

Redevelopment Authority of the City of Appleton, Wisconsin

\$31,865,000 TAXABLE LEASE REVENUE BONDS, SERIES 2018
(FOX CITIES EXHIBITION CENTER PROJECT)
FINAL PRICING SUMMARY
APRIL 12, 2018



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|--|--|
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| Trustee | |
| Associated Trust Company, N.A. | |

Term Sheet

BAIRD



| | |
|--------------------------------|--|
| Issuer: | Redevelopment Authority of City of Appleton, Wisconsin |
| Description: | Taxable Lease Revenue Bonds, Series 2018 |
| Dated & Delivery Date: | May 1, 2018 |
| Principal Payment Date: | April 1 |
| Interest Payment Dates: | April 1 and October 1 |
| Maturities: | April 1, 2020-2033; 2038; 2043; 2048; and 2051 |
| Security: | Quiet Enjoyment Lease between City and RDA; 3% Regional Hotel Room Tax |
| Rating: | "AA" S&P Global |
| Par Amount of Bonds: | \$31,865,000 |
| Amount Available for Projects: | \$31,464,618.24 |
| DSFR Requirement: | \$2,414,308.66 |
| Tax Status: | Federally Taxable, State Tax-Exempt, not subject to AMT |

Baird Marketing Campaign

EDUCATING INVESTOR COMMUNITY

PRE-MARKETING

Due to a number of variables unique to the financing, Baird led a robust marketing campaign, educating institutional investor community on the nuances of the financing which was bundled in one email (i.e. Investor Toolkit") and included:

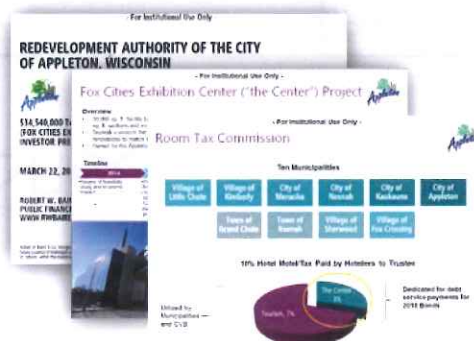
- Sales Memo
- Investor Presentation Slides and Live Webinar
- Preliminary Official Statement (offering document) and rating report
- Timing/Contacts

Sales Memo (Internal)

Internal, one-page document highlighting key components of financing that serves as a reference for Baird's sales force

Investor Presentation/Webinar

High level overview of project, financing, debt structure, revenue sources, and rating available as a handout and presentation led by Anthony Saucerman, Finance Director and John Mehan, Banker, that was recorded and made available electronically



RESULT OF EFFORTS

- National recognition from industry publication (Bloomberg News)
- More than 80 views of investor webinar by Baird Sales force and institutional investor
- \$114.355 million in orders received for the bonds from institutional investors

Timing

- **3/22** – Recording of Investor Presentation Webinar
- **3/28** – Release of Email "Investor Toolkit" to Baird's Institutional Sales Force
- **4/2** – Another release of Investor Toolkit
- **4/6** – Included of Baird negotiated sales calendar distributed to sales force
- **4/9-11** – Bankers fielded investor calls requesting additional information about the meeting
- **4/10** – Preliminary Pricing wires released
- **4/11** – Order period complete

Bloomberg

Wire: Bloomberg News (BN)

Date: Apr 10 2018 8:28:14

Wisconsin's Fox Cities Look to Beef Up Convention Business

By Amanda Albright

(Bloomberg) -- Cities and towns in northeast Wisconsin are betting on the convention center industry. Appleton, Wisconsin, located about 107 miles (172 kilometers) north of Milwaukee, is selling \$31.3 million in lease revenue bonds this week through a conduit to reimburse the city for building the 60,000-square-foot Fox Cities Exhibition Center, which includes space for meetings, trade shows and exhibitions. Ten cities, villages and towns in the area are supporting the financing with a 3 percent tax on hotel and motel rooms.

As the U.S. economy expands, more municipalities are investing in convention centers in the hopes of luring events -- and the cash they bring. New money issuance for convention centers rose almost 39 percent year-over-year to \$983 million in 2017, the most since 2010, according to Thomson Reuters data. Issuance this year totals about \$348.7 million, with seven deals sold already compared 12 in all of last year, the data show. Convention and trade show attendance climbed to 33.2 million in 2016, compared to about 29 million in 2009, according to the Center for Exhibition Industry Research.

