

City retains its superior bond rating from Moody's Investor Service

On May 1, 2017, the City of Sheboygan received good news of its superior bond rating from Moody's Investor Service. The bond rating of Aa2 is a reaffirmation of its previous year's rating. The bond rating was critical to the city as it marketed the sale of \$5 million in new municipal debt. As a result, the city received significant interest from investors: 10 bids, for the \$5 million Obligation Promissory Notes. The winning bid by UMB Bank, Kansas City, MO, resulted in a net interest rate of 2.067 percent.

On Moody's Investor Service's rating scale, only two rating levels exceed Sheboygan's Aa2 rating. Moody's Investor Service cited the strong financial position of the city with solid fund reserves and the below average debt burden with a quick repayment schedule. Although municipalities commonly pay back the principal and interest over 20 years, almost all of the city's debt will be paid off in 10 years.

The Moody's credit report identifies that expansion and diversification of the city's tax base could lead to a future rating upgrade. Currently, five residential projects that are under construction or proposed to begin soon will expand the tax base to position Sheboygan for a future rating upgrade. The residential projects are the Encore Apartments, the Portscape Apartments, the Washington School historic renovation for apartments, the South Eighth Street and New Jersey Apartments, and the Founders Club.

Non-residential projects that are planned or under construction include:

- Kiernan West, SBM, LLC, is approved to build a 27,839 square foot distribution center in the Sheboygan Business Center with an estimated value of \$10.5 million.
- Acuity has substantially finished the \$75 million expansion of their headquarter building.
- Sheboygan Paper Box is constructing an \$8.3 million, 30,000 square foot plant addition.

This year's \$5 million debt issuance is an increase of \$2 million in the annual borrowing amount. For the last 19 years, the Common Council had capped the annual new debt borrowing at \$3 million. The \$5 million debt issuance will fund the following projects:

- City buildings improvements: \$616,000 (City Hall, fire stations and Mead Public Library)
- Replacement fire engine: \$495,000
- Street resurfacing projects: \$2,015,779
- Replacement transit buses: \$180,000
- Replacement motor vehicles: \$949,000
- South Eighth Street bridge improvements: \$743,729