

The logo for BAIRD is a blue parallelogram tilted to the right, containing the word "BAIRD" in white, bold, serif capital letters.

BAIRD

City of Appleton

Final Pricing Summary

August 16, 2023

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Borrowing Amount / Structure / Purpose – General Obligation Promissory Notes, Series 2023

Amount:	\$20,200,000
Issue:	General Obligation Promissory Notes, Series 2023
Purpose:	2023 CIP: \$6,253,537 Library: \$9,922,500 TID #11: \$4,023,776
Structure:	Matures April 1, 2024-2033
First Interest:	April 1, 2024
Callable:	April 1, 2030
Interest Rate:	3.46%
Moody's Rating:	Aa1



Financing Plan – General Obligation Promissory Notes, Series 2023

		FINAL 2023 NOTES					
		\$20,200,000					
		General Obligation Promissory Notes, Series 2023					
		September 6, 2023					
		(First Interest April 1, 2024)					
		<i>2023 CIP Projects: \$6,253,537; 2023 Library: \$9,922,500; TID #11: \$4,023,776</i>					
YEAR	EXISTING LEVY SUPPORTED DUE	PRINCIPAL (4/1)	INTEREST (4/1 & 10/1) TIC 3.46%	LESS: BID PREMIUM	TOTAL	TOTAL EXISTING & 2023 DEBT SERVICE (Lewy)	YEAR DUE
2023	\$13,437,689					\$13,437,689	2023
2024	\$13,006,003	\$1,255,000	\$950,535	(\$1,019,541)	\$1,185,994	\$13,794,989	2024
2025	\$12,916,425	\$600,000	\$840,400		\$1,440,400	\$13,795,384	2025
2026	\$12,538,675	\$510,000	\$812,650		\$1,322,650	\$13,381,625	2026
2027	\$12,010,800	\$625,000	\$784,275		\$1,409,275	\$12,942,750	2027
2028	\$9,237,613	\$2,540,000	\$705,150		\$3,245,150	\$12,003,688	2028
2029	\$7,733,050	\$2,675,000	\$574,775		\$3,249,775	\$10,503,000	2029
2030	\$6,242,400	\$2,810,000	\$437,650		\$3,247,650	\$9,010,475	2030
2031	\$3,531,800	\$2,940,000	\$308,600		\$3,248,600	\$6,299,900	2031
2032	\$1,698,300	\$3,060,000	\$188,600		\$3,248,600	\$4,469,100	2032
2033		\$3,185,000	\$63,700		\$3,248,700	\$2,769,300	2033
	<u>\$92,352,754</u>	<u>\$20,200,000</u>	<u>\$5,666,335</u>	<u>(\$1,019,541)</u>	<u>\$24,846,794</u>	<u>\$112,407,899</u>	

(A) Net of bid premium from the 2022 Notes.



Debt Service Allocation – General Obligation Promissory Notes, Series 2023

2023 DEBT SERVICE ALLOCATION				
YEAR DUE	CIP (Lewy)	LIBRARY (Lewy)	TID #11 (TID Supported)	YEAR DUE
2023	\$0	\$0	\$0	2023
2024	\$788,986	\$0	\$477,124	2024
2025	\$516,025	\$362,934	\$481,325	2025
2026	\$399,900	\$443,050	\$479,700	2026
2027	\$488,900	\$443,050	\$477,325	2027
2028	\$894,650	\$1,871,425	\$479,075	2028
2029	\$898,650	\$1,871,300	\$479,825	2029
2030	\$895,775	\$1,872,300	\$479,575	2030
2031	\$895,200	\$1,872,900	\$480,500	2031
2032	\$897,100	\$1,873,700	\$477,800	2032
2033	\$897,600	\$1,871,700	\$479,400	2033
	\$7,572,786	\$12,482,359	\$4,791,649	