The convention center in Appleton, which opened in January, will join a bustling tourism industry in the area, which is already home to a planetarium, several historic homes, and a museum with an exhibit on famous magician Harry Houdini. The area had been a mecca for the paper mills that flourished along the Fox River. The industry still has a presence in Appleton, with paper-oriented companies Appvion Inc. and Valley Packaging Industries, Inc. serving as some of Appleton's largest employers, according to bond offering documents.

S&P Global Ratings rated the bonds AA, citing the city's "adequate" economy in a March 13 report. The 10 localities reported room tax receipts of \$56.3 million in 2016, with about \$1.7 million of that being allocated to the exhibition center, according to meeting minutes from the Fox Cities Hotel Room Tax Commission.

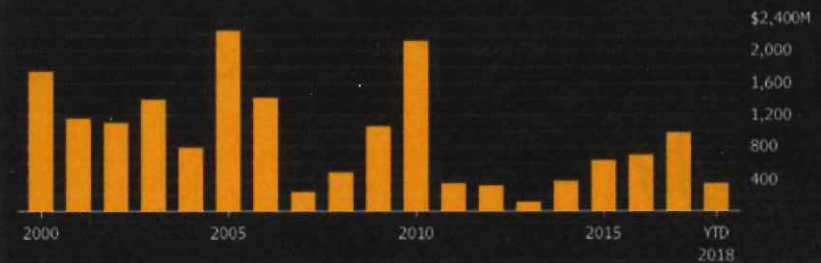
Building a convention center had been talked about for more than three decades, said Pam Seidl, executive director of the Fox Cities convention & Visitors Bureau. Conventions and meetings accounted for about a third of the \$463 million in visitor spending that the Fox Cities saw in 2016.

"When people aren't able to go to the big international conventions they're going to these regional and local conventions," Seidl added. "We knew we had an opportunity to bring these here."

