

# FINAL OFFICIAL STATEMENT DATED APRIL 18, 2018

*In the opinion of Quarles & Brady LLP, Bond Counsel, under existing law interest on the Notes is included in gross income for federal income tax purposes. See "TAXABILITY OF INTEREST" herein. The interest on the Notes is not exempt from present Wisconsin income or franchise taxes.*

**New Issue**

**Rating: Moody's Investors Service, Inc. "Aa2"**

## CITY OF FRANKLIN, WISCONSIN (Milwaukee County)

### \$23,480,000 TAXABLE NOTE ANTICIPATION NOTES, SERIES 2018A

**PURPOSE/AUTHORITY/SECURITY:** The \$23,480,000 Taxable Note Anticipation Notes, Series 2018A (the "Notes") of the City of Franklin, Wisconsin (the "City") are being issued pursuant to Section 67.12(1)(b), Wisconsin Statutes, for public purposes, including project costs of Tax Incremental District No. 5. The Notes are valid and binding special obligations of the City, issued in anticipation of the sale of general obligation promissory notes (the "Securities") of the City, which Securities, the City has covenanted in the Authorizing Resolution, will be issued as soon as practicable as necessary to provide for payment of the Notes. The Notes do not constitute a general obligation of the City, and no lien is created upon any property of the City as a result of the issuance of the Notes. The Notes are payable only from (a) any proceeds of the Notes set aside for payment of interest on the Notes as it becomes due; and (b) proceeds to be derived from the issuance and sale of the Securities, which the City has, pursuant to and as authorized by Wisconsin Statutes, Section 67.12(1)(b), covenanted to issue in such amount and at such times as may be necessary to repay the then outstanding Notes. Delivery is subject to receipt of an approving legal opinion of Quarles & Brady LLP, Milwaukee, Wisconsin.

**DATE OF NOTES:** May 1, 2018  
**DATE OF DELIVERY:** May 1, 2018  
**SERIAL MATURITIES:** March 1 as follows:

<u>Year</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP Base</u>
2019	\$10,000,000	2.500%	2.500%	355185 PF0
2023	\$13,480,000	3.200%	3.200%	PG8

**OPTIONAL REDEMPTION:** Notes maturing on March 1, 2019 are subject to call for prior optional redemption on December 1, 2018 or any date thereafter, at par. Notes maturing on March 1, 2023 are subject to call for prior optional redemption on March 1, 2020 or any date thereafter, at par.

**INTEREST:** September 1, 2018 and semiannually thereafter.

**PAYING AGENT:** Bond Trust Services Corporation.

**BOND COUNSEL &  
DISCLOSURE COUNSEL:** Quarles & Brady LLP.

**MUNICIPAL ADVISOR:** Ehlers and Associates, Inc.

**BOOK-ENTRY-ONLY:** See "Book-Entry-Only System" herein.

The Notes are offered, subject to prior sale, when, as and if accepted by the Underwriter named below and subject to an opinion as to the validity by Quarles & Brady LLP, Milwaukee, WI, Bond Counsel, and certain other conditions. Quarles & Brady LLP will also act as Disclosure Counsel to the City. It is expected that delivery of the Notes will be made on or about May 1, 2018 against payment therefor. Subject to applicable securities laws and prevailing market conditions, the Underwriter intends, but is not obligated, to effect secondary market trading in the Notes. For information with respect to the Underwriter, see "Underwriting" herein.

**BAIRD**  
Milwaukee, WI

## REPRESENTATIONS

No dealer, broker, salesperson or other person has been authorized by the City to give any information or to make any representation other than those contained in the Final Official Statement and, if given or made, such other information or representations must not be relied upon as having been authorized by the City. *This Final Official Statement does not constitute an offer to sell or solicitation of an offer to buy any of the Notes in any jurisdiction to any person to whom it is unlawful to make such an offer or solicitation in such jurisdiction.*

This Final Official Statement is not to be construed as a contract with the Underwriter. Statements contained herein which involve estimates or matters of opinion are intended solely as such and are not to be construed as representations of fact.

Ehlers & Associates, Inc. ("Ehlers") prepared this Final Official Statement relying on information of the City and other sources for which there is reasonable basis for believing the information is accurate and complete.

Quarles & Brady LLP will serve as Disclosure Counsel to the City with respect to the Notes. Compensation of Ehlers & Associates, Inc., payable entirely by the City, is contingent upon the sale of the Notes.

The Underwriter has reviewed the information in this Final Official Statement in accordance with, and as a part of, the Underwriter's responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

## COMPLIANCE WITH S.E.C. RULE 15c2-12

Certain municipal obligations (issued in an aggregate amount over \$1,000,000) are subject to Rule 15c2-12 promulgated by the Securities & Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended (the "Rule").

**Final Official Statement:** Copies of the Final Official Statement will be delivered to the Underwriter within seven business days following the proposal acceptance.

**Continuing Disclosure:** Subject to certain exemptions, issues in an aggregate amount over \$1,000,000 may be required to comply with provisions of the Rule which require that underwriters obtain from issuers of municipal securities an agreement for the benefit of the owners of the securities to provide continuing disclosure with respect to those securities. This Final Official Statement describes the conditions under which the City is required to comply with the Rule.

## CLOSING CERTIFICATES

Upon delivery of the Notes, the Underwriter will be furnished with the following items: (1) a certificate of the appropriate officials to the effect that at the time of the sale of the Notes and all times subsequent thereto up to and including the time of the delivery of the Notes, this Final Official Statement did not and does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; (2) a receipt signed by the appropriate officer evidencing payment for the Notes; and (3) a certificate evidencing the due execution of the Notes, including statements that (a) no litigation of any nature is pending, or to the knowledge of signers, threatened, restraining or enjoining the issuance and delivery of the Notes, (b) neither the corporate existence or boundaries of the City nor the title of the signers to their respective offices is being contested, and (c) no authority or proceedings for the issuance of the Notes have been repealed, revoked or rescinded.

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## COMMON COUNCIL

		<u>Term Expires</u>
Stephen R. Olson	Mayor	April 2020
Mark A. Dandrea	Common Council President	April 2019
Daniel Mayer	Aldersperson	April 2019
Kristen Willhelm	Aldersperson	April 2020
Steve F. Taylor	Aldersperson	April 2020
Mike Barber	Aldersperson	April 2019
John R. Nelson	Aldersperson	April 2020

## ADMINISTRATION

Mark W. Lubarda, Director of Administration  
Paul Rotzenberg, Director of Finance & Treasurer  
Sandra L. Wesolowski, Director of Clerk Services/City Clerk

## PROFESSIONAL SERVICES

Jesse A. Wesolowski, City Attorney, Franklin, Wisconsin  
Quarles & Brady LLP, Bond Counsel and Disclosure Counsel, Milwaukee, Wisconsin  
Ehlers & Associates, Inc., Municipal Advisors, Waukesha, Wisconsin  
(*Other offices located in Roseville, Minnesota, Chicago, Illinois and Denver, Colorado*)

## INTRODUCTORY STATEMENT

This Final Official Statement contains certain information regarding the City of Franklin, Wisconsin (the "City") and the issuance of its \$23,480,000 Taxable General Obligation Note Anticipation Notes, Series 2018A (the "Notes"). Any descriptions or summaries of the Notes, statutes, or documents included herein are not intended to be complete and are qualified in their entirety by reference to such statutes and documents and the form of the Notes included in the resolution authorizing the issuance and the sale of the Notes (the "Authorizing Resolution") adopted by the Common Council on April 17, 2018.

Inquiries may be directed to Ehlers & Associates, Inc. ("Ehlers" or the "Municipal Advisor"), Waukesha, WI, (262) 785-1520, the City's Municipal Advisor. A copy of this Final Official Statement is available at [emma.msrb.org](http://emma.msrb.org)

## THE NOTES

### GENERAL

The Notes will be issued in fully registered form as to both principal and interest in denominations of \$5,000 each or any integral multiple thereof, and will be dated, as originally issued, as of May 1, 2018. The Notes will mature on March 1 in the years and amounts set forth on the cover of this Final Official Statement. Interest will be payable on March 1 and September 1 of each year, commencing September 1, 2018, to the registered owners of the Notes appearing of record in the bond register as of the close of business on the 15th day (whether or not a business day) of the immediately preceding month. Interest will be computed upon the basis of a 360-day year of twelve 30-day months and will be rounded pursuant to rules of the Municipal Securities Rulemaking Board ("MSRB").

The Notes will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). (See "Book-Entry-Only System" herein.) As long as the Notes are held under the book-entry system, beneficial ownership interests in the Notes may be acquired in book-entry form only, and all payments of principal of, premium, if any, and interest on the Notes shall be made through the facilities of DTC and its participants. If the book-entry system is terminated, principal of, premium, if any, and interest on the Notes shall be payable as provided in the Authorizing Resolution.

The City has selected Bond Trust Services Corporation, Roseville, Minnesota ("BTSC"), to act as paying agent (the "Paying Agent"). BTSC and Ehlers are affiliated companies. The City will pay the charges for Paying Agent services. The City reserves the right to remove the Paying Agent and to appoint a successor.

### OPTIONAL REDEMPTION

At the option of the City, the Notes maturing on March 1, 2019 shall be subject to optional redemption prior to maturity on December 1, 2018 or on any date thereafter, at a price of par plus accrued interest. At the option of the City, the Notes maturing on March 1, 2023 shall be subject to optional redemption prior to maturity on March 1, 2020 or on any date thereafter, at a price of par plus accrued interest.