City of Appleton
FINAL PRICING SUMMARY

August 16, 2023



Potential Future Borrowing Debt Service – General Obligation

**Periods of level
payments are boxed**

YEAR DUE	TOTAL EXISTING & 2023 NOTES DEBT SERVICE (Levy)	POTENTIAL FUTURE BORROWING DEBT SERVICE				COMBINED G.O. DEBT SERVICE (Levy)	YEAR DUE
		CIP BORROWINGS ^{(B)(C)} (Levy)	2026 ^{(B)(C)}	2028 ^{(B)(C)}	2030 ^{(B)(C)}		
2023	\$13,437,689					\$13,437,689	2023
2024	\$13,794,989	\$0				\$13,794,989	2024
2025	\$13,795,384	\$611				\$13,795,995	2025
2026	\$13,381,625	\$417,039				\$13,798,664	2026
2027	\$12,942,750	\$817,411	\$380,217			\$14,140,377	2027
2028	\$12,003,688	\$1,760,879	\$376,900			\$14,141,466	2028
2029	\$10,503,000	\$2,507,134	\$377,713	\$756,097		\$14,143,944	2029
2030	\$9,010,475	\$3,997,223	\$378,150	\$756,723		\$14,142,570	2030
2031	\$6,299,900	\$6,372,354	\$378,213	\$754,310	\$335,500	\$14,140,276	2031
2032	\$4,469,100	\$8,202,846	\$377,900	\$756,285	\$336,538	\$14,142,668	2032
2033	\$2,769,300	\$9,902,165	\$381,750	\$752,648	\$338,838	\$14,144,700	2033

(B) This information is provided for information purposes only. It does not recommend any future issuances and is not intended to be, and should not be regarded as, advice.

(C) Assumes future borrowings, as described below, using estimated interest rates of approximately 3.00%:

	Potential Future Borrowings			
	General Purposes	2026	2028	2030
2024	\$9,000,000			
2025	\$9,000,000			
2026	\$6,350,000	\$4,500,000		
2027	\$10,500,000			
2028	\$8,500,000		\$9,000,000	
2029	\$9,500,000			
2030	\$7,500,000			\$4,000,000
2031	\$6,500,000			
2032	\$6,500,000			
2033	\$6,500,000			