Convention Craze

Muni issuance for convention centers is on track to beat 2017

■ New money convention center issuance



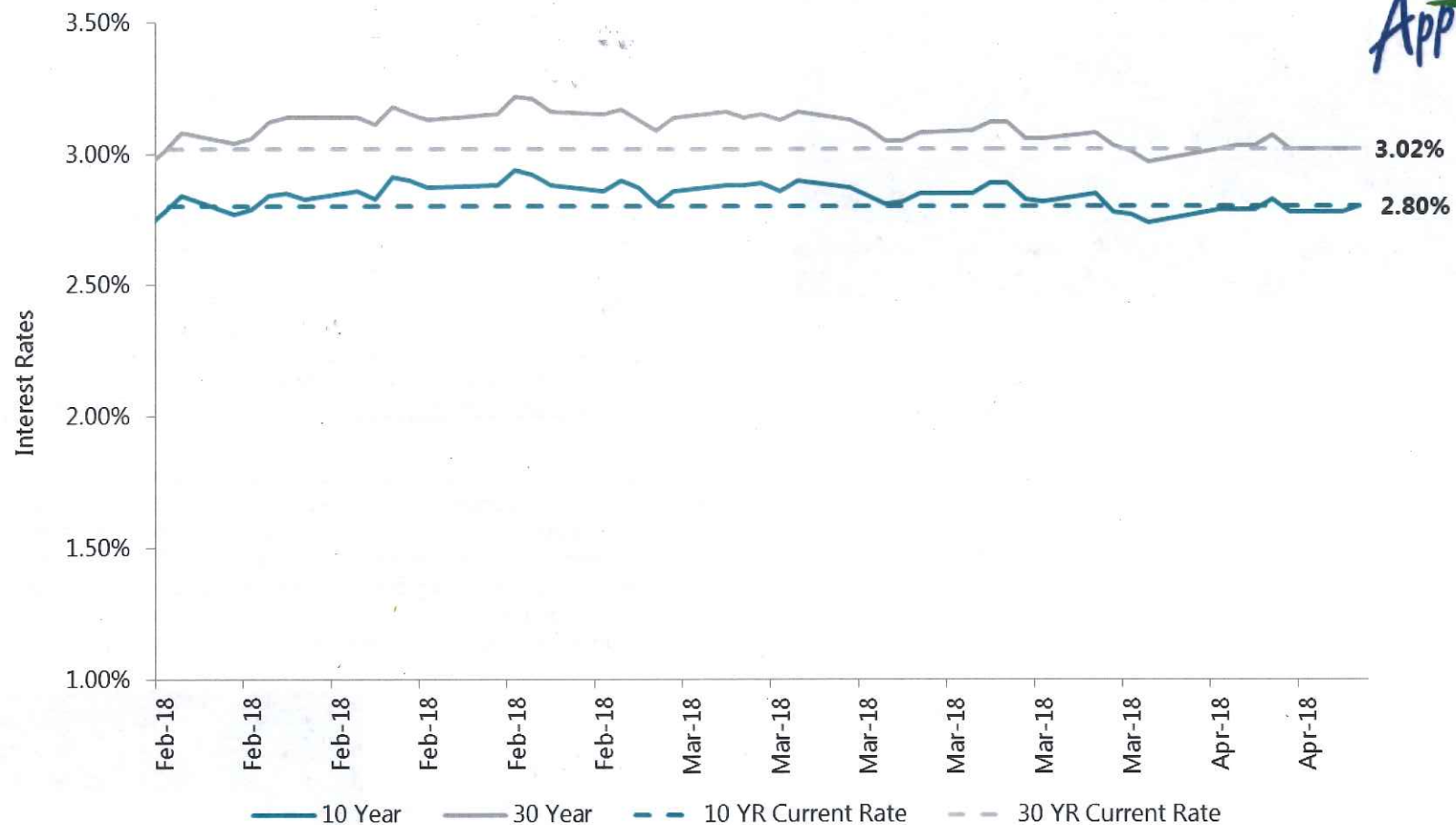
Source: Thomson Reuters

Bloomberg



U.S. Treasury Rates

TAXABLE INTEREST RATES FROM FEBRUARY 1 – APRIL 10, 2018



Source: US Department of the Treasury Website as of April 10, 2018

Pricing Summary

BAIRD



| | |
|----------------------|---------------|
| Par Amount of Bonds: | \$31,865,000 |
| Final Maturity: | April 1, 2051 |
| Optional Call Date: | April 1, 2026 |
| True Interest Rate: | 4.27% |
| Average Coupon Rate: | 4.17% |
| Average Life: | 23.837 years |

BOND PRICING

**Redevelopment Authority of the City of Appleton
Taxable Lease Revenue Bonds, Series 2018
(Fox Cities Exhibition Center Project)
First Optional Redemption: April 1, 2026 at Par
*** Final Pricing *****