Redemption may be in whole or in part of the Notes subject to prepayment. If redemption is in part, the selection of the amounts and maturities of the Notes to be redeemed shall be at the discretion of the City. If only part of the Notes having a common maturity date are called for redemption, then the City or Paying Agent, if any, will notify DTC of the particular amount of such maturity to be redeemed. DTC will determine by lot the amount of each participant's interest in such maturity to be redeemed and each participant will then select by lot the beneficial ownership interest in such maturity to be redeemed.

Notice of such call shall be given by sending a notice by registered or certified mail, facsimile or electronic transmission, overnight delivery service or in any other manner required by DTC, not less than 30 days nor more than 60 days prior to the date fixed for redemption to the registered owner of each Note to be redeemed at the address shown on the registration books.

**AUTHORITY; PURPOSE**

The Notes are being issued pursuant to Section 67.12(1)(b), Wisconsin Statutes, for public purposes, including project costs of Tax Incremental District No. 5 ("TID 5"). Such projects relate to the Ball Park Commons development (the "TID 5 Project") which is being undertaken in TID 5 by BPC Master Developer, LLC (the "Developer"). As currently contemplated, the TID 5 Project is anticipated to be a mixed-used development consisting of a baseball stadium, sports village, restaurants, apartments, retail buildings, a hotel and offices. The City has agreed to reimburse the Developer for certain of its costs for public infrastructure elements and other private property improvements related to the TID 5 Project and will use proceeds of the Notes to do so. When available, the City may use revenues derived from TID 5 to pay debt service on the Notes or the Securities. The actual amount of such revenues is not known at this time and cannot be guaranteed. Further, no representations can be made as to whether the Developer can or will complete the TID 5 Project as currently contemplated, and no information is being provided herein with respect to the Developer. In particular, part of the TID 5 Project includes improvements on and around land that is a closed landfill, and therefore there may be additional costs or delays related to construction, including necessary permits or approvals, necessary for the TID 5 Project. Under State law, the City is required to levy an amount sufficient to meet the debt service on its outstanding general obligation debt, but such levy may be abated by the use of such offsetting revenues, if and to the extent available. The Notes are not general obligation debt, and consequently the City is not required to levy taxes in order to meet the debt service requirements relating thereto.

Pursuant to the development agreement with the Developer, the City expects to issue a \$3,500,000 obligation to the Developer in April 2018 (the "MRO"). Under the development agreement, such MRO is a special, limited revenue obligation of the City to be paid solely from tax increment revenues that are appropriated by the Common Council to the extent available after their use for any payment of principal and interest on the Notes and the Securities (as defined below), payment of certain fees and expenses of TID No. 5 and funding of a debt service reserve fund.

**SOURCES AND USES**

<b>Sources</b>		
Par Amount of Notes	\$23,480,000	
Estimated Interest Earnings	<u>28,152</u>	
<b>Total Sources</b>		<b>\$23,508,152</b>
<b>Uses</b>		
Project Costs	\$22,521,488	
Capitalized Interest	783,480	
Underwriter's Discount	93,041	
Finance Related Expenses	<u>110,143</u>	
<b>Total Uses</b>		<b>\$23,508,152</b>

## **SECURITY**

The Notes are valid and binding special obligations of the City, issued in anticipation of the sale of general obligation promissory notes (the "Securities") of the City, which Securities, the City has covenanted in the Authorizing Resolution, will be issued as soon as practicable as necessary to provide for payment of the Notes. The City will also covenant that it will maintain a debt limit capacity sufficient to permit the issuance of the Securities in an amount sufficient to pay the Notes.

The Notes do not constitute a general obligation of the City, and no lien is created upon any property of the City as a result of the issuance of the Notes. The Notes are payable only from (a) any proceeds of the Notes set aside for payment of interest on the Notes as it becomes due; and (b) proceeds to be derived from the issuance and sale of the Securities, which the City has, pursuant to and as authorized by Wisconsin Statutes, Section 67.12(1)(b), covenanted to issue in such amount and at such times as may be necessary to repay the then outstanding Notes.

## **RATING**

General obligation debt of the City is currently rated "Aa2" by Moody's Investors Service, Inc. ("Moody's").

The City received a rating of "Aa2" on the Notes from Moody's. Such rating reflects only the views of such organization and explanations of the significance of such rating may be obtained from Moody's furnishing the same. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by such rating agency, if in the judgement of such rating agency circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Notes.

Such rating is not to be construed as a recommendation of the rating agency to buy, sell or hold the Notes, and the rating assigned by the rating agency should be evaluated independently. Except as may be required by the Disclosure Undertaking described under the heading "CONTINUING DISCLOSURE" neither the City nor the underwriter undertake responsibility to bring to the attention of the owner of the Notes any proposed changes in or withdrawal of such rating or to oppose any such revision or withdrawal.

## **CONTINUING DISCLOSURE**

In order to assist the underwriters in complying with Rule 15c2-12 promulgated by the Securities and Exchange Commission, pursuant to the Securities Exchange Act of 1934, as amended (the "Rule"), the City shall covenant to take certain actions pursuant to the Authorizing Resolution adopted by the Common Council by entering into a Continuing Disclosure Certificate (the "Disclosure Undertaking") for the benefit of holders, including beneficial holders. The Disclosure Undertaking requires the City to provide electronically or in the manner otherwise prescribed certain financial information annually and to provide notices of the occurrence of certain events enumerated in the Rule. The details and terms of the Disclosure Undertaking for the Notes are set forth in Appendix D to be executed and delivered by the City at the time of delivery of the Notes. Such Disclosure Undertaking will be in substantially the form attached hereto.

The City did not timely file notice of certain bond insurer rating changes during the previous five years. Except to the extent the preceding is deemed to be material, in the previous five years the City believes it has not failed to comply in all material respects with its prior undertakings under the Rule. The City has reviewed its continuing disclosure responsibilities to help ensure compliance in the future.

A failure by the City to comply with the Disclosure Undertaking will not constitute an event of default on the Notes. However, such a failure may adversely affect the transferability and liquidity of the Notes and their market price.

The City will file its continuing disclosure information using the Electronic Municipal Market Access ("EMMA") system or any system that may be prescribed in the future. Investors will be able to access continuing disclosure information filed with the MSRB at [www.emma.msrb.org](http://www.emma.msrb.org). Ehlers is currently engaged as disclosure dissemination agent for the City.

## **LEGAL MATTERS**

An opinion as to the validity of the Notes will be furnished by Quarles & Brady LLP, Bond Counsel to the City, and will be available at the time of delivery of the Notes. The legal opinion will be issued on the basis of existing law and will state that the Notes are valid and binding special obligations of the City in accordance with their terms; provided that the rights of the owners of the Notes and the enforceability of the Notes may be limited by bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditors' rights and by equitable principles (which may be applied in either a legal or equitable proceeding). (See "FORM OF LEGAL OPINION" found in Appendix B.)

Quarles & Brady LLP has also been retained by the City to serve as Disclosure Counsel to the City with respect to the Notes. Although, as Disclosure Counsel to the City, Quarles & Brady LLP has assisted the City with certain disclosure matters, Quarles & Brady LLP has not undertaken to independently verify the accuracy, completeness or sufficiency of this Official Statement or other offering material relating to the Notes and assumes no responsibility whatsoever nor shall have any liability to any other party for the statements or information contained or incorporated by reference in this Official Statement. Further, Quarles & Brady LLP makes no representation as to the suitability of the Notes for any investor.

## **TAX MATTERS**

Interest on the Notes is included in gross income for present Federal income tax purposes. Interest on the Notes is not exempt from present Wisconsin income or franchise taxes.

## **MUNICIPAL ADVISOR**

Ehlers has served as municipal advisor to the City in connection with the issuance of the Notes. The Municipal Advisor cannot participate in the underwriting of the Notes. The financial information included in this Official Statement has been compiled by the Municipal Advisor. Such information does not purport to be a review, audit or certified forecast of future events and may not conform with accounting principles applicable to compilations of financial information. Ehlers is not a firm of certified public accountants. Ehlers is registered with the Securities and Exchange Commission and the MSRB as a Municipal Advisor.

## **UNDERWRITING**

The Underwriter named on the cover page hereof (the "Underwriter") has agreed to purchase the Notes from the City for a purchase price of \$23,386,959 plus accrued interest to the date of closing. The Underwriter will be obligated to purchase all such Notes if any such Notes are purchased. The Underwriter may offer and sell the Notes to certain dealers (including dealers depositing the Notes into investment trusts) at prices lower than the offering prices derived from the coupons and yields for each maturity set forth on the cover page.



## **MUNICIPAL ADVISOR AFFILIATED COMPANIES**

BTSC and Ehlers Investment Partners, LLC ("EIP") are affiliate companies of Ehlers. BTSC is chartered by the State of Minnesota and authorized in Minnesota, Wisconsin, and Illinois to transact the business of a limited purpose trust company. BTSC provides paying agent services to debt issuers. EIP is a Registered Investment Advisor with the Securities and Exchange Commission. EIP assists issuers with the investment of bond proceeds or investing other issuer funds. This includes escrow bidding agent services. Issuers, such as the City, have retained or may retain BTSC and/or EIP to provide these services. If hired, BTSC and/or EIP would be retained by the City under an agreement separate from Ehlers.