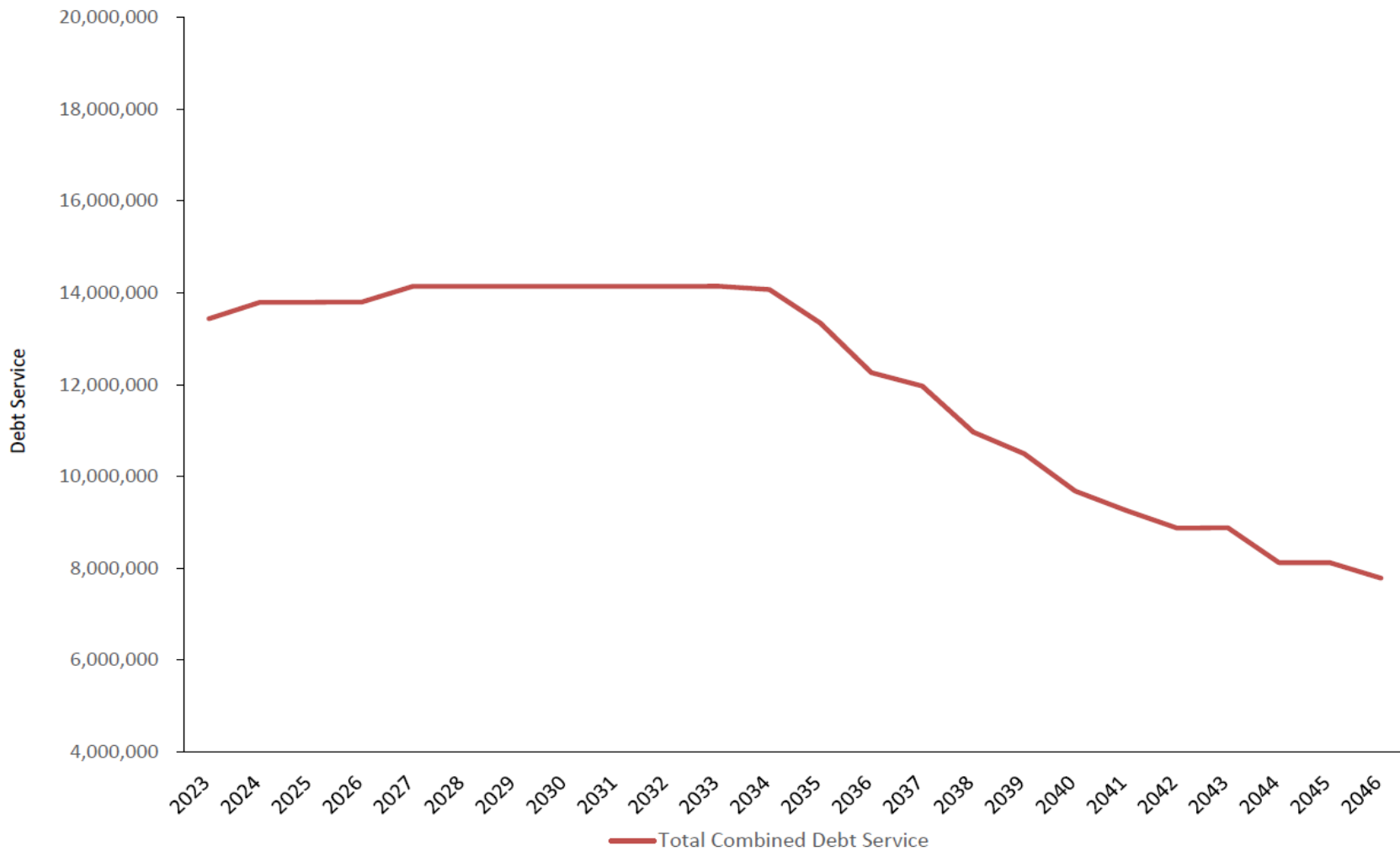
City of Appleton

FINAL PRICING SUMMARY

August 16, 2023



Total Combined Debt Service



Note: Includes existing and hypothetical future issues.

CREDIT OPINION

8 August 2023



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City of Appleton, WI

Update to credit analysis

Summary

[Appleton](#), WI (Aa1) serves as a regional economic hub and benefits from continued development, which supports tax base growth and, by extension, property tax revenue. The city's financial position is robust, which somewhat offsets state imposed limits on raising revenue for governmental activities. Although fixed costs are moderate, the city's overall total leverage is above average for the rating category.

Credit strengths

- » Growing economy
- » Strong financial position

Credit challenges

- » Growth in property tax revenue constrained by strict state-imposed revenue limits
- » Elevated long-term liabilities for rating category

Rating outlook

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

Factors that could lead to an upgrade

- » Further expansion of the economy coupled with improved resident wealth and income
- » Moderation of leverage

Factors that could lead to a downgrade

- » Material narrowing of operating reserves
- » Significant increase in city's leverage

Key indicators

Exhibit 1

Appleton (City of) WI

	2019	2020	2021	2022	Aa Medians
Economy					
Resident income ratio (%)	98.7%	102.5%	106.0%	N/A	115.0%
Full Value (\$000)	\$5,855,357	\$6,200,311	\$6,688,361	\$7,511,516	\$2,649,338
Population	74,139	73,891	74,752	N/A	22,694
Full value per capita (\$)	\$78,978	\$83,912	\$89,474	\$100,486	\$108,666
Economic growth metric (%)	N/A	0.0%	-0.4%	N/A	-0.5%
Financial Performance					
Revenue (\$000)	\$145,158	\$143,490	\$145,317	\$148,904	\$48,404
Available fund balance (\$000)	\$77,187	\$92,785	\$105,215	\$116,023	\$24,069
Net unrestricted cash (\$000)	\$118,581	\$133,491	\$148,303	\$161,980	\$32,092
Available fund balance ratio (%)	53.2%	64.7%	72.4%	77.9%	51.0%
Liquidity ratio (%)	81.7%	93.0%	102.1%	108.8%	69.0%
Leverage					
Debt (\$000)	\$165,500	\$188,148	\$195,465	\$203,794	\$34,496
Adjusted net pension liabilities (\$000)	\$132,793	\$177,073	\$222,608	\$209,470	\$55,543
Adjusted net OPEB liabilities (\$000)	\$5,038	\$5,378	\$5,410	\$4,641	\$6,316
Other long-term liabilities (\$000)	\$9,994	\$10,452	\$15,590	\$15,009	\$1,623
Long-term liabilities ratio (%)	215.9%	265.6%	302.1%	290.7%	244.8%
Fixed costs					
Implied debt service (\$000)	\$12,162	\$12,067	\$13,474	\$13,710	\$2,436
Pension tread water contribution (\$000)	\$4,318	\$2,613	\$1,863	N/A	\$1,565
OPEB contributions (\$000)	\$386	\$370	\$414	\$336	\$178
Implied cost of other long-term liabilities (\$000)	\$749	\$729	\$748	\$1,093	\$109
Fixed-costs ratio (%)	12.1%	11.0%	11.4%	11.4%	11.1%