| Bond Component | Maturity Date | Amount | Rate | Yield | Price | Principal Cost |
|-----------------|---------------|------------|--------|--------|---------|----------------|
| Serial Bonds: | | | | | | |
| | 04/01/2020 | 100,000 | 2.800% | 2.800% | 100.000 | 100,000.00 |
| | 04/01/2021 | 100,000 | 2.890% | 2.890% | 100.000 | 100,000.00 |
| | 04/01/2022 | 125,000 | 3.090% | 3.090% | 100.000 | 125,000.00 |
| | 04/01/2023 | 150,000 | 3.150% | 3.150% | 100.000 | 150,000.00 |
| | 04/01/2024 | 200,000 | 3.300% | 3.300% | 100.000 | 200,000.00 |
| | 04/01/2025 | 225,000 | 3.410% | 3.410% | 100.000 | 225,000.00 |
| | 04/01/2026 | 270,000 | 3.510% | 3.510% | 100.000 | 270,000.00 |
| | 04/01/2027 | 315,000 | 3.620% | 3.620% | 100.000 | 315,000.00 |
| | 04/01/2028 | 360,000 | 3.720% | 3.720% | 100.000 | 360,000.00 |
| | 04/01/2029 | 410,000 | 3.820% | 3.820% | 100.000 | 410,000.00 |
| | 04/01/2030 | 465,000 | 3.870% | 3.870% | 100.000 | 465,000.00 |
| | 04/01/2031 | 520,000 | 3.920% | 3.920% | 100.000 | 520,000.00 |
| | 04/01/2032 | 580,000 | 3.970% | 3.970% | 100.000 | 580,000.00 |
| | 04/01/2033 | 645,000 | 4.020% | 4.020% | 100.000 | 645,000.00 |
| | | 4,465,000 | | | | 4,465,000.00 |
| 2038 Term Bond: | | | | | | |
| | 04/01/2034 | 800,000 | 4.030% | 4.030% | 100.000 | 800,000.00 |
| | 04/01/2035 | 875,000 | 4.030% | 4.030% | 100.000 | 875,000.00 |
| | 04/01/2036 | 950,000 | 4.030% | 4.030% | 100.000 | 950,000.00 |
| | 04/01/2037 | 1,030,000 | 4.030% | 4.030% | 100.000 | 1,030,000.00 |
| | 04/01/2038 | 1,115,000 | 4.030% | 4.030% | 100.000 | 1,115,000.00 |
| | | 4,770,000 | | | | 4,770,000.00 |
| 2043 Term Bond: | | | | | | |
| | 04/01/2039 | 1,115,000 | 4.130% | 4.130% | 100.000 | 1,115,000.00 |
| | 04/01/2040 | 1,210,000 | 4.130% | 4.130% | 100.000 | 1,210,000.00 |
| | 04/01/2041 | 1,315,000 | 4.130% | 4.130% | 100.000 | 1,315,000.00 |
| | 04/01/2042 | 1,420,000 | 4.130% | 4.130% | 100.000 | 1,420,000.00 |
| | 04/01/2043 | 1,535,000 | 4.130% | 4.130% | 100.000 | 1,535,000.00 |
| | | 6,595,000 | | | | 6,595,000.00 |
| 2048 Term Bond: | | | | | | |
| | 04/01/2044 | 1,655,000 | 4.230% | 4.230% | 100.000 | 1,655,000.00 |
| | 04/01/2045 | 1,785,000 | 4.230% | 4.230% | 100.000 | 1,785,000.00 |
| | 04/01/2046 | 1,920,000 | 4.230% | 4.230% | 100.000 | 1,920,000.00 |
| | 04/01/2047 | 2,060,000 | 4.230% | 4.230% | 100.000 | 2,060,000.00 |
| | 04/01/2048 | 2,215,000 | 4.230% | 4.230% | 100.000 | 2,215,000.00 |
| | | 9,635,000 | | | | 9,635,000.00 |
| 2051 Term Bond: | | | | | | |
| | 04/01/2049 | 2,375,000 | 4.280% | 4.280% | 100.000 | 2,375,000.00 |
| | 04/01/2050 | 2,545,000 | 4.280% | 4.280% | 100.000 | 2,545,000.00 |
| | 04/01/2051 | 1,480,000 | 4.280% | 4.280% | 100.000 | 1,480,000.00 |
| | | 6,400,000 | | | | 6,400,000.00 |
| | | 31,865,000 | | | | 31,865,000.00 |

RatingsDirect®

Summary:

Appleton, Wisconsin Appleton Redevelopment Authority; Appropriations

Primary Credit Analyst:

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Related Research

Summary:

Appleton, Wisconsin Appleton Redevelopment Authority; Appropriations

Credit Profile

US\$31.8 mil taxable lse rev bnds (Appleton) (Fox Cities Exhibition Center Proj) ser 2018 dtd 04/01/2018 due 04/01/2054

Long Term Rating

AA/Stable

New

Rationale

S&P Global Ratings assigned its 'AA' rating to the Appleton Redevelopment Authority, Wis. series 2018 taxable lease revenue bonds. The outlook is stable.

The bonds are secured by revenues from a 3% regional hotel room tax paid directly to the bond trustee, and by lease-rental payments paid by the city directly to the bond trustee pursuant to a trust indenture between the issuer and trustee and a lease between the city as lessee and the authority as lessor. Appleton is also committed under the lease to replenish the debt service reserve fund held by the bond trustee, if needed. Rent is payable from any legally available funds of the city without a dedicated debt service levy, and the city's rental payments are not subject to annual appropriation. The city's obligation under Wisconsin statute for lease-type debt is subject to the city's "quiet enjoyment" of the property with an "occupancy and use" option on the part of the lessee to terminate the lease in the event of a "material disturbance," which is defined in the lease in the following terms:

- Lessor breaches its lease obligations, resulting in the inability of the city to operate the exhibition center;
- Lessor loses its title to the leased property; or
- Loss of the leased property through eminent domain/condemnation, or major damage or destruction of the leased property with the inability to restore, repair, or replace it within one year.

The city's ability to terminate the lease and refuse to make lease payments is optional, not mandatory, which we believe precludes the need for business interruption insurance. The city is required under the lease to maintain hazard insurance in the amount of 100% of the insurable value of the leased property.