## **INDEPENDENT AUDITORS**

The basic financial statements of the City for the fiscal year ended December 31, 2016 have been audited by Baker Tilly Virchow Krause, LLP, Milwaukee, Wisconsin, independent auditors (the "Auditor"). The report of the Auditor, together with the basic financial statements, component units financial statements, and notes to the financial statements are attached hereto as "APPENDIX A – FINANCIAL STATEMENTS". The Auditor has not been engaged to perform and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. The Auditor also has not performed any procedures relating to this Official Statement.

## **RISK FACTORS**

Following is a description of possible risks to holders of the Notes without weighting as to probability. This description of risks is not intended to be all-inclusive, and there may be other risks not now perceived or listed here.

**Permanent Financing:** Payment of principal of the Notes at maturity is dependent upon the City successfully marketing long-term general obligation promissory notes or other obligations of the City prior to the maturity of the Notes. Market conditions, future litigation or other factors could preclude the marketing of such securities.

**No Pledged Taxes:** The Notes are special obligations of the City, issued in anticipation of the sale of the Securities. See "SECURITY" herein. There will be no separate tax levied or pledged for payment of the Notes. Further, while the City expects to use tax increment revenues from TID 5 to pay debt service on the Notes and Securities, no such revenues are pledged to payment of the Notes or Securities and the amount and timing of such revenues cannot be guaranteed. While the City has covenanted to issue the Securities as soon as practicable as necessary to provide for the payment of the Notes, no assurance can be given that such Securities will be issued. In particular, the issuance of the Securities in the future depends on the City's ability to access the financial markets. In the event that the Securities are not issued, the City may not have other funds available to pay the Notes.

**State Actions:** Many elements of local government finance, including the issuance of debt and the levy of property taxes, are controlled by state government. Future actions of the state may affect the overall financial condition of the City, the taxable value of property within the City, and the ability of the City to issue the Securities.

**Future Changes in Law:** Various State and federal laws, regulations and constitutional provisions apply to the City and to the Notes. The City can give no assurance that there will not be a change in or interpretation of any such applicable laws, regulations and provisions which would have a material effect on the City.

**Ratings; Interest Rates:** In the future, the City's credit rating may be reduced or withdrawn, or interest rates for this type of obligation may rise generally, either possibility resulting in a reduction in the value of the Notes for resale prior to maturity.

**Continuing Disclosure:** A failure by the City to comply with the Disclosure Undertaking for continuing disclosure (see "CONTINUING DISCLOSURE") will not constitute an event of default on the Notes. Any such failure must be reported in accordance with the Rule and must be considered by any broker, dealer, or municipal securities dealer before recommending the purchase or sale of the Notes in the secondary market. Such a failure may adversely affect the transferability and liquidity of the Notes and their market price.

**Book-Entry-Only System:** The timely credit of payments for principal and interest on the Notes to the accounts of the Beneficial Owners of the Notes may be delayed due to the customary practices, standing instructions or for other unknown reasons by DTC participants or indirect participants. Since the notice of redemption or other notices to holders of these obligations will be delivered by the City to DTC only, there may be a delay or failure by DTC, DTC participants or indirect participants to notify the Beneficial Owners of the Notes.

**Depository Risk:** Wisconsin Statutes direct the local treasurer to immediately deposit upon receipt thereof, the funds of the municipality in a public depository designated by the governing body. A public depository means a federal or state credit union, federal or state savings and loan association, state bank, savings and trust company, mutual savings bank or national bank in Wisconsin or the local government pooled investment fund operated by the State Investment Board. It is not uncommon for a municipality to have deposits exceeding limits of federal and state insurance programs. Failure of a depository could result in loss of public funds or a delay in obtaining them. Such a loss or delay could interrupt a timely payment of municipal debt.

**Economy:** A combination of economic, climatic, political or civil disruptions or terrorist actions outside of the control of the City, including loss of major taxpayers or major employers, could affect the local economy and result in reduced tax collections and/or increased demands upon local government. Real or perceived threats to the financial stability of the City may have an adverse effect on the value of the Notes in the secondary market.

**Secondary Market for the Notes:** No assurance can be given that a secondary market will develop for the purchase and sale of the Notes or, if a secondary market exists, that such Notes can be sold for any particular price. The underwriters are not obligated to engage in secondary market trading or to repurchase any of the Notes at the request of the owners thereof. Prices of the Notes as traded in the secondary market are subject to adjustment upward and downward in response to changes in the credit markets and other prevailing circumstances. No guarantee exists as to the future market value of the Notes. Such market value could be substantially different from the original purchase price.

**Bankruptcy:** The rights and remedies of the holders may be limited by and are subject to the provisions of federal bankruptcy laws, to other laws, or equitable principles that may affect the enforcement of creditors' rights, to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against local governments. The opinion of Bond Counsel to be delivered with respect to the Notes will be similarly qualified. See "MUNICIPAL BANKRUPTCY" herein.

# VALUATIONS

## WISCONSIN PROPERTY VALUATIONS; PROPERTY TAXES

### **Equalized Value**

Section 70.57, Wisconsin Statutes, requires the Department of Revenue to annually determine the equalized value (also referred to as full equalized value or aggregate full value) of all taxable property in each county and taxation district. The equalized value is an independent estimate of value used to equate individual local assessment policies so that property taxes are uniform throughout the various subdivisions in the State. Equalized value is calculated based on the history of comparable sales and information about value changes or taxing status provided by the local assessor. A comparison of the State-determined equalized value and the local assessed value, expressed as a percentage, is known as the assessment ratio or level of assessment. The Department of Revenue notifies each county and taxing jurisdiction of its equalized value on August 15; school districts are notified on October 1. The equalized value of each county is the sum of the valuations of all cities, villages, and towns within its boundaries. Taxing jurisdictions lying in more than one municipality, such as counties, school districts, or special taxing districts, use the equalized value of the underlying units in calculating and levying their respective levies. Equalized values are also used to apportion state aids and calculate municipal general obligation debt limits.

### **Assessed Value**

The "assessed value" of taxable property in a municipality is determined by the local assessor, except for manufacturing properties which are valued by the State. Each city, village or town retains its own local assessor, who must be certified by the State Department of Revenue. Assessed value is used by these municipalities to determine tax levy mill rates and to apportion levies among individual property owners. Each taxing district must assess property at full value at least once in every five-year period. The State requires that the assessed values must be within 10% of State equalized values at least once every four years. The local assessor values property as of January 1 each year and submits those values to each municipality by the second Monday in June. The assessor also reports any value changes taking place since the previous year, to the Department of Revenue, by the second Monday in June.

## CURRENT PROPERTY VALUATIONS

2017 Equalized Value	\$3,888,926,200
2017 Equalized Value Reduced by Tax Increment Valuation	\$3,778,072,200
2017 Assessed Value	\$3,854,766,200

## 2017 EQUALIZED VALUE BY CLASSIFICATION

	2017 Equalized Value <sup>1</sup>	Percent of Total Equalized Value
Residential	\$ 2,870,690,200	73.817%
Commercial	773,583,100	19.892%
Manufacturing	146,995,000	3.780%
Agricultural	825,000	0.021%
Undeveloped	5,356,800	0.138%
Ag Forest	205,200	0.005%
Forest	486,000	0.013%
Other	17,786,800	0.457%
Personal Property <sup>2</sup>	72,998,100	1.877%
Total	<u>\$ 3,888,926,200</u>	<u>100.000%</u>

## TREND OF VALUATIONS

Year	Assessed Value	Equalized Value <sup>1</sup>	Percent Increase/Decrease in Equalized Value
2013	\$3,359,728,100	\$3,414,276,600	-3.12%
2014	3,364,592,800	3,589,694,100	5.14%
2015	3,396,543,100	3,649,185,900	1.66%
2016	3,704,478,925	3,729,003,100	2.19%
2017	3,854,766,200	3,888,926,200	4.29%

Source: Wisconsin Department of Revenue, Bureau of Equalization and Local Government Services Bureau.

<sup>1</sup> Includes tax increment valuation.

<sup>2</sup> Beginning January 1, 2018 certain personal property will be exempt from property tax, which represents approximately 32% of 2017 personal property values.

## LARGER TAXPAYERS

<b>Taxpayer</b>	<b>Type of Business/Property</b>	<b>2017 Equalized Value<sup>1</sup></b>	<b>Percent of City's Total Equalized Value</b>
Northwestern Mutual Life	Insurance services	\$ 117,360,716	3.02%
Wal-mart/Sam's Club <sup>2</sup>	Retailer	25,445,199	0.65%
Wheaton Franciscan Medical	Healthcare	25,348,142	0.65%
Transpack Corp. - ET Franklin	Commercial	24,576,733	0.63%
Whitnall Pointe Limited Partnership	Apartments	22,217,610	0.57%
Manchester Oaks Apartments LLC	Apartments	19,997,211	0.51%
Baptista's Bakery Inc.	Manufacturing	14,768,054	0.38%
Menards Inc. <sup>2</sup>	Retailer	13,525,688	0.35%
Franklin-Wyndham LLC	Land Held for developer	13,335,409	0.34%
All Glass Aquarium Co.	Commercial	12,669,127	0.33%
<b>Total</b>		<b>\$ 289,243,889</b>	<b>7.44%</b>
City's Total 2017 Equalized Value <sup>3</sup>		\$3,888,926,200	

**Source:** The City.

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<sup>1</sup> Calculated by dividing the 2017 Assessed Values by the 2017 Aggregate Ratio of assessment for the City.

