
11/01/2025	-	-	14,155.75	14,155.75	149,469.50
05/01/2026	120,000.00	2.040%	14,155.75	134,155.75	-
11/01/2026	-	-	12,931.75	12,931.75	147,087.50
05/01/2027	125,000.00	2.110%	12,931.75	137,931.75	-
11/01/2027	-	-	11,613.00	11,613.00	149,544.75
05/01/2028	130,000.00	2.180%	11,613.00	141,613.00	-
11/01/2028	-	-	10,196.00	10,196.00	151,809.00
05/01/2029	130,000.00	2.260%	10,196.00	140,196.00	-
11/01/2029	-	-	8,727.00	8,727.00	148,923.00
05/01/2030	135,000.00	2.340%	8,727.00	143,727.00	-
11/01/2030	-	-	7,147.50	7,147.50	150,874.50
05/01/2031	135,000.00	2.400%	7,147.50	142,147.50	-
11/01/2031	-	-	5,527.50	5,527.50	147,675.00
05/01/2032	140,000.00	2.480%	5,527.50	145,527.50	-
11/01/2032	-	-	3,791.50	3,791.50	149,319.00
05/01/2033	145,000.00	2.540%	3,791.50	148,791.50	-
11/01/2033	-	-	1,950.00	1,950.00	150,741.50
05/01/2034	150,000.00	2.600%	1,950.00	151,950.00	-
11/01/2034	-	-	-	-	151,950.00
Total	**$1,900,000.00**	**-**	**$343,133.57**	**$2,243,133.57**	**-**

Yield Statistics

Bond Year Dollars	$14,951.39
Average Life	7.869 Years
Average Coupon	2.2949946%
Net Interest Cost (NIC)	2.4538427%
True Interest Cost (TIC)	2.4640087%
Bond Yield for Arbitrage Purposes	2.2843168%
All Inclusive Cost (AIC)	2.8564956%

IRS Form 8038

Net Interest Cost	2.2949946%
Weighted Average Maturity	7.869 Years

City of Stoughton, WI

$1,900,000 Waterworks System Revenue Bonds, Series 2019B
SINGLE PURPOSE
Dated November 14, 2019 Assumes BVAL A- Rev Scale 8/26/19 + .25

Net Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I	Existing D/S	Net New D/S	Fiscal Total
11/14/2019	-	-	-	-	-	-	-
05/01/2020	110,000.00	1.420%	18,391.57	128,391.57	324,337.50	452,729.07	-
11/01/2020	-	-	19,042.25	19,042.25	12,400.00	31,442.25	484,171.32
05/01/2021	110,000.00	1.460%	19,042.25	129,042.25	317,400.00	446,442.25	-
11/01/2021	-	-	18,239.25	18,239.25	10,112.50	28,351.75	474,794.00
05/01/2022	115,000.00	1.550%	18,239.25	133,239.25	305,112.50	438,351.75	-
11/01/2022	-	-	17,348.00	17,348.00	7,900.00	25,248.00	463,599.75
05/01/2023	115,000.00	1.670%	17,348.00	132,348.00	327,900.00	460,248.00	-
11/01/2023	-	-	16,387.75	16,387.75	5,100.00	21,487.75	481,735.75
05/01/2024	120,000.00	1.790%	16,387.75	136,387.75	140,100.00	276,487.75	-
11/01/2024	-	-	15,313.75	15,313.75	3,918.75	19,232.50	295,720.25
05/01/2025	120,000.00	1.930%	15,313.75	135,313.75	143,918.75	279,232.50	-
11/01/2025	-	-	14,155.75	14,155.75	1,993.75	16,149.50	295,382.00
05/01/2026	120,000.00	2.040%	14,155.75	134,155.75	146,993.75	281,149.50	-
11/01/2026	-	-	12,931.75	12,931.75	-	12,931.75	294,081.25
05/01/2027	125,000.00	2.110%	12,931.75	137,931.75	-	137,931.75	-
11/01/2027	-	-	11,613.00	11,613.00	-	11,613.00	149,544.75
05/01/2028	130,000.00	2.180%	11,613.00	141,613.00	-	141,613.00	-
11/01/2028	-	-	10,196.00	10,196.00	-	10,196.00	151,809.00
05/01/2029	130,000.00	2.260%	10,196.00	140,196.00	-	140,196.00	-
11/01/2029	-	-	8,727.00	8,727.00	-	8,727.00	148,923.00
05/01/2030	135,000.00	2.340%	8,727.00	143,727.00	-	143,727.00	-
11/01/2030	-	-	7,147.50	7,147.50	-	7,147.50	150,874.50
05/01/2031	135,000.00	2.400%	7,147.50	142,147.50	-	142,147.50	-
11/01/2031	-	-	5,527.50	5,527.50	-	5,527.50	147,675.00
05/01/2032	140,000.00	2.480%	5,527.50	145,527.50	-	145,527.50	-
11/01/2032	-	-	3,791.50	3,791.50	-	3,791.50	149,319.00
05/01/2033	145,000.00	2.540%	3,791.50	148,791.50	-	148,791.50	-
11/01/2033	-	-	1,950.00	1,950.00	-	1,950.00	150,741.50
05/01/2034	150,000.00	2.600%	1,950.00	151,950.00	-	151,950.00	-
11/01/2034	-	-	-	-	-	-	151,950.00
Total	**$1,900,000.00**	**-**	**$343,133.57**	**$2,243,133.57**	**$1,747,187.50**	**$3,990,321.07**	**-**