The city's payments are not subject to annual appropriation. Its rental payments under the lease will be annually reduced by room tax revenues and other amounts on deposit in the bond fund. Although the city is ultimately responsible for debt service, management anticipates a certain amount of growth in the pledged hotel tax revenues that will obviate the need for city contributions to debt service. If there is no growth in tax revenues, management anticipates that the city will not have to make any rental payments for debt service until after 2030. The bonds are subject to mandatory redemption from surplus tax revenues held in the bond fund.

The authority is a component unit of Appleton. S&P Global Ratings does not rate any of the city's unlimited-tax general obligation (GO) debt, and does not have a public issuer credit rating (ICR) on the city.

The authority will use bond proceeds to reimburse the city for expenditures made in connection with the building of the Fox Cities Exhibition Center, which opened in January 2018 in Appleton.

The rating reflects the following credit characteristics of the city, including its:

- Adequate economy, with access to a broad and diverse metropolitan statistical area (MSA);
- Adequate management, with "standard" financial policies and practices under our Financial Management Assessment (FMA) methodology;
- Adequate budgetary performance, with operating results that we expect may not be as strong in the near term relative to fiscal 2016, which closed with break-even operating results in the general fund but a slight operating surplus at the total governmental fund level;
- Very strong budgetary flexibility, with an available fund balance in fiscal 2016 of 38% of operating expenditures;
- Very strong liquidity, with total government available cash at 91.2% of total governmental fund expenditures and 12.5x governmental debt service, and access to external liquidity we consider strong;
- Strong debt and contingent liability position, with debt service carrying charges at 7.3% of expenditures and net direct debt that is 105.7% of total governmental fund revenue, as well as low overall net debt at less than 3% of market value and rapid amortization, with 69.1% of debt scheduled to be retired in 10 years, but significant medium-term debt plans; and
- Strong institutional framework score.

Adequate economy

We consider Appleton's economy adequate. The city, with an estimated population of 73,332, is in Calumet, Outagamie, and Winnebago counties in eastern Wisconsin, about 30 miles southwest of Green Bay. It is the Outagamie County seat and is in the Appleton and Oshkosh-Neenah MSAs, which we consider to be broad and diverse. It has a projected per capita effective buying income of 92.8% of the national level and per capita market value of \$71,223. Overall, market value grew by 5.8% over the past year to \$5.2 billion in 2018. The weight-averaged unemployment rate of the counties was 3.6% in 2016.

Appleton is a retail and service center for the Fox Valley region. The city is mostly residential, which makes up 70% of total equalized value (EV), with commercial and manufacturing properties accounting for another 27%.

Leading local employers include:

- Affinity Health (5,170 employees);
- Thrivent Investment Management (2,000), an insurance and real estate company;
- Appleton Area School District (1,870);
- Miller Electric Manufacturing Co. (1,480);
- Appleton Medical Center (1,430); and

- Outagamie County government (1,250).

The city is also home Lawrence University, a private four-year college with 1,500 students. We believe that the university, which is featured in the educational guide "Colleges That Change Lives," is an important economic anchor for the city. In addition to working locally, some residents commute to other nearby Fox Valley cities such as Neenah and Oshkosh, and to Green Bay for additional employment opportunities.

The tax base in terms of EV and including tax-increment districts increased 13% to \$5.22 billion from 2013 to 2017. The tax base is very diverse with the 10 leading taxpayers accounting for only 6.5% of total EV.

Adequate management

We view the city's management as adequate, with "standard" financial policies and practices under our FMA methodology, indicating the finance department maintains adequate policies in some, but not all, key areas.

Appleton uses three-year historical trends, updated tax base information from the county assessor, and state information on revenue sharing to formulate budgeted revenue and expenditures. The annual operating levy cap is set by the state in two-year increments as part of the state's budgeting process. Management provides the city's common council with a semiannual budget reports. It does not use multiyear financial projections. Capital spending is budgeted according to a five-year capital improvement plan that management updates annually.

Appleton has its own council-approved investment and debt management policies. There are no regular investment reports to the council. The city's formal reserve policy requires the maintenance of a 25% unreserved general fund balance in terms of the following year's appropriations to cover cash flow needs and contingencies. In addition to this amount, the reserve policy also requires that the general fund hold 25% of the following year's budgeted debt service.

Adequate budgetary performance

Appleton's budgetary performance is adequate, in our opinion. The city had break-even operating results in the general fund, but a slight surplus result across all governmental funds of 1.3% in fiscal 2016. Our assessment accounts for the fact that we expect budgetary results may not be as strong as 2016 results in the near term.