<sup>2</sup> Assessment being challenged by taxpayer.

<sup>3</sup> Includes tax increment valuation.

## DEBT

### DIRECT DEBT<sup>1</sup>

#### General Obligation Debt (see schedules following)

Total General Obligation Debt \$26,399,970

#### Other Obligations

Name of Issue	Issue Date	Final Maturity	Amount Outstanding
The Notes <sup>2</sup>	05/01/18	03/01/23	\$ 23,480,000

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<sup>1</sup> Outstanding debt is as of the dated date of the Notes.

<sup>2</sup> The Notes are not general obligations of the City but are secured by a pledge of the proceeds from the issuance of long term general obligation debt. In the Authorizing Resolution, the City has covenanted to reserve general obligation debt capacity for the long term debt.

**City of Franklin, Wisconsin  
Schedule of Bonded Indebtedness  
General Obligation Debt  
(As of May 1, 2018)**

Dated Amount	GO Sewerage System Promissory Notes Series 2012*		GO Promissory Notes Series 2014A		GO Water System Bonds Series 2014B		GO Refunding Bonds Series 2016A		GO Promissory Notes Series 2017B		Total Principal	Total Interest	Principal & Interest	Principal Outstanding	Principal %Paid	Year
	1/25/2012 \$27,562,754	12/18/2014 \$5,320,000	12/18/2014 \$1,290,000	4/20/2016 \$5,770,000	12/21/2017 \$1,630,000	5/1	3/1	3/1	3/1	3/1						
Maturity																
Fiscal Year Ending																
2018		231,428	17,244		15,694						23,163	321,379	26,399,970	0.00%	2018	
2019	1,244,629	447,534	32,638		30,838	55,000	33,850				45,350	3,317,138	23,695,341	10.24%	2019	
2020	1,275,272	416,514	180,000	1,175,000	29,738	55,000	1,095,000	50,000	65,000		43,625	3,207,961	21,040,069	20.30%	2020	
2021	1,306,669	384,730	180,000 (1)	1,095,000	28,288	60,000	1,115,000	50,000	50,000		42,125	3,203,074	18,328,400	30.57%	2021	
2022	1,338,839	352,164	335,000 (1)	1,115,000	26,488	60,000		225,000	225,000	38,000	38,000	435,970	16,369,660	37.99%	2022	
2023	1,371,802	318,796	330,000	1,115,000	24,888	60,000 (1)		235,000	240,000	31,100	31,100	2,384,810	14,372,759	45.56%	2023	
2024	1,405,575	284,606	325,000	1,115,000	22,888	60,000 (1)		240,000	250,000	23,975	23,975	2,366,107	12,342,184	53.25%	2024	
2025	1,440,181	249,575			21,013	65,000 (1)			250,000	16,825	16,825	2,042,393	10,587,003	59.90%	2025	
2026	1,475,636	213,662			19,063	65,000 (1)			255,000	9,688	9,688	2,038,069	8,791,365	66.70%	2026	
2027	1,511,968	176,904			17,113	65,000 (1)			260,000	3,250	3,250	2,034,235	6,954,397	73.66%	2027	
2028	1,548,193	139,221			15,088	70,000 (1)						1,773,501	5,335,204	79.79%	2028	
2029	1,587,334	100,611			12,988	70,000 (1)						1,657,334	3,677,870	86.07%	2029	
2030	1,626,414	61,049			10,813	75,000 (1)						1,701,414	1,976,456	92.51%	2030	
2031	1,666,466	20,514			8,516	75,000 (1)						1,741,456	235,000	99.11%	2031	
2032					6,172	80,000 (1)						6,172	160,000	99.39%	2032	
2033					3,750	80,000 (1)						3,750	80,000	99.70%	2033	
2034					1,250	80,000 (1)						1,250	0	100.00%	2034	
	18,799,970	3,397,328	1,515,000	3,385,000	294,382	1,070,000	134,200	1,630,000			276,900	4,242,385	26,399,970			
															30,642,355	

\* Debt supported by Intergovernmental Agreement with another entity that has agreed to pay all principal and interest on the issue.  
(1) Mandatory redemption amounts.

**DEBT LIMIT**

The constitutional and statutory general obligation debt limit for Wisconsin municipalities, including towns, cities, villages, and counties (Article XI, Section 3 of the Wisconsin Constitution and Section 67.03, Wisconsin Statutes) is 5% of the current equalized value.

Equalized Value	\$ 3,888,926,200
Multiply by 5%	<u>0.05</u>
Statutory Debt Limit	\$ 194,446,310
Less: General Obligation Debt	<u>(26,399,970)</u>
Unused Debt Limit	<u>\$ 168,046,340<sup>1</sup></u>

**OVERLAPPING DEBT<sup>2</sup>**

<b>Taxing District</b>	<b>2017 Equalized Value<sup>3</sup></b>	<b>% In City</b>	<b>Total G.O. Debt<sup>4</sup></b>	<b>City's Proportionate Share</b>
Milwaukee County	\$ 61,413,297,000	6.33%	\$640,375,180	\$ 40,535,749
Milwaukee Area Technical College District	76,548,230,996	5.08%	75,635,000	3,842,258
Franklin Public School District	2,920,128,579	100.00%	66,180,000	66,180,000
Oak Creek-Franklin Joint School District	4,054,645,300	18.16%	104,800,000	19,031,680
Whitnall School District	1,655,912,700	14.04%	397,831	55,855
Milwaukee Metro Sewer District	60,253,027,200	6.45%	869,923,198	<u>56,110,046</u>
City's Share of Total Overlapping Debt				<u>\$ 185,755,589</u>

<sup>1</sup> The City has adopted a policy which further limits its ability to issue general obligation debt. Under the City's current policy, the City shall not issue general obligation debt in such an amount which would cause their outstanding debt to be in excess of 40% of the statutory debt limit. However, the City may amend such policy at any time.

<sup>2</sup> Overlapping debt is as of the dated date of the Notes. Only those taxing jurisdictions with general obligation debt outstanding are included in this section.

<sup>3</sup> Includes tax increment valuation.

<sup>4</sup> Outstanding debt based on information obtained on EMMA and the Municipal Advisor's records.



## DEBT RATIOS

	G.O. Debt	Debt/Equalized Value \$3,888,926,200	Debt/ Per Capita 36,046 <sup>1</sup>
Total General Obligation Debt	\$ 26,399,970	0.68%	\$ 732.40
City's Share of Total Overlapping Debt	<u>185,755,589</u>	<u>4.78%</u>	<u>5,153.29</u>
Total	\$212,155,559	5.46%	\$ 5,885.69

## DEBT PAYMENT HISTORY

The City has no record of default in the payment of principal and interest on its debt.

## FUTURE FINANCING

The City expects to issue approximately \$10,000,000 general obligation debt in late 2018 to refund the 2019 maturity of the Notes.

The City expects to issue approximately \$3,500,000 general obligation debt in late 2018 to finance development in the City's Tax Increment District No. 3. The City's capital financing plan contemplates issuing approximately \$10,000,000 in 2018 for additional capital improvements in the City's Tax Increment District No. 4, but the actual amount and timing of such financing is not currently known. The City is considering an additional approximately \$10,000,000 of general obligation debt for capital improvements in a new tax increment district, if created, but the amount and timing of such financing is not known and depends on whether the new tax increment district is created.

The City may be in the early stages of exploring other, future development projects, but has no definitive plans at this time for additional financing in the next 12 months.

In addition, the City expects to issue a \$3,500,000 obligation to the Developer in April 2018 (see "THE NOTES - Purpose; Authority" herein).

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<sup>1</sup> Estimated 2017 population.

## TAX LEVIES AND COLLECTIONS

### TAX LEVIES AND COLLECTIONS

Tax Year	Levy for City Purposes Only	% Collected	Levy/Equalized Value Reduced by Tax Increment Valuation in Dollars per \$1,000
2013/14	\$20,509,000	100%	\$6.19
2014/15	20,509,000	100%	5.90
2015/16	20,509,000	100%	5.82
2016/17	20,509,000	100%	5.65
2017/18	21,027,849	In process	5.57

Property tax statements are distributed to taxpayers by the town, village, and city clerks in December of the levy year. Current state law requires counties to pay 100% of the real property taxes levied to cities, villages, towns, school districts and other taxing entities on or about August 20 of the collection year.