For definitions of the metrics in the table above please refer to the [US Cities and Counties Methodology](#) or see the Glossary in the Appendix below. Metrics represented as N/A indicate the data were not available at the time of publication. The medians come from our most recently published [US Cities and Counties Median Report](#).

The Economic Growth metric cited above compares the five-year CAGR of real GDP for Appleton, WI Metropolitan Statistical Area to the five-year CAGR of real GDP for the US.

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

Profile

Appleton encompasses 24 square miles primarily in Outagamie (Aaa) and Calumet Counties, as well as a small portion of Winnebago County (Aa1), approximately 30 miles southwest of Green Bay (Aa3). It provides a full range of municipal services, including public safety, public works and municipal utilities, to over 74,000 residents.

Detailed credit considerations

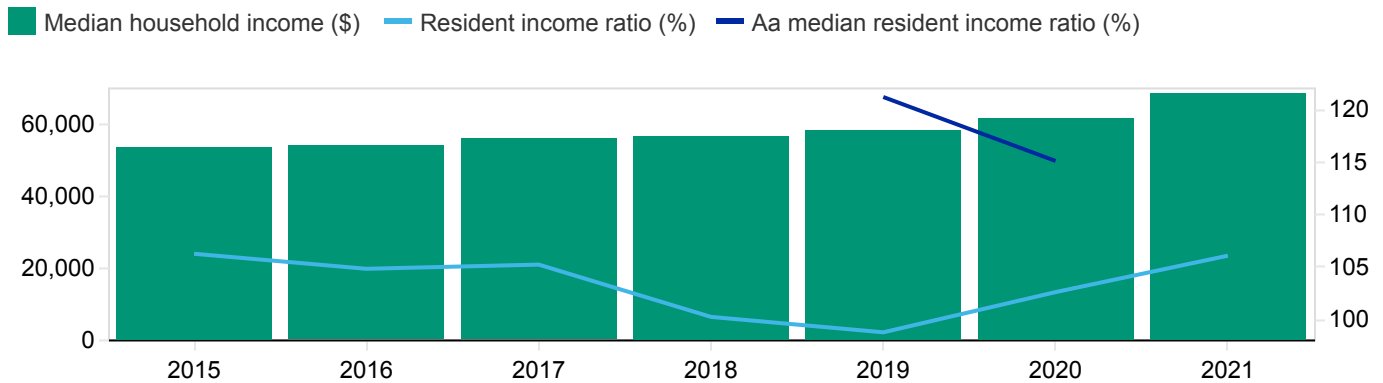
Economy: economic hub with steady development

Appleton's economic base is likely to remain stable because of continued commercial and residential development, though the pace of growth has trailed the nation. The MSA's real gross domestic product grew at a 5-year CAGR of 1.7% through 2021, compared to national growth of 2.1%. Adjusted median household income is above the national figure at 106% and full value per capita is slightly below average at about \$100,486. The population of Appleton has grown modestly over the past decade. Unemployment in Appleton at 2.6% as of May 2023, tracked lower than that of the state (2.7%) and nation (3.4%).

As the county seat, Appleton serves as a major employment center, with the local economy historically characterized by paper manufacturing. While the manufacturing industry continues to play a significant role in the economy, there is notable diversity in the city's largest employers, which include ThedaCare (6,800 employees), Affinity Health System (3,900 employees), US Venture Inc. (2,500 employees) and Boldt Company (2,001 employees).

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the issuer/deal page on <https://ratings.moody.com> for the most updated credit rating action information and rating history.