City of Stoughton, WI

$1,900,000 Waterworks System Revenue Bonds, Series 2019B
SINGLE PURPOSE
Dated November 14, 2019 Assumes BVAL A- Rev Scale 8/26/19 + .25

Pricing Summary

Maturity	Type of Bond	Coupon	Yield	Maturity Value	Price	Dollar Price
05/01/2020	Serial Coupon	1.420%	1.420%	110,000.00	100.000%	110,000.00
05/01/2021	Serial Coupon	1.460%	1.460%	110,000.00	100.000%	110,000.00
05/01/2022	Serial Coupon	1.550%	1.550%	115,000.00	100.000%	115,000.00
05/01/2023	Serial Coupon	1.670%	1.670%	115,000.00	100.000%	115,000.00
05/01/2024	Serial Coupon	1.790%	1.790%	120,000.00	100.000%	120,000.00
05/01/2025	Serial Coupon	1.930%	1.930%	120,000.00	100.000%	120,000.00
05/01/2026	Serial Coupon	2.040%	2.040%	120,000.00	100.000%	120,000.00
05/01/2027	Serial Coupon	2.110%	2.110%	125,000.00	100.000%	125,000.00
05/01/2028	Serial Coupon	2.180%	2.180%	130,000.00	100.000%	130,000.00
05/01/2029	Serial Coupon	2.260%	2.260%	130,000.00	100.000%	130,000.00
05/01/2030	Serial Coupon	2.340%	2.340%	135,000.00	100.000%	135,000.00
05/01/2031	Serial Coupon	2.400%	2.400%	135,000.00	100.000%	135,000.00
05/01/2032	Serial Coupon	2.480%	2.480%	140,000.00	100.000%	140,000.00
05/01/2033	Serial Coupon	2.540%	2.540%	145,000.00	100.000%	145,000.00
05/01/2034	Serial Coupon	2.600%	2.600%	150,000.00	100.000%	150,000.00
Total	-	-	-	**$1,900,000.00**	-	**$1,900,000.00**

Bid Information

Par Amount of Bonds	$1,900,000.00
Gross Production	$1,900,000.00
Total Underwriter's Discount (1.250%)	$(23,750.00)
Bid (98.750%)	1,876,250.00
Total Purchase Price	$1,876,250.00
Bond Year Dollars	$14,951.39
Average Life	7.869 Years
Average Coupon	2.2949946%
Net Interest Cost (NIC)	2.4538427%
True Interest Cost (TIC)	2.4640087%

City of Stoughton, WI

$1,900,000 Waterworks System Revenue Bonds, Series 2019B
SINGLE PURPOSE
Dated November 14, 2019 Assumes BVAL A- Rev Scale 8/26/19 + .25