Personal property taxes, special assessments, special charges and special taxes must be paid to the town, city or village treasurer in full by January 31, unless the municipality, by ordinance, permits special assessments to be paid in installments. Real property taxes must be paid in full by January 31 or in two equal installments by January 31 and July 31. Alternatively, municipalities may adopt a payment plan which permits real property taxes to be paid in three or more equal installments, provided that the first installment is paid by January 31, one-half of the taxes are paid by April 30 and the remainder is paid by July 31. Amounts paid on or before January 31 are paid to the town, city or village treasurer. Amounts paid after January 31, are paid to the county treasurer unless the municipality has authorized payment in three or more installments in which case payment is made to the town, city or village treasurer. On or before January 15 and February 20 the town, city or village treasurer settles with other taxing jurisdictions for all collections through December and January, respectively. In municipalities which have authorized the payment of real property taxes in three or more installments, the town, city or village treasurer settles with the other taxing jurisdictions on January 15, February 20 and on the fifteenth day of each month following the month in which an installment payment is required. On or before August 20, the county treasurer must settle in full with the underlying taxing districts for all real property taxes and special taxes. Any county board may authorize its county treasurer to also settle in full with the underlying taxing districts for all special assessments and special charges. The county may then recover any tax delinquencies by enforcing the lien on the property and retain any penalties or interest on the delinquencies for which it has settled. Uncollected personal property taxes owed by an entity that has ceased operations or filed a petition for bankruptcy, or are due on personal property that has been removed from the next assessment roll are collected from each taxing entity in the year following the levy year.

## PROPERTY TAX RATES

Full value rates for property taxes expressed in dollars per \$1,000 of equalized value (excluding tax increment valuation) that have been collected in recent years have been as follows:

<b>Year Levied/ Year Collected</b>	<b>Schools<sup>1</sup></b>	<b>County</b>	<b>Local</b>	<b>Other<sup>2</sup></b>	<b>Total</b>
2013/14	\$14.27	\$5.13	\$6.19	\$1.88	\$27.47
2014/15	12.97	5.10	5.90	1.89	25.86
2015/16	13.06	5.13	5.82	1.92	25.93
2016/17	12.66	5.10	5.65	1.93	25.34
2017/18	12.26	5.05	5.57	1.73	24.61

**Source:** Property Tax Rates were extracted from Statement of Taxes prepared by the Wisconsin Department of Revenue, Division of State and Local Finance.

## LEVY LIMITS

Section 66.0602 of the Wisconsin Statutes, imposes a limit on property tax levies by cities, villages, towns and counties. No city, village, town or county is permitted to increase its tax levy by a percentage that exceeds its valuation factor (which is defined as a percentage equal to the greater of either the percentage change in the political subdivision's January 1 equalized value due to new construction less improvements removed between the previous year and the current or zero percent). The base amount in any year to which the levy limit applies is the actual levy for the immediately preceding year. In 2018, and in each year thereafter, the base amount is the actual levy for the immediately preceding year plus the amount of the payment from the State under Section 79.096 of the Wisconsin Statutes (an amount equal to the property taxes formerly levied on certain items of personal property), and the levy limit is the base amount multiplied by the valuation factor, minus the amount of the payment from the State under Section 79.096 of the Wisconsin Statutes. This levy limitation is an overall limit, applying to levies for operations as well as for other purposes.

A political subdivision that did not levy its full allowable levy in the prior year can carry forward the difference between the allowable levy and the actual levy, up to a maximum of 1.5% of the prior year's actual levy. The use of the carry forward levy adjustment needs to be approved by a majority vote of the political subdivision's governing body (except in the case of towns) if the amount of carry forward levy adjustment is less than or equal to 0.5% and by a super majority vote of the political subdivision's governing body (three-quarters vote if the governing body is comprised of five or more members, two-thirds vote if the governing body is comprised of fewer than five members) (except in the case of towns) if the amount of the carry forward levy adjustment is greater than 0.5% up to the maximum increase of 1.5%. For towns, the use of the carry forward levy adjustment needs to be approved by a majority vote of the annual town meeting or special town meeting after the town board has adopted a resolution in favor of the adjustment by a majority vote if the amount of carry forward levy adjustment is less than or equal to 0.5%

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<sup>1</sup> The Schools tax rate reflects the composite rate of all local school districts and technical college district.

<sup>2</sup> Includes the state reforestation tax which is apportioned to each county on the basis of its full value. Counties, in turn, apportion the tax to the tax districts within their borders on the basis of full value. It also includes taxes levied for special purpose districts such as metropolitan sewerage districts, sanitary districts, and public inland lake protection districts. Tax increment values are not included. State property taxes were eliminated in the State's 2017 - 2019 budget act.

or by two-thirds vote or more if the amount of carry forward levy adjustment is greater than 0.5% up to the maximum of 1.5%.

Beginning with levies imposed in 2015, if a political subdivision does not make an adjustment in its levy as described in the above paragraph in the current year, the political subdivision may increase its levy by the aggregate amount of the differences between the political subdivision's valuation factor in the previous year and the actual percent increase in a political subdivision's levy attributable to the political subdivision's valuation factor in the previous year, for the five years before the current year, less any amount of such aggregate amount already claimed as an adjustment in any of the previous five years. The calculation of the aggregate amount available for such adjustment may not include any year before 2014, and the maximum adjustment allowed may not exceed 5%. The use of the adjustment described in this paragraph requires approval by a two-thirds vote of the political subdivision's governing body, and the adjustment may only be used if the political subdivision's level of outstanding general obligation debt in the current year is less than or equal to the political subdivision's level of outstanding general obligation debt in the previous year.

Special provisions are made with respect to property taxes levied to pay general obligation debt service. Those are described below. In addition, the statute provides for certain other exclusions from and adjustments to the tax levy limit. Among the items excluded from the limit are amounts levied for any revenue shortfall for debt service on a revenue bond issued under Section 66.0621. Among the adjustments permitted is an adjustment applicable when a tax increment district terminates, which allows an amount equal to the prior year's allowable levy multiplied by 50% of the political subdivision's percentage growth due to the district's termination.

With respect to general obligation debt service, the following provisions are made:

- (a) If a political subdivision's levy for the payment of general obligation debt service, including debt service on debt issued or reissued to fund or refund outstanding obligations of the political subdivision and interest on outstanding obligations of the political subdivision, on debt originally issued before July 1, 2005, is less in the current year than in the previous year, the political subdivision is required to reduce its levy limit in the current year by the amount of the difference between the previous year's levy and the current year's levy.
- (b) For obligations authorized before July 1, 2005, if the amount of debt service in the preceding year is less than the amount of debt service needed in the current year, the levy limit is increased by the difference between the two amounts. This adjustment is based on scheduled debt service rather than the amount actually levied for debt service (after taking into account offsetting revenues such as sales tax revenues, special assessments, utility revenues, tax increment revenues or surplus funds). Therefore, the levy limit could negatively impact political subdivisions that experience a reduction in offsetting revenues.
- (c) The levy limits do not apply to property taxes levied to pay debt service on general obligation debt authorized on or after July 1, 2005.

The levy limits apply to payments on the Notes.

# THE ISSUER

## CITY GOVERNMENT

The City was incorporated in 1956 and is governed by a Mayor and a six-member Common Council. The Mayor does not vote except in the case of a tie. All Council Members are elected to three-year terms. The appointed City Clerk is responsible for administrative details and financial records.

## EMPLOYEES; PENSIONS

The City employs a staff of 199 full-time and 43 part-time employees. All eligible public safety employees in the City are covered under the Wisconsin Retirement System ("WRS") established under Chapter 40 of the Wisconsin Statutes ("Chapter 40"). The WRS is a cost-sharing multiple-employer defined benefit pension plan. The Department of Employee Trust Funds ("ETF") administers the WRS. Required contributions to the WRS are determined by the ETF Board pursuant to an annual actuarial valuation in accordance with Chapter 40 and the ETF's funding policies. The ETF Board has stated that its funding policy is to (i) ensure funds are adequate to pay benefits; (ii) maintain stable and predictable contribution rates for employers and employees; and (iii) maintain inter-generational equity to ensure the cost of the benefits is paid for by the generation that receives the benefits.

City employees are generally required to contribute half of the actuarially determined contributions, and the City generally may not pay the employees' required contribution. The total retirement plan contributions (including both the City's and the employees' contributions) for the fiscal year ended December 31, 2014 were \$1,457,708. During the fiscal year ended December 31, 2015 ("Fiscal Year 2015") and the fiscal year ended December 31, 2016 ("Fiscal Year 2016"), the City's portion of contributions to WRS (not including any employee contributions) totaled \$815,219 and \$803,686, respectively.

The City implemented Governmental Accounting Standards Board Statement No. 68 ("GASB 68") for Fiscal Year 2015.

GASB 68 requires calculation of a net pension liability for the pension plan. The net pension liability is calculated as the difference between the pension plan's total pension liability and the pension plan's fiduciary net position. The pension plan's total pension liability is the present value of the amounts needed to pay pension benefits earned by each participant in the pension plan based on the service provided as of the date of the actuarial valuation. In other words, it is a measure of the present value of benefits owed as of a particular date based on what has been earned only up to that date, without taking into account any benefits earned after that date. The pension plan's fiduciary net position is the market value of plan assets formally set aside in a trust and restricted to paying pension plan benefits. If the pension plan's total pension liability exceeds the pension plan's fiduciary net position, then a net pension liability results. If the pension plan's fiduciary net position exceeds the pension plan's total pension liability, then a net pension asset results.

As of December 31, 2015, the total pension liability of the WRS was calculated as \$90.1 billion and the fiduciary net position of the WRS was calculated as \$88.5 billion, resulting in a net pension liability of \$1.6 billion.

Under GASB 68, each participating employer in a cost-sharing pension plan must report the employer's proportionate share of the net pension liability or net pension asset of the pension plan. Accordingly, for Fiscal Year 2016, the City reported a liability of \$1,344,496 for its proportionate share of the net pension liability of the WRS. The net pension liability was measured as of December 31, 2015 based on the City's share of contributions to the pension plan relative to the contributions of all participating employers. The City's proportion was 0.08273922% of the aggregate WRS net pension liability as of December 31, 2015.