For fiscal 2017, management expects the general fund will report a \$1.1 million shortfall after transfers because of a taxpayer settlement and higher-than-budgeted health care costs. The city structured its fiscal 2018 general fund budget with break-even operations after transfers. Given management's expectations for fiscal 2018, we believe that budgetary performance will be at least adequate over the near term.

Very strong budgetary flexibility

Appleton's budgetary flexibility is very strong, in our view, with an available fund balance in fiscal 2016 of 38% of operating expenditures, or \$22.5 million. We expect the available fund balance to remain above 30% of expenditures for the current and next fiscal years, which we view as a positive credit factor. Over the past three years, the total available fund balance has remained at a consistent level overall, totaling 39% of expenditures in 2015 and 38% in 2014.

Flexibility consists of assigned and unassigned general fund balances. Due to management's expectations for fiscal years 2017 and 2018, we expect budgetary flexibility will likely be very strong over the next few fiscal years.

Very strong liquidity

In our opinion, Appleton's liquidity is very strong, with total government available cash at 91.2% of total governmental fund expenditures and 12.5x governmental debt service in 2016. In our view, the city has strong access to external liquidity if necessary.

Liquidity is \$72.5 million of unrestricted cash and investments held in the governmental and enterprise funds at fiscal year-end 2016. The city has demonstrated strong access to external liquidity with the frequent issuance of GO and revenue debt. We understand the city does not have any direct-purchase, private-placement, or variable-rate debt that might pressure liquidity.

Despite having wide investment leeway under state law, the city holds its cash in bank accounts and invests primarily in U.S. government agency obligations. Due to management's expectations for fiscal years 2017 and 2018, we expect liquidity to remain very strong over the near term.

Strong debt and contingent liability profile

In our view, Appleton's debt and contingent liability profile is strong. Total governmental fund debt service is 7.3% of total governmental fund expenditures, and net direct debt is 105.7% of total governmental fund revenue. Overall net debt is low at 2.7% of market value, and approximately 69.1% of the direct debt is scheduled to be repaid within 10 years, which are, in our view, positive credit factors. Negatively affecting our view of the city's debt profile is its significant medium-term debt plans.

Management reports that the city plans to issue \$37 million of new-money GO debt over the next two years.

Appleton's combined required pension and actual other postemployment benefit contributions totaled 4.9% of total governmental fund expenditures in 2016. The city made its full annual required pension contribution in 2016.

All eligible city employees participate in Wisconsin Retirement System (WRS), a statewide, multiemployer, defined-benefit pension plan. WRS is nearly 100% funded on a statewide basis. The city pays 100% of its annually required employer contribution to the plan, which is about half of the total contribution and amounted to \$3.6 million in fiscal 2016. The city does not subsidize retiree health care.

Strong institutional framework

The institutional framework score for Wisconsin cities and villages with a population greater than 25,000 is strong.

Outlook

The stable outlook reflects S&P Global Ratings' expectation that it expects Appleton's management to take the steps necessary to maintain balanced general fund operations in most years, resulting in the maintenance of very strong financial flexibility and liquidity. Although the city's commitments under the lease could pressure its budget over the long run, we do not expect them to have much of an effect, if any, on the budget over the near term. We therefore do not expect to change the rating over the two-year outlook horizon.

Upside scenario

We could raise the rating if Appleton's economy were to show sustainable improvement to levels we consider commensurate with higher rated peers, along with the city's maintenance of at least adequate budgetary performance and very strong flexibility and liquidity.

Downside scenario

We could lower the rating if general fund performance were to worsen and be sustained at a weak level, resulting in deteriorated flexibility. The rating could also be pressured should we no longer consider the city's MSA economy to be broad and diverse.

Related Research

- S&P Public Finance Local GO Criteria: How We Adjust Data For Analytic Consistency, Sept. 12, 2013
- Incorporating GASB 67 And 68: Evaluating Pension/OPEB Obligations Under Standard & Poor's U.S. Local Government GO Criteria, Sept. 2, 2015

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.standardandpoors.com for further information. Complete ratings information is available to subscribers of RatingsDirect at www.capitaliq.com. All ratings affected by this rating action can be found on the S&P Global Ratings' public website at www.standardandpoors.com. Use the Ratings search box located in the left column.

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