Proof of Bond Yield @ 2.2843168%

Date	Cashflow	PV Factor	Present Value	Cumulative PV
11/14/2019	-	1.0000000x	-	-
05/01/2020	128,391.57	0.9895187x	127,045.86	127,045.86
11/01/2020	19,042.25	0.9783444x	18,629.88	145,675.74
05/01/2021	129,042.25	0.9672964x	124,822.10	270,497.84
11/01/2021	18,239.25	0.9563731x	17,443.53	287,941.37
05/01/2022	133,239.25	0.9455731x	125,987.46	413,928.82
11/01/2022	17,348.00	0.9348952x	16,218.56	430,147.38
05/01/2023	132,348.00	0.9243378x	122,334.25	552,481.64
11/01/2023	16,387.75	0.9138996x	14,976.76	567,458.40
05/01/2024	136,387.75	0.9035793x	123,237.14	690,695.54
11/01/2024	15,313.75	0.8933755x	13,680.93	704,376.47
05/01/2025	135,313.75	0.8832870x	119,520.87	823,897.34
11/01/2025	14,155.75	0.8733124x	12,362.39	836,259.73
05/01/2026	134,155.75	0.8634504x	115,836.83	952,096.57
11/01/2026	12,931.75	0.8536998x	11,039.83	963,136.40
05/01/2027	137,931.75	0.8440593x	116,422.58	1,079,558.97
11/01/2027	11,613.00	0.8345277x	9,691.37	1,089,250.34
05/01/2028	141,613.00	0.8251037x	116,845.41	1,206,095.75
11/01/2028	10,196.00	0.8157861x	8,317.76	1,214,413.50
05/01/2029	140,196.00	0.8065738x	113,078.41	1,327,491.92
11/01/2029	8,727.00	0.7974654x	6,959.48	1,334,451.40
05/01/2030	143,727.00	0.7884600x	113,322.99	1,447,774.39
11/01/2030	7,147.50	0.7795562x	5,571.88	1,453,346.26
05/01/2031	142,147.50	0.7707530x	109,560.61	1,562,906.87
11/01/2031	5,527.50	0.7620492x	4,212.23	1,567,119.10
05/01/2032	145,527.50	0.7534437x	109,646.77	1,676,765.87
11/01/2032	3,791.50	0.7449353x	2,824.42	1,679,590.29
05/01/2033	148,791.50	0.7365231x	109,588.37	1,789,178.67
11/01/2033	1,950.00	0.7282058x	1,420.00	1,790,598.67
05/01/2034	151,950.00	0.7199825x	109,401.33	1,900,000.00
Total	**$2,243,133.57**	**-**	**$1,900,000.00**	**-**

Derivation Of Target Amount

Par Amount of Bonds	$1,900,000.00
Original Issue Proceeds	$1,900,000.00

City of Stoughton, WI

$1,900,000 Waterworks System Revenue Bonds, Series 2019B
SINGLE PURPOSE
Dated November 14, 2019 Assumes BVAL A- Rev Scale 8/26/19 + .25

Proof of Reserve Fund Requirement

Date	Principal	Interest	Existing D/S	TOTAL P+I
05/01/2020	110,000.00	18,391.57	324,337.50	452,729.07
05/01/2021	110,000.00	38,084.50	329,800.00	477,884.50
05/01/2022	115,000.00	36,478.50	315,225.00	466,703.50
05/01/2023	115,000.00	34,696.00	335,800.00	485,496.00
05/01/2024	120,000.00	32,775.50	145,200.00	297,975.50
05/01/2025	120,000.00	30,627.50	147,837.50	298,465.00
05/01/2026	120,000.00	28,311.50	148,987.50	297,299.00
05/01/2027	125,000.00	25,863.50	-	150,863.50
05/01/2028	130,000.00	23,226.00	-	153,226.00
05/01/2029	130,000.00	20,392.00	-	150,392.00
05/01/2030	135,000.00	17,454.00	-	152,454.00
05/01/2031	135,000.00	14,295.00	-	149,295.00
05/01/2032	140,000.00	11,055.00	-	151,055.00
05/01/2033	145,000.00	7,583.00	-	152,583.00
05/01/2034	150,000.00	3,900.00	-	153,900.00
Total	**$1,900,000.00**	**$343,133.57**	**$1,747,187.50**	**$3,990,321.07**

PROOF OF RESERVE FUND

MAXIMUM PERIODIC DEBT SERVICE	
100 % of the Maximum Periodic Debt Service	485,496.00

AVERAGE PERIODIC DEBT SERVICE	
Total P+I	3,990,321.07
Bond Years (Delivery Date)	14.46
125 % of the Average Periodic Debt Service	344,852.02

RESERVE REQUIREMENT	
Computed Requirement	344,852.02
Proof's Requirement	344,852.02

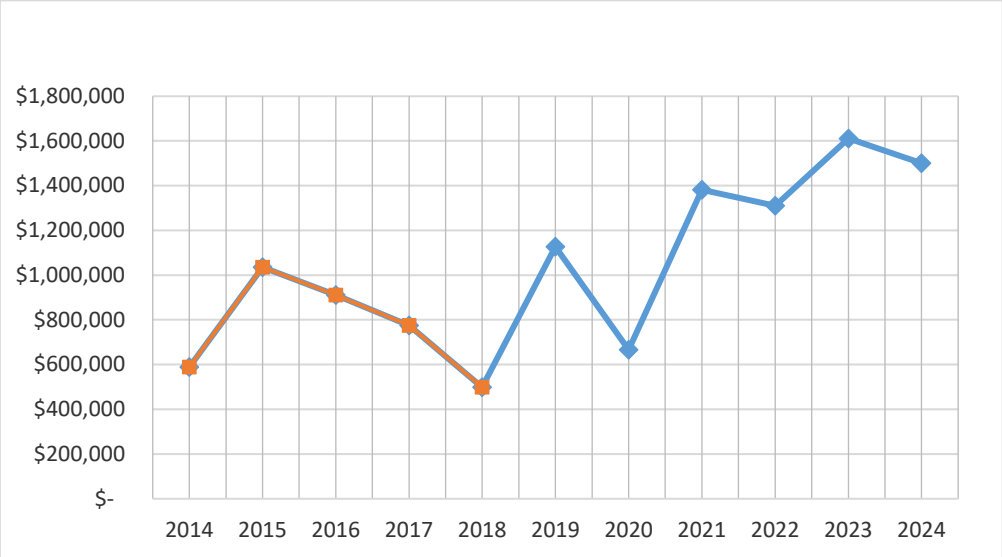
WATER

	2015	2016	2017	2018	2019	2020
OPERATING REVENUES						
Sales of water	$ 1,284,994	$ 1,416,545	$ 1,465,315	$ 1,496,750	$ 1,656,369	$ 1,708,173
Public Fire Protection	446,666	498,439	520,495	530,529	541,560	560,318
Private Fire Protection	29,373	38,842	43,901	46,711	54,396	56,028
Other	23,383	47,298	41,518	47,111	50,000	50,000
Total Operating Revenues	$ 1,784,416	$ 2,001,124	$ 2,071,229	$ 2,121,101	$ 2,302,325	$ 2,374,519
					8.60%	3.21%
OPERATING EXPENSES						
Operation and maintenance	$ 869,159	$ 969,933	$ 992,653	$ 943,589	$ 986,790	$ 1,085,789
Taxes	18,566	22,271	22,204	22,232	22,880	23,216
Depreciation (Utility Financed)	296,895	302,956	315,908	330,652	362,324	380,723
PILOT	363,249	387,855	420,305	423,351	442,040	469,293
Total Operating Expenses	$ 1,547,869	$ 1,683,015	$ 1,751,070	$ 1,719,824	$ 1,814,034	$ 1,959,021
		11.59%	2.34%	-4.94%	-0.59%	10.03%
REGULATORY OPERATING INCOME	**$ 236,547**	**$ 318,109**	**$ 320,159**	**$ 401,277**	**$ 488,291**	**$ 415,498**
AVERAGE NET RATE BASE	$ 8,435,003	$ 9,201,577	$ 9,904,869	$ 10,271,417	$ 10,722,871	$ 11,244,646
RATE OF RETURN (Allowed - 5.00%)	**2.80%**	**3.46%**	**3.23%**	**3.91%**	**4.55%**	**3.70%**

OPERATING CASH FLOWS	2015	2016	2017	2018	2019	2020
Sales of water	$ 1,780,533	$ 1,953,428	$ 2,036,464	$ 2,083,445	$ 2,252,325	$ 2,324,519
Routine operating expenditures	(863,014)	(980,187)	(1,031,439)	(1,030,058)	(986,790)	(1,085,789)
Transfers and taxes	(343,995)	(359,016)	(391,598)	(426,565)	(446,231)	(465,255)
Miscellaneous income	23,383	47,298	41,518	47,111	50,000	50,000
Total Operating Cash Flows	$ 596,907	$ 661,523	$ 654,945	$ 673,933	$ 869,303	$ 823,474
CAPITAL AND FINANCING CASH FLOWS						
Acquisition of capital assets	$ (1,035,382)	$ (911,032)	$ (774,325)	$ (498,588)	$ (1,126,300)	$ (665,860)
Principal paid	(151,257)	(1,399,957)	(373,677)	(369,415)	(365,173)	(500,952)
Interest paid	(74,276)	(88,323)	(56,726)	(52,040)	(47,007)	(78,914)
Debt proceeds	522,000	2,520,000	-	-	1,738,000	-
Special assessments	-	-	65,134	236,757	38,314	37,153
	$ (738,915)	$ 120,688	$ (1,139,594)	$ (683,286)	$ 237,834	$ (1,208,573)
INVESTING ACTIVITIES CASH FLOWS						
Investment income	$ 53,308	$ 37,294	$ 38,866	$ 29,319	$ 11,105	$ 17,162
Net Change in Cash	$ (88,700)	$ 819,505	$ (445,783)	$ 19,966	$ 1,118,242	$ (367,937)
ENDING CASH BALANCE	**$ 799,159**	**$ 1,588,175**	**$ 1,110,284**	**$ 1,110,651**	**$ 2,321,745**	**$ 1,953,808**
UNRESTRICTED CASH BALANCE	**$ 306,877**	**$ 741,234**	**$ 478,973**	**$ 538,234**	**$ 955,409**	**$ 1,201,181**
UNRESTRICTED MONTHS ON HAND	**2.09**	**4.55**	**2.83**	**3.11**	**5.09**	**6.20**
(Target is 5 Months Sales Revenue)						
RATE INCREASE NEEDED					**0.00%**	**3.00%**
DEBT ISSUE NEEDED					**$ 1,900,000**	**$ -**

WATER

		Capital Expenditures
ACTUAL	2014	$ 588,494
	2015	$ 1,035,382
	2016	$ 911,032
	2017	$ 774,325
	2018	$ 498,588
FORECASTED	2019	$ 1,126,300
	2020	$ 665,860
	2021	$ 1,381,115
	2022	$ 1,310,374
	2023	$ 1,611,200
	2024	$ 1,499,820



Private Activity and Other Tax Matters Questionnaire

City of Stoughton, Wisconsin ("Issuer")
Waterworks System Mortgage Revenue Bonds ("Obligations")

In anticipation of the Issuer's upcoming borrowing, we ask that you answer the questions below which will help us determine whether the borrowing qualifies for tax-exempt financing and what special treatment the Issuer or Obligations may qualify for under the Internal Revenue Code (the "Code") and applicable Treasury Regulations (the "Regulations"). Please direct any questions to any of the Public Finance attorneys at Quarles & Brady LLP at 414-277-5000.

I. **Private Activity:** Subject to specific exceptions provided for in the Code, the interest on municipal obligations which finance private activities or provide special benefits to private entities is taxable. Please note that for purposes of this questionnaire, a **"Non-Governmental Entity"** means any person, partnership, corporation or other organization that is not a state, city, village, town, county, school district, technical college district or other special district or joint powers authority. The federal government is a Non-Governmental Entity. A 501(c)(3) organization is also a Non-Governmental Entity.

1. Description of the project(s) to be financed or refinanced with the proceeds of the Obligations: improvements to the Waterworks System (the "Project")

☑ **YES** ☐ **NO** Does the above description accurately and completely describe the project(s) to be financed with proceeds of the Obligations? **If NO, please make appropriate changes in the language above.**

☐ **YES** ☑ **NO** 2. Will any portion of the Project be owned by, or leased (or subleased) to, or sold to a Non-Governmental Entity? **If YES, attach a description of the planned sale or lease.**

☐ **YES** ☑ **NO** 3. Will any portion of the Project be managed (pursuant to a management contract or incentive payment contract) by a Non-Governmental Entity? **If YES, attach a copy of the operating or management contract.**

☐ **YES** ☑ **NO** 4. Will any portion of the Project be used for research or testing pursuant to an agreement with a Non-Governmental Entity? **If YES, attach a copy of the agreement.**

☐ YES ☑ NO

5. Will any Non-Governmental Entity have a right to use the Project or purchase output from the Project through any procedure or contract which gives preference to that customer over any other? **If YES, attach a description of the arrangement that includes the following:**

   a. **Customer name.**

   b. **Percentage of annual revenue of the Project attributable to the customer.**

☐ YES ☑ NO

6. Are there or will there be any informal agreements, historical arrangements, or other arrangements, written or oral, that convey special legal entitlements to a Non-Governmental Entity, such as granting priority rights or capacity rights to use the Project or granting naming rights to the Project? **If YES, attach a description of the arrangement.**

☐ YES ☑ NO

7. Will any Non-Governmental Entity, receive a special economic benefit from the Project, such as what might occur if the Project is not available for general public use and is functionally related to property used in the trade or business of a Non-Governmental Entity or benefits a small number of nongovernmental persons? **If YES, attach a description of the arrangement.**

☐ YES ☑ NO

8. a. Is there any portion of the Project that is used by private entities or organizations rather than by members of the general public or by employees (or, in the case of school facilities, students) of the Issuer? **If YES, please attach a description of such use.**

☑ YES ☐ NO

b. Do all members of the general public who use the Project use it on the same basis (for example, a "first come, first served" basis or pursuant to a standard rate schedule)? **If NO, please attach a description of the basis of the use of the project.**

☐ YES ☑ NO

9. Are there any contracts for incidental uses of the Project (e.g., pay telephones, vending machines, newsstands, etc.) by Non-Governmental Entities? **If YES, attach a description of the contracts.**

☐ YES ☑ NO

10. Will any portion of the proceeds from the proposed borrowing be loaned to any other person or entity? **If YES, attach a description of the loan program.**

☐ YES ☑ NO

11. Will a Non-Governmental Entity make payments to the municipality for use of the Project in a manner other than through uniformly applied rates or generally applied taxes? **If YES, attach a description of the payment obligation.**

☐ YES ☑ NO

12. Is the payment of any portion of the debt service on the proposed issue secured (directly or indirectly) by a guarantee from a Non-Governmental Entity or a pledge of private property, pursuant to a development agreement or other arrangement? **If YES, attach a description of the agreement or arrangement.**

☐ YES ☑ NO

13. Is any of the Project or portion of the Project expected to be sold or otherwise disposed of before the last maturity date of the Obligations and any anticipated refinancings thereof?

☐ YES ☑ NO

14. Are there any other facts and circumstances regarding the construction, operation, or use of the project by a Non-Governmental Entity? Please describe: _____

_____

_____

_____

II. **Small Issuer Status:** The Code grants "small issuer" status for rebate exemption and bank qualification purposes in certain circumstances based on the amount of tax-exempt financing undertaken by an issuer in any given calendar year. By answering the questions below, you will assist us in calculating the total amount of tax-exempt financing issued in the calendar year.

☐ YES ☑ NO

1. Have any tax-exempt lease agreements or tax-exempt lease purchase agreements been entered into in the current calendar year? **If YES, please provide detail including date lease was entered into:** _____

_____

_____

☐ YES ☑ NO

2. Was an IRS Form 8038-G or GC filed with respect to any lease referenced above? **If YES, please provide a copy.**

☐ YES ☑ NO

3. Have any other tax-exempt obligations been issued either by the issuer or any authority of the issuer in the current calendar year other than those where Quarles & Brady LLP served as bond counsel? **If YES, please provide a copy of the 8038-G or GC for such obligations.**

III. **Reimbursement:** Subject to specific exceptions provided for in the Regulations (the "Reimbursement Regulations"), the interest on municipal obligations which reimburse prior expenditures is taxable. By answering the questions below, you will assist us in determining whether the Reimbursement Regulations have been followed.

☑ YES ☐ NO

1. Have any of the costs of the Project been paid prior to the date hereof? **If YES, please list the amount, purpose and date of payment of those previous expenditures which you expect to reimburse with proceeds of the Obligations:**

Amount	Date of Payment	Purpose
$ 49,601	6-18-19	Meters
1,125	6-27-19	Lead services
272,242	2019 - Multiple	Construction Projects

☑ YES ☐ NO

2. If the answer to Question 1 above is "yes," has the governing body at any time adopted a resolution authorizing borrowing for the Project or declaring intent to reimburse or made a declaration of its intent pursuant to a resolution delegating authority to make declarations of intent to finance all or a portion of the Project with the proceeds of the Obligations or other borrowed money? **If YES, attach a copy of applicable Resolution or other evidence of declaration of official intent and indicate the date of its adoption or indicate such Resolution has been provided previously to Quarles & Brady LLP.**

IV. **Project Timeline:** Generally, the IRS arbitrage rules found in the Code and Regulations limit the investment of the proceeds of tax-exempt obligations. However, if certain tests are met, the proceeds are permitted to be invested for a "temporary period". By answering the questions below, we will be able to determine whether the proceeds of the Obligations qualify for a temporary period.

☑ YES ☐ NO 1. Have you previously or will you within six months enter into contracts requiring payment of at least 5% of the proceeds of the Obligations for the Project?

☑ YES ☐ NO 2. Have you or will you commence work on the Project and continue to work on the Project until it is complete?

☑ YES ☐ NO 3. Do you expect to spend all of the proceeds of the Obligations for the Project within three years?

V. **Rebate of Investment Earnings:** The basic IRS rebate requirement is that an issuer of tax-exempt obligations must pay to the United States the amount by which the investment earnings on the gross proceeds of any borrowings exceed the amount which would have been earned if the proceeds were invested at the yield on those obligations, plus any earnings on such excess. The rebate amount is required to be calculated and paid to the United States at least every five years. However, there are several exceptions to the rebate requirement. By answering the questions below, we will be able to determine whether you might qualify for an exception. Note: the exceptions to rebate are based on actual facts, not expectations, so the determination of whether an exception applies will only be certain at a future time.

☐ YES ☑ NO 1. Small Issuer Exception: Do you expect to issue more than $5 million of tax-exempt obligations during the current calendar year?

☐ YES ☑ NO 2. Six Month Expenditure Exception: Do you expect to spend all of the proceeds of the Obligations within 6 months?

☐ YES ☑ NO 3. Eighteen Month Expenditure Exception: Do you expect to spend all of the proceeds of the Obligations within 18 months pursuant to the following schedule:

a. at least 15% within six months of the date of issue;

b. at least 60% within 12 months of the date of issue; and,

c. 100% within 18 months of the date of issue?

4. Two Year Expenditure Exception.

☑ YES ☐ NO a. Are at least 75% of the proceeds of the Obligations to be used to finance construction expenditures?

☑ YES ☐ NO

b. If the answer to 4(a) is "yes", do you expect to spend the proceeds of the Obligations within 2 years pursuant to the following schedule:

(1) 10% within the six-month period beginning on the date the obligations were issued;

(2) 45% within the one-year period beginning on the date the obligations were issued;

(3) 75% within the eighteen-month period beginning on the date the obligations were issued; and,

(4) 100% within the two-year period beginning on the date the obligations were issued.

ACKNOWLEDGEMENT AND SIGNATURE

I hereby certify that I am an authorized representative of the Issuer, and that I am authorized by the Issuer to execute this Questionnaire. I am charged with the responsibility to perform such acts as are necessary and proper for the financing, refinancing, construction, acquisition and/or improvement of the Project, and I am acting on behalf of the Issuer in executing this Questionnaire. I certify that I am familiar with the Project and that all information contained herein is true, correct and complete to the best of my knowledge. I am not aware of any facts or circumstances that would cause me to question the accuracy or reasonableness of any information contained in these response or attached documentation. I understand the foregoing will be relied upon by Quarles & Brady LLP in determining the tax-exempt status of the Obligations.

Prepared and submitted by:

Jamin J Friedl

Name: Jamin Friedl

Title: Finance Director

Phone: 608 873-6691

City of Stoughton, Wisconsin

Date: 9-4-19

Stoughton Utilities

600 South Fourth Street
P.O. Box 383
Stoughton, WI 53589-0383

Serving Electric, Water & Wastewater Since 1886

Date: February 12, 2019

To: Stoughton Utilities Committee

From: Jamin T. Friedl, CPA
City of Stoughton Finance Director

Brian R. Hoops
Stoughton Utilities Assistant Director

Subject: Declaration of Official Intent 2019-1

In order to preserve the ability to borrow funds for these equipment replacements later, it is requested that the Utilities Committee approve:

Declaration No. 2019-1	2019 Water Infrastructure Projects including but not limited to engineering, legal, construction, etc. and Lead Meter Replacement for $1,000,000

Stoughton Utilities

600 South Fourth Street
P.O. Box 383
Stoughton, WI 53589-0383

Serving Electric, Water & Wastewater Since 1886

NO. 2019 - 1
DECLARATION OF OFFICIAL INTENT

This is a Declaration of Official Intent of the City of Stoughton, Dane County, Wisconsin (the "Issuer") to reimburse an expenditure with proceeds of a borrowing or borrowings authorized by the Issuer. This Declaration is made under and pursuant to Income Tax Regulation Section 1.103-18. The undersigned has been designated as the entity authorized by the Issuer to make this Declaration of Official Intent Pursuant to a Resolution adopted on April 13, 1993. This Declaration of Official Intent is a public record maintained in the files of the Issuer and is available for public inspection pursuant to Subchapter II of Chapter 19 of the Wisconsin Statutes.

The undersigned hereby declares that it is the reasonable expectation of the Issuer to use proceeds of a borrowing or borrowings to be incurred by the Issuer to reimburse expenditures for the property, project, or program or from the fund(s) / account(s) described below:

1. Project* description:

   2019 Water Infrastructure Projects including but not limited to engineering, legal, Construction, etc., and Lead Meter Replacement

   (Provide a general functional description of the property, project or program for which the expenditure to be reimbursed is paid, e.g. "building program," "highway capital improvement program," "hospital equipment acquisition," "combined utility improvement program," etc.)

   or

2. Identify fund(s) / account(s):

   7450 - Water

   (Provide a general functional description of the purpose of the fund or account from which the expenditure to be reimbursed is paid, e.g. "Construction fund program" and "parks and recreation fund" and "highway fund.")

The maximum principal amount of the borrowing or borrowings to be incurred to reimburse expenditures for the above-described purposes is reasonably expected, on the date hereof, to be $1,000,000.00.

The Issuer intends to reimburse itself from borrowed funds within (1) one year after the expenditure is made or (2) one year after the facility is placed in service, whichever is later.

Stoughton Utilities

600 South Fourth Street
P.O. Box 383
Stoughton, WI 53589-0383

Serving Electric, Water & Wastewater Since 1886

Date: July 23, 2019

To: Stoughton Utilities Committee

From: Jamin T. Friedl, CPA
City of Stoughton Finance Director

Jill M. Weiss, P.E.
Stoughton Utilities Director

Subject: Declaration of Official Intent 2019-2

In order to preserve the ability to borrow funds for these equipment replacements later, it is requested that the Utilities Committee approve:

Declaration No. 2019-2	2020 Water Infrastructure Projects, including but not limited to engineering, legal, construction, etc. and Lead Meter Replacement, Lead Service Replacement, Water System Study, and Water Service Truck #23 Replacement for $900,000.

Stoughton Utilities

600 South Fourth Street
P.O. Box 383
Stoughton, WI 53589-0383

Serving Electric, Water & Wastewater Since 1886

NO. 2019 - 2
DECLARATION OF OFFICIAL INTENT

This is a Declaration of Official Intent of the City of Stoughton, Dane County, Wisconsin (the "Issuer") to reimburse an expenditure with proceeds of a borrowing or borrowings authorized by the Issuer. This Declaration is made under and pursuant to Treas. Reg. Section 1.150-2. The undersigned has been designated as the entity authorized by the Issuer to make this Declaration of Official Intent Pursuant to a Resolution adopted on April 13, 1993. This Declaration of Official Intent is a public record maintained in the files of the Issuer and is available for public inspection pursuant to Subchapter II of Chapter 19 of the Wisconsin Statutes.

The undersigned hereby declares that it is the reasonable expectation of the Issuer to use proceeds of a borrowing or borrowings to be incurred by the Issuer to reimburse expenditures for the property, project, or program or from the fund(s) / account(s) described below:

1. Project* description:

   2020 Water Infrastructure Projects including but not limited to engineering, legal, Construction, etc. and Lead Meter Replacement, Lead Service Replacement, Water System Study, and Water Service Truck #23 replacement.

   (Provide a general functional description of the property, project or program for which the expenditure to be reimbursed is paid, e.g. "building program," "highway capital improvement program," "hospital equipment acquisition," "combined utility improvement program," etc.)

   or

2. Identify fund(s) / account(s):

   7450 - Water

   (Provide a general functional description of the purpose of the fund or account from which the expenditure to be reimbursed is paid, e.g. "Construction fund program" and "parks and recreation fund" and "highway fund.")

The maximum principal amount of the borrowing or borrowings to be incurred to reimburse expenditures for the above-described purposes is reasonably expected, on the date hereof, to be $900,000.00.

The Issuer intends to reimburse itself from borrowed funds within (1) one year after the expenditure is made or (2) one year after the facility is placed in service, whichever is later.