The calculation of the total pension liability and fiduciary net position are subject to a number of actuarial assumptions, which may change in future actuarial valuations. Such changes may have a significant impact on the calculation of net pension liability of the WRS, which may also cause the ETF Board to change the contribution requirements for employers and employees. For more detailed information regarding the WRS and such actuarial assumptions, see Note 4.A in "APPENDIX A - FINANCIAL STATEMENTS" attached hereto.

**Recognized and Certified Bargaining Units**

All eligible City personnel are covered by the Municipal Employment Relations Act ("MERA") of the Wisconsin Statutes. Pursuant to that law, employees have rights to organize and collectively bargain with municipal employers. MERA was amended by 2011 Wisconsin Act 10 (the "Act") and by 2011 Wisconsin Act 32, which altered the collective bargaining rights of public employees in Wisconsin.

As a result of the 2011 amendments to MERA, the City is prohibited from bargaining collectively with municipal employees, other than public safety and transit employees, with respect to any factor or condition of employment except total base wages. Even then, the City is limited to increasing total base wages beyond any increase in the consumer price index since 180 days before the expiration of the previous collective bargaining agreement (unless City were to seek approval for a higher increase through a referendum). Ultimately, the City can unilaterally implement the wages for a collective bargaining unit.

Under the changes to MERA, impasse resolution procedures were removed from the law for municipal employees of the type employed by the City, including binding interest arbitration. Strikes by any municipal employee or labor organization are expressly prohibited. As a practical matter, it is anticipated that strikes will be rare. Furthermore, if strikes do occur, they may be enjoined by the courts. Additionally, because the only legal subject of bargaining is the base wage rates, all bargaining over items such as just cause, benefits, and terms of conditions of employment are prohibited and cannot be included in a collective bargaining agreement. Impasse resolution for public safety employees and transit employees is subject to final and binding arbitration procedures, which do not include a right to strike. Interest arbitration is available for transit employees if certain conditions are met.

The following bargaining units represent employees of the City:

<b>Bargaining Unit</b>	<b>Expiration Date of Current Contract</b>
Police	December 31, 2018
Fire	December 31, 2018

**Supplemental Pension Benefits**

The City provides other pension benefits to public works employees who have satisfied specified eligibility standards through a single-employer defined benefit plan. The amount of such benefits are based on years of service and average compensation. Membership of the plan consisted of 22 retirees receiving benefits, 6 terminated vested retirees and 31 active plan members as of January 1, 2017, the date of the latest actuarial valuation.

Pension benefit calculations are required to be updated every two years and prepared in accordance with Governmental Accounting Standards Board Statement No. 68 ("GASB 68"). An actuarial study for the plan was most recently completed by The Principal Financial Group in July 2017 with an actuarial valuation date of January 1, 2017 (the "Pension Actuarial Report").

Under GASB 68, an actuarially determined contribution ("ADC") is calculated as a target or recommended contribution to the plan for the reporting period, determined in conformity with actuarial standards based on the most recent measurement available. As shown in the City's audited financial statements for Fiscal Year 2016, the City's ADC for Fiscal Year 2016 was \$339,927. For Fiscal Year 2016, contributions to the plan totaled \$339,927, which was 100% of the ADC. The City's current funding practice is to fully fund ADC.

As shown in the Pension Actuarial Report, as of January 1, 2017, the actuarial accrued liability was \$9,133,297 and the actuarial value of assets was \$8,837,479, resulting in an unfunded actuarial accrued liability ("UAAL") of \$295,818.

For more information, see Note 4.A. in "Appendix A - Financial Statements" attached hereto. The Pension Actuarial Report is available from the City upon request.

The City also provides a defined contribution pension plan benefit to eligible non-protective employees (other than public works employees). Eligibility begins after six months of employment with the City. Employees are required to make contributions of 5% of wages. For Fiscal Year 2016, the City contributed \$84,137 and employees contributed \$84,137 to the plan. For more information, see Note 4.B. in "Appendix A - Financial Statements."

## **OTHER POST EMPLOYMENT BENEFITS**

The City provides "other post-employment benefits" ("OPEB") (i.e., post-employment benefits, other than pension benefits, owed to its employees and former employees) to former employees and their dependents through a single employer defined benefit plan. Membership of the plan consisted of 24 retirees receiving benefits and 178 active plan members as of December 15, 2015. Eligible retirees may continue to participate in the City's group health plan. The City contributes a fixed portion of the premiums determined at retirement based on the employment category of retiree, and the retiree is responsible for paying the balance of the premiums.

OPEB calculations are required to be updated every two years. Prior to June 15, 2017, OPEB calculations were required to be prepared in accordance with Statement No. 45 of the Governmental Accounting Standards Board ("GASB 45") regarding retiree health and life insurance benefits, and related standards. For fiscal years beginning after June 15, 2017, OPEB calculations will be required to be prepared in accordance with Statement No. 75 of the Governmental Accounting Standards Board ("GASB 75"). An actuarial study for the plan prepared in accordance with GASB 45 was most recently completed by Actuarial & Health Care Solutions, LLC in December 2015, with an actuarial valuation date of January 1, 2016. The City had such study updated by Actuarial & Health Care Solutions, LLC in October, 2017 to prepare the information required to be reported under GASB 75 (the "OPEB Report").

Under GASB 75, a net OPEB liability is calculated as the difference between the plan's total OPEB liability and the plan's fiduciary net position, which terms have similar meanings as under GASB 68 for pension plans.

Under GASB 45, the City was required to expense the estimated yearly cost of providing post-retirement benefits and such annual accrual expense is referred to as the "annual required contribution." As shown in the City's audited financial statements for Fiscal Year 2016, the annual required contribution for Fiscal Year 2016 was \$342,872. For Fiscal Year 2016, contributions to the plan totaled \$191,814, which was 55.9% of the annual required contribution. However, for Fiscal Year 2015, the City's annual required contribution was \$324,393, and contributions to the plan totaled \$475,451 which was 146.6% of the annual required contribution. Such excess contributions were made in Fiscal Year 2015 with the intention of offsetting the required contribution in Fiscal Year 2016. The City's current funding practice is to make annual contributions on an actuarially determined basis.

As shown in the OPEB Report, as of January 1, 2018 the total OPEB liability of the plan was \$7,607,515 and the plan fiduciary net position was \$5,297,421, resulting in a net OPEB liability of \$2,310,094.

For more information, see Note 4.C. in "Appendix A - Financial Statements."

## **LITIGATION**

There is no litigation threatened or pending questioning the organization or boundaries of the City or the right of any of its officers to their respective offices or in any manner questioning their rights and power to execute and deliver the Notes or otherwise questioning the validity of the Notes. At any given time, the City may be involved in potential lawsuits; however, at this time, the City does not expect any pending litigation to result in final judgements which would materially affect the City's ability to pay principal and interest on the Notes.

## **MUNICIPAL BANKRUPTCY**

Municipalities are prohibited from filing for bankruptcy under Chapter 11 (reorganization) or Chapter 7 (liquidation) of the U.S. Bankruptcy Code (11 U.S.C. §§ 101-1532) (the "Bankruptcy Code"). Instead, the Bankruptcy Code permits municipalities to file a petition under Chapter 9 of the Bankruptcy Code, but only if certain requirements are met. These requirements include that the municipality must be "specifically authorized" under State law to file for relief under Chapter 9. For these purposes, "State law" may include, without limitation, statutes of general applicability enacted by the State legislature, special legislation applicable to a particular municipality, and/or executive orders issued by an appropriate officer of the State's executive branch.

As of the date hereof, Wisconsin law contains no express authority for municipalities to file for bankruptcy relief under Chapter 9 of the Bankruptcy Code.

Nevertheless, there can be no assurance (a) that State law will not change in the future, while the Notes are outstanding, in a way that would allow the City to file for bankruptcy relief under Chapter 9 of the Bankruptcy Code; or (b) even absent such a change in State law, that an executive order or other executive action could not effectively authorize the City to file for relief under Chapter 9. If, in the future, the City were to file a bankruptcy case under Chapter 9, the relevant bankruptcy court would need to consider whether the City could properly do so, which would involve questions regarding State law authority as well as other questions such as whether the City is a municipality for bankruptcy purposes. If the relevant bankruptcy court concluded that the City could properly file a bankruptcy case, and that determination was not reversed, vacated, or otherwise substantially altered on appeal, then the rights of holders of the Notes could be modified in bankruptcy proceedings. Such modifications could be adverse to holders of the Notes, and there could ultimately be no assurance that holders of the Notes would be paid in full or in part on the Notes. Further, under such circumstances, there could be no assurance that the Notes would not be treated as general, unsecured debt by a bankruptcy court, meaning that claims of holders of the Notes could be viewed as having no priority (a) over claims of other creditors of the City; (b) to any particular assets of the City, or (c) to revenues otherwise designated for payment to holders of the Notes.

Moreover, if the City were determined not to be a "municipality" for the purposes of the Bankruptcy Code, no representations can be made regarding whether it would still be eligible for voluntary or involuntary relief under Chapters of the Bankruptcy Code other than Chapter 9 or under similar federal or state law or equitable proceeding regarding insolvency or providing for protection from creditors. In any such case, there can be no assurance that the consequences described above for the holders of the Notes would not occur.