Exhibit 2
Resident Income



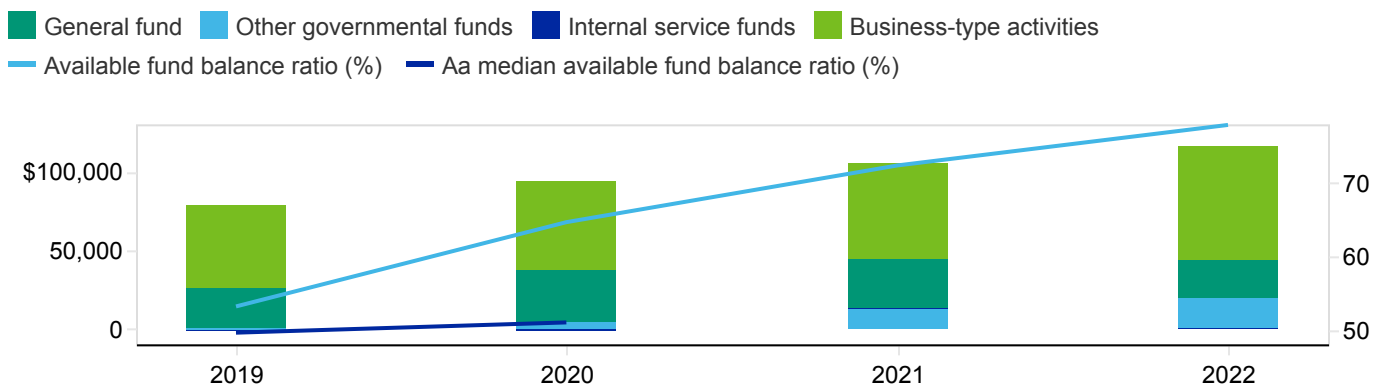
Source: Moody's Investors Service

Financial operations: Strong financial position and well managed operations

The city's financial operations are likely to remain strong because of ongoing economic development and the city's proactive budget management. The fiscal 2023 general fund budget reflects balanced operations. But, given the city's conservative budgetary management and history of outperforming its budget, it will likely generate positive variances by year-end. Fiscal 2022 available fund balance (total governmental available fund balance + business-type net current assets) totaled a strong 71% of revenue with the majority held in the city's wastewater and stormwater fund (exhibit 3).

General fund activities comprise roughly of 67% of total governmental revenue. The largest single source of revenue in the city's governmental funds is property taxes which totaled about 61% of governmental fund revenue in fiscal 2022 followed by intergovernmental revenue from the state at about 25%. Property taxes are subject to strict levy limits apart from new construction, which has led to revenue growth from ongoing development. Business-type activities comprise roughly 38% of the city's total revenue, which consist of water, wastewater, stormwater, valley transit fund and nonmajor funds.

Exhibit 3
Fund Balance

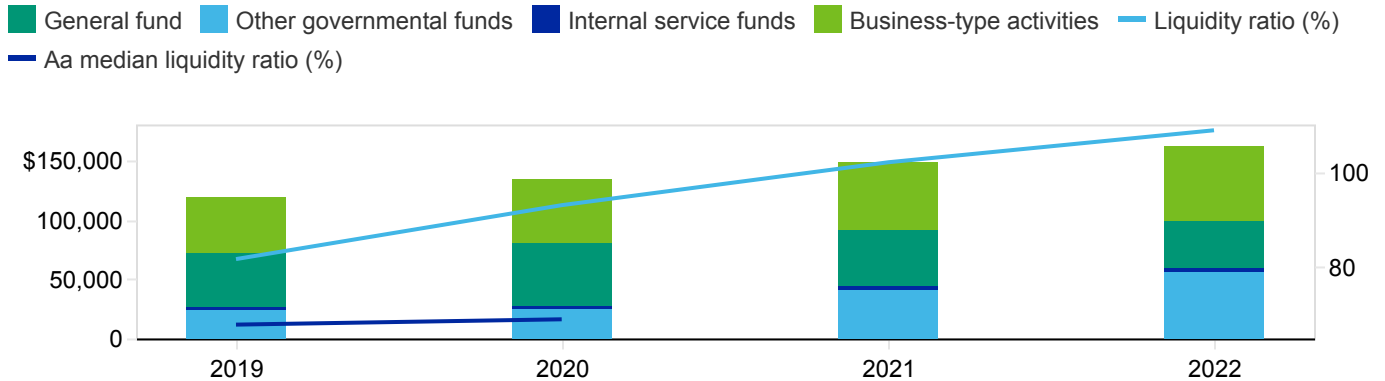


Source: Moody's Investors Service

Liquidity

The city's liquidity position is very strong, with unrestricted cash equivalent to 109% of revenue in fiscal 2022. Liquidity is stronger than available fund balance given funds restricted for economic development in the city's TID funds along with special revenue funds for restricted purposes. Most cash is held in the city's general fund and other governmental funds (see exhibit 4).

Exhibit 4
Cash

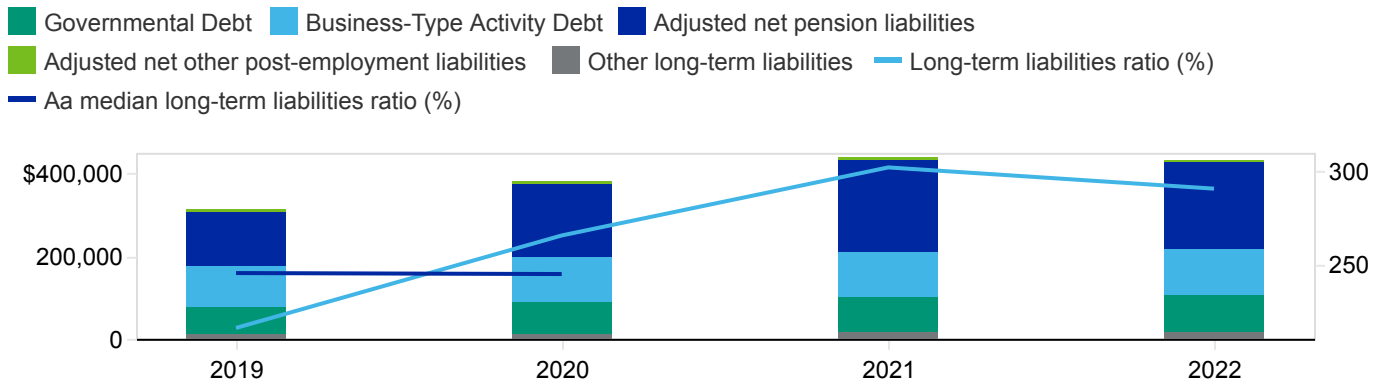


Source: Moody's Investors Service

Leverage: slightly elevated long-term liabilities and moderate fixed costs

Fixed costs are manageable though the city's leverage is above average. Appleton is in the process of issuing \$20 million of general obligation unlimited tax (GOULT) bonds for capital projects. Following the sale, total leverage will equal about 305% of fiscal 2022 revenue. Management expects to issue debt in the next two to three years to finance the capital improvement plan, with roughly \$9 million in projects scheduled annually. Fixed costs, inclusive of debt service and pension contributions, were 11% of operating revenue in fiscal 2022.

Exhibit 5
Total Primary Government - Long Term Liabilities



Source: Moody's Investors Service

Legal security

The city's outstanding GOULT debt, including the current issuance, is backed by its 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 rapid with 100% of debt retired within 10 years.

Debt-related derivatives

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

Pensions and OPEB

Appleton's 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 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.

ESG considerations**Environmental**

The city's credit profile is not materially affected by environmental considerations. According to data from Moody's Climate on Demand, Appleton is at medium risk of heat stress and water stress compared to other cities nationally. Typically, counties maintains a comprehensive plan for mitigation and response in the event of disaster

Social

Social considerations such as demographics, labor force, income and education are material considerations that influence the city's economy, demographic, financial and leverage trends. Since the 2010 Census, the city's population has modestly expanded by 3% to approximately 74,750 residents. Located 30 miles outside Green Bay, the city maintains a healthy resident income profile and moderate poverty rate.

Governance

The city's formal fund balance policy requires a minimum general fund balance of 25% of budgeted expenditures and a designated fund balance of 25% of the subsequent year's debt service.

Wisconsin cities have an institutional framework score of "Aa". 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. The city's largest revenue source for governmental operations is property taxes, which are subject to the state cap.

Rating methodology and scorecard factors

The US Cities and Counties Rating Methodology includes a scorecard, which summarizes the rating factors generally most important to city and county credit profiles. Because the scorecard is a summary, and may not include every consideration in the credit analysis for a specific issuer, a scorecard-indicated outcome may or may not map closely to the actual rating assigned.

Exhibit 6

Appleton (City of) WI

	Measure	Weight	Score
Economy			
Resident income ratio	106.0%	10.0%	Aa
Full value per capita	100,486	10.0%	Aa
Economic growth metric	-0.4%	10.0%	Aa
Financial Performance			
Available fund balance ratio	77.9%	20.0%	Aaa
Liquidity ratio	108.8%	10.0%	Aaa
Institutional Framework			
Institutional Framework	Aa	10.0%	Aa
Leverage			
Long-term liabilities ratio	290.7%	20.0%	A
Fixed-costs ratio	11.4%	10.0%	Aa
Notching factors			
No notchings applied			
Scorecard-Indicated Outcome			Aa2
Assigned Rating			Aa1

The complete list of outstanding ratings assigned to the Appleton (City of) WI is available on their [issuer page](#). Details on the current ESG scores assigned to the Appleton (City of) WI are available on their [ESGView page](#).

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

Appendix

Exhibit 7

Key Indicators Glossary

	Definition	Typical Source*
Economy		
Resident income ratio	Median Household Income (MHI) for the city or county, adjusted for Regional Price Parity (RPP), as a % of the US MHI	MHI: US Census Bureau - American Community Survey 5-Year Estimates RPP: US Bureau of Economic Analysis
Full value	Estimated market value of taxable property in the city or county	State repositories; audited financial statements; continuing disclosures
Population	Population of the city or county	US Census Bureau - American Community Survey 5-Year Estimates
Full value per capita	Full value / population	
Economic growth metric	Five year CAGR of real GDP for Metropolitan Statistical Area or county minus the five-year CAGR of real GDP for the US	Real GDP: US Bureau of Economic Analysis
Financial performance		
Revenue	Sum of revenue from total governmental funds, operating and non-operating revenue from total business-type activities, and non-operating revenue from internal services funds, excluding transfers and one-time revenue, e.g., bond proceeds or capital contributions	Audited financial statements
Available fund balance	Sum of all fund balances that are classified as unassigned, assigned or committed in the total governmental funds, plus unrestricted current assets minus current liabilities from the city's or county's business-type activities and internal services funds	Audited financial statements
Net unrestricted cash	Sum of unrestricted cash in governmental activities, business type activities and internal services fund, net of short-term debt	Audited financial statements
Available fund balance ratio	Available fund balance (including net current assets from business-type activities and internal services funds) / Revenue	
Liquidity ratio	Net unrestricted cash / Revenue	
Leverage		
Debt	Outstanding long-term bonds and all other forms of long-term debt across the governmental and business-type activities, including debt of another entity for which it has provided a guarantee disclosed in its financial statements	Audited financial statements; official statements
Adjusted net pension liabilities (ANPL)	Total primary government's pension liabilities adjusted by Moody's to standardize the discount rate used to compute the present value of accrued benefits	Audited financial statements; Moody's Investors Service
Adjusted net OPEB liabilities (ANOL)	Total primary government's net other post-employment benefit (OPEB) liabilities adjusted by Moody's to standardize the discount rate used to compute the present value of accrued benefits	Audited financial statements; Moody's Investors Service
Other long-term liabilities (OLTL)	Miscellaneous long-term liabilities reported under the governmental and business-type activities entries	Audited financial statements
Long-term liabilities ratio	Debt + ANPL + ANOL + OLTL / Revenue	
Fixed costs		
Implied debt service	Annual cost to amortize city or county's long-term debt over 20 years with level payments	Audited financial statements; official statements; Moody's Investors Service
Pension tread water contribution	Pension contribution necessary to prevent reported unfunded pension liabilities from growing, year over year, in nominal dollars, if all actuarial assumptions are met	Audited financial statements; Moody's Investors Service
OPEB contribution	City or county's actual contribution in a given period	Audited financial statements
Implied cost of OLTL	Annual cost to amortize city or county's other long-term liabilities over 20 years with level payments	Audited financial statements; Moody's Investors Service
Fixed-costs ratio	Implied debt service + Pension tread water + OPEB contributions + Implied cost of OLTL / Revenue	

*Note: If typical data source is not available then alternative sources or proxy data may be considered. For more detailed definitions of the metrics listed above please refer to the [US City and Counties Methodology](#).

Source: Moody's Investors Service

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