**FUNDS ON HAND** (as of February 28, 2018)

<b>Fund</b>	<b>Total Cash and Investments</b>
General	\$ 15,447,328
Special Revenue	3,796,335
Debt Service	1,850,088
Capital Projects	18,882,069
Enterprise Funds	4,078,596
Internal Services Funds	2,115,192
Fiduciary Funds	7,488,872
<b>Total Funds on Hand</b>	<b>\$ 53,658,480</b>

## ENTERPRISE FUNDS

Revenues available for debt service on the City's enterprise funds have been as follows as of December 31 each year:

	2015 Audited <sup>1</sup>	2016 Audited <sup>2</sup>	2017 Unaudited
<b>Water</b>			
Total Operating Revenues	\$ 5,609,928	\$ 6,054,573	\$ 6,049,730
Less: Operating Expenses	<u>(5,755,151)</u>	<u>(5,514,241)</u>	<u>(5,393,413)</u>
Operating Income	\$ (145,223)	\$ 540,332	\$ 656,317
Plus: Depreciation and Amortization	1,557,514	1,344,829	1,324,695
Interest Income (Loss)	<u>3,368</u>	<u>2,589</u>	<u>9,926</u>
Revenues Available for Debt Service	\$ 1,415,659	\$ 1,887,750	\$ 1,990,938
Less: PILOT Payment	<u>(1,041,040)</u>	<u>(1,047,053)</u>	<u>(1,029,649)</u>
Net Revenues	<u><u>\$ 374,619</u></u>	<u><u>\$ 840,697</u></u>	<u><u>\$ 961,289</u></u>
<b>Sanitary Sewer</b>			
Total Operating Revenues	\$ 3,340,382	\$ 3,328,550	\$ 3,315,879
Less: Operating Expenses	<u>(3,588,716)</u>	<u>(5,197,869)</u>	<u>(5,225,336)</u>
Operating Income	\$ (248,334)	\$ (1,869,319)	\$ (1,909,457)
Plus: Depreciation	692,909	2,123,035	2,119,900
Interest Income	<u>20,789</u>	<u>134</u>	<u>11,722</u>
Revenues Available for Debt Service	<u><u>\$ 465,364</u></u>	<u><u>\$ 253,850</u></u>	<u><u>\$ 222,165</u></u>

<sup>1</sup> The City adopted GASB 68 related to pension benefits, which resulted in prior period adjustments in both Water & Sewer Funds. See Note 4.F in the 2015 CAFR for more details.

<sup>2</sup> As it relates to the Sanitary Sewer Fund, the City changed its accounting policy with respect to a major asset, which required a restatement of opening fund balance. See Note 4.F in the 2016 CAFR for more details.

## SUMMARY GENERAL FUND INFORMATION

Following are summaries of the revenues and expenditures and fund balances for the City's General Fund. These summaries are not purported to be the complete audited financial statements of the City, and potential purchasers should read the included financial statements in their entirety for more complete information concerning the City. Copies of the complete audited financial statements are available upon request. See Appendix A for the City's 2016 audited financial statements.

COMBINED STATEMENT	FISCAL YEAR ENDING DECEMBER 31				
	2014 Audited	2015 Audited	2016 Audited	2017 Unaudited <sup>1</sup>	2018 Adopted Budget <sup>2</sup>
<b>Revenues</b>					
Taxes	\$ 16,926,045	\$ 17,015,261	\$ 17,161,004	\$ 17,093,625	\$ 17,643,149
Intergovernmental revenue	2,536,187	2,775,349	2,318,825	2,264,961	2,432,926
Licenses and permits	808,302	669,367	665,169	773,877	1,040,990
Penalties and forfeitures	421,976	484,957	498,653	485,407	500,000
Public charges for services	1,367,737	1,544,611	1,452,601	1,603,247	1,805,350
Intergovernmental charges for services	136,372	192,188	194,806	158,841	196,500
Investment earnings	290,132	238,562	161,281	189,312	205,000
Miscellaneous revenues	143,014	155,576	182,016	145,271	120,350
<b>Total Revenues</b>	<u>\$ 22,629,765</u>	<u>\$ 23,075,871</u>	<u>\$ 22,634,355</u>	<u>\$ 22,714,541</u>	<u>\$ 23,944,265</u>
<b>Expenditures</b>					
<b>Current:</b>					
General government	\$ 2,786,740	\$ 2,720,473	\$ 2,910,893	\$ 2,940,898	\$ 2,776,627
Public safety	15,367,022	15,983,174	15,787,827	16,660,351	17,296,241
Public works	3,560,384	3,046,338	3,745,146	3,852,472	3,437,593
Health and human services	633,964	633,387	646,870	675,875	710,345
Culture, recreation and education	163,000	177,798	179,933	187,959	173,914
Conservation and development	355,354	568,364	523,268	520,314	595,345
Contingency	0	0	0	0	1,405,000
Restricted Contingency	0	0	0	0	(1,280,000) <sup>3</sup>
<b>Total Expenditures</b>	<u>\$ 22,866,464</u>	<u>\$ 23,129,534</u>	<u>\$ 23,793,937</u>	<u>\$ 24,837,869</u>	<u>\$ 25,115,065</u>
<b>Excess of revenues over (under) expenditures</b>	\$ (236,699)	\$ (53,663)	\$ (1,159,582)	\$ (2,123,328)	\$ (1,170,800)
<b>Other Financing Sources (Uses)</b>					
Operating transfers in	1,112,244	1,044,460	1,050,382	1,059,793	1,050,000
Operating transfers out	(24,000)	(574,000)	(1,250,025) <sup>4</sup>	(57,138)	(24,000)
<b>Total Other Financing Sources (Uses)</b>	<u>\$ 1,088,244</u>	<u>\$ 470,460</u>	<u>\$ (199,643)</u>	<u>\$ 1,002,655</u>	<u>\$ 1,026,000</u>
<b>Excess of revenues and other financing sources over (under) expenditures and other financing uses</b>	\$ 851,545	\$ 416,797	\$ (1,359,225)	\$ (1,120,673)	\$ (144,800)
General Fund Balance January 1	7,781,567	8,633,112	9,049,909	7,690,684	6,570,011
General Fund Balance December 31	<u>\$ 8,633,112</u>	<u>\$ 9,049,909</u>	<u>\$ 7,690,684</u>	<u>\$ 6,570,011</u>	<u>\$ 6,425,211</u>
<b>DETAILS OF DECEMBER 31 FUND BALANCE</b>					
Nonspendable	2,277,071	2,239,802	2,294,958	246,600	250,000
Restricted	0	0	0	0	0
Committed	0	0	0	0	0
Assigned	207,270	147,121	61,626	150,600	75,000
Unassigned	6,148,771	6,662,986	5,334,100	6,172,811	6,100,211
<b>Total</b>	<u>\$ 8,633,112</u>	<u>\$ 9,049,909</u>	<u>\$ 7,690,684</u>	<u>\$ 6,570,011</u>	<u>\$ 6,425,211</u>

<sup>1</sup> 2017 Deficit includes a one time \$605,700 extraordinary pension contribution.

<sup>2</sup> The 2018 budget was approved on November 21, 2017.

<sup>3</sup> The 2018 Budget includes as a budgeted expenditure a \$1,280,000 restricted contingency that is not expected to be spent. Any use of such expenditure would require a 2/3 vote of the Common Council and such expenditure is not expected to be made.

<sup>4</sup> Deficit includes a one-time \$1.2 million transfer to the Capital Improvement Fund for capital expenditures.

## GENERAL INFORMATION

### LOCATION

The City, with a 2010 U.S. Census population of 35,451, and a current estimated population of 36,046, comprises an area of 34.5 square miles and is located in the southwest corner of Milwaukee County.

### LARGER EMPLOYERS<sup>1</sup>

Larger employers in the City include the following:

<b>Firm</b>	<b>Type of Business/Product</b>	<b>Estimated No. of Employees</b>
Northwestern Mutual	Insurance/investment services	3,107
Wheaton Franciscan Healthcare	Medical and surgical hospital	853
Krones, Inc.	High speed labeling/filler machines	577
Baptista's Bakery	Commercial bakery	559
Franklin Public Schools	K-12 education	554
Milwaukee County Corrections South	Government	525
Wal-Mart	Retailer	332
Carlisle Interconnect Technologies	Wire harnesses	303
Strauss Veal & Lamb Int'l Inc.	Animal processing	270
Senior Flexonics - GA Precision	Off-road engine components mfg.	255

**Source:** *ReferenceUSA, written and telephone survey (November 2017), Franklin 2016 CAFR.*

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<sup>1</sup> This does not purport to be a comprehensive list and is based on available data obtained through a survey of individual employers, as well as the sources identified above. Some employers do not respond to inquiries for employment data.

## BUILDING PERMITS

	2014	2015	2016	2017	2018 <sup>1</sup>
<u>New Single Family Homes</u>					
No. of building permits	33	26	23	18	5
Valuation	\$10,688,902	\$10,199,139	\$9,721,721	\$8,991,610	\$2,345,650
<u>New Multiple Family Buildings</u>					
No. of building permits	9	3	1	0	0
Valuation	\$4,092,000	\$1,110,000	\$5,550,000	\$0	\$0
<u>New Commercial/Industrial</u>					
No. of building permits	13	3	5	13	0
Valuation	\$2,236,192	\$1,961,261	\$154,300	\$28,861,659	\$0
<u>All Building Permits</u> <i>(including additions and remodelings)</i>					
No. of building permits	2,905	300	267	251	44
Valuation	\$41,246,443	\$30,654,542	\$27,316,600	\$49,403,073	\$4,446,094

**Source:** The City.

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<sup>1</sup> As of February 28, 2018.

## U.S. CENSUS DATA

### Population Trend: City

2000 U.S. Census	29,494
2010 U.S. Census	35,451
2017 Estimated Population	36,046
Percent of Change 2000 - 2010	20.20%

### Income and Age Statistics

	City	Milwaukee County	State of Wisconsin	United States
2016 per capita income	\$36,659	\$25,881	\$29,253	\$29,829
2016 median household income	\$73,590	\$45,263	\$54,610	\$55,322
2016 median family income	\$95,302	\$57,738	\$69,925	\$67,871
2016 median gross rent	\$982	\$821	\$789	\$949
2016 median value owner occupied units	\$224,800	\$150,000	\$167,000	\$184,700
2016 median age	41.8 yrs.	34.3 yrs.	39.1 yrs.	37.7 yrs.

  

	State of Wisconsin	United States
City % of 2016 per capita income	125.32%	122.90%
City % of 2016 median family income	136.29%	140.42%

### Housing Statistics

	<u>City</u>		
	2000	2016	Percent of Change
All Housing Units	10,936	14,080	28.75%

**Source:** 2000 and 2010 Census of Population and Housing, and 2016 American Community Survey (Based on a five-year estimate), U.S. Census Bureau ([www.factfinder2.census.gov](http://www.factfinder2.census.gov)).

## EMPLOYMENT/UNEMPLOYMENT DATA

Rates are not compiled for individual communities with populations under 25,000.

Year	<u>Average Employment</u>		<u>Average Unemployment</u>		
	City	Milwaukee County	City	Milwaukee County	State of Wisconsin
2014	17,481	446,154	4.9%	6.9%	5.4%
2015	17,578	449,935	4.4%	5.8%	4.6%
2016	17,755	454,475	3.9%	5.1%	4.1%
2017	18,003	458,982	3.3%	4.0%	3.3%
2018, January	17,923	456,947	2.8%	3.4%	3.1%

**Source:** Wisconsin Department of Workforce Development.

**FINANCIAL STATEMENTS**

Potential purchasers should read the included financial statements in their entirety for more complete information concerning the City's financial position. Such financial statements have been audited by the Auditor, to the extent and for the periods indicated thereon. The City has not requested the Auditor to perform any additional examination, assessments or evaluation with respect to such financial statements since the date thereof, nor has the City requested that the Auditor consent to the use of such financial statements in this Official Statement. Although the inclusion of the financial statements in this Official Statement is not intended to demonstrate the fiscal condition of the City since the date of the financial statements, in connection with the issuance of the Notes, the City represents that there have been no material adverse change in the financial position or results of operations of the City, nor has the City incurred any material liabilities, which would make such financial statements misleading.

While reviewing the financial statements, readers should be aware that the 2017 budget reflects a \$900,000 extraordinary pension payment of which \$605,700 will be paid out of the General Fund and \$294,300 will be paid out of Utility Funds. Additionally, in January, 2017, the City collected \$2,300,000 in an intergovernmental account receivable held by the Sewer Fund. The Sewer Fund used the proceeds to repay an inter-fund advance with the General Fund. Collection of the inter-fund advance will remove a corresponding amount of Nonspendable General Fund Balance at December, 2017. Copies of the complete audited financial statements for the past three years and the current budget are available upon request from Ehlers.

**FORM OF LEGAL OPINION**

*(See following pages.)*



Quarles & Brady LLP  
411 East Wisconsin Avenue  
Milwaukee, WI 53202

May 1, 2018

Re: City of Franklin, Wisconsin ("Issuer")  
\$23,480,000 Taxable Note Anticipation Notes, Series 2018A,  
dated May 1, 2018 ("Notes")

We have acted as bond counsel to the Issuer in connection with the issuance of the Notes. In such capacity, we have examined such law and such certified proceedings, certifications, and other documents as we have deemed necessary to render this opinion.

Regarding questions of fact material to our opinion, we have relied on the certified proceedings and other certifications of public officials and others furnished to us without undertaking to verify the same by independent investigation.

Pursuant to a resolution adopted on April 17, 2018, the Issuer authorized the issuance of and covenanted to issue general obligation promissory notes of the Issuer (the "Securities") and authorized the issuance of the Notes to provide interim financing for public purposes, including project costs of Tax Incremental District No. 5 (the "Project"). The Notes are issued in anticipation of the sale of the Securities.

The Notes are numbered from R-1 and upward; bear interest at the rates set forth below; and mature on March 1 of each year, in the years and principal amounts as follows:

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2019	\$10,000,000	2.50%
2023	13,480,000	3.20

Interest is payable semi-annually on March 1 and September 1 of each year commencing on September 1, 2018.

The Notes maturing on March 1, 2019 are subject to redemption prior to maturity, at the option of the Issuer, on December 1, 2018 or on any date thereafter. The Notes maturing on March 1, 2023 are subject to redemption prior to maturity, at the option of the Issuer, on March 1, 2020 or on any date thereafter. Said Notes are redeemable as a whole or in part, and if in part, from maturities selected by the Issuer, and within each maturity by lot, at the principal amount thereof, plus accrued interest to the date of redemption.

We further certify that we have examined a sample of the Notes and find the same to be in proper form.

Based upon and subject to the foregoing, it is our opinion under existing law that:

1. The Notes have been lawfully authorized and issued pursuant to the laws of the State of Wisconsin now in force and are valid and binding special obligations of the Issuer in accordance with their terms.

2. The Notes are payable only from any proceeds of the Notes set aside for payment of interest on the Notes as it becomes due and proceeds to be derived from the issuance and sale of the Securities, which have been declared by the Issuer to constitute a special trust fund to be expended solely for the payment of principal of and interest on the Notes until paid.

3. The Notes do not constitute a general obligation of the Issuer, and no lien is created upon the Project or any other property of the Issuer as a result of the issuance of the Notes.

4. The interest on the Notes is included for federal income tax purposes in the gross income of the owners of the Notes.

We express no opinion regarding the accuracy, adequacy, or completeness of the Official Statement or any other offering material relating to the Notes. Further, we express no opinion regarding tax consequences arising with respect to the Notes other than as expressly set forth herein.

The rights of the owners of the Notes and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and similar laws affecting creditors' rights and may be subject to the exercise of judicial discretion in accordance with general principles of equity, whether considered at law or in equity.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur.

QUARLES & BRADY LLP

**BOOK-ENTRY-ONLY SYSTEM**

1. The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the securities (the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for [each issue of] the Securities, [each] in the aggregate principal amount of such issue, and will be deposited with DTC. [If, however, the aggregate principal amount of [any] issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.]
2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).
3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.
4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. [Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.]
6. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.
7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).
8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.
9. A Beneficial Owner shall give notice to elect to have its Securities purchased or tendered, through its Participant, to [Tender/Remarketing] Agent, and shall effect delivery of such Securities by causing the Direct Participant to transfer the Participant's interest in the Securities, on DTC's records, to [Tender/Remarketing] Agent. The requirement for physical delivery of Securities in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Securities to [Tender/Remarketing] Agent's DTC account.
10. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to the City or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.
11. The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.
12. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

**APPENDIX D**

**FORM OF CONTINUING DISCLOSURE CERTIFICATE**

*(See following pages.)*

## CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the City of Franklin, Milwaukee County, Wisconsin (the "Issuer") in connection with the issuance of \$23,480,000 Taxable Note Anticipation Notes, Series 2018A, dated May 1, 2018 (the "Securities"). The Securities are being issued pursuant to a resolution adopted on April 17, 2018 (the "Resolution") and delivered to Robert W. Baird & Co. Incorporated (the "Purchaser") on the date hereof. Pursuant to the Resolution, the Issuer has covenanted and agreed to provide continuing disclosure of certain financial information and operating data and timely notices of the occurrence of certain events. In addition, the Issuer hereby specifically covenants and agrees as follows:

Section 1(a). Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Issuer for the benefit of the holders of the Securities in order to assist the Participating Underwriters within the meaning of the Rule (defined herein) in complying with SEC Rule 15c2-12(b)(5). References in this Disclosure Certificate to holders of the Securities shall include the beneficial owners of the Securities. This Disclosure Certificate constitutes the written Undertaking required by the Rule.

Section 1(b). Filing Requirements. Any filing under this Disclosure Certificate must be made solely by transmitting such filing to the MSRB (defined herein) through the Electronic Municipal Market Access ("EMMA") System at [www.emma.msrb.org](http://www.emma.msrb.org) in the format prescribed by the MSRB. All documents provided to the MSRB shall be accompanied by the identifying information prescribed by the MSRB.

Section 2. Definitions. In addition to the defined terms set forth in the Resolution, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" means any annual report provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"Audited Financial Statements" means the Issuer's annual financial statements, which are currently prepared in accordance with generally accepted accounting principles (GAAP) for governmental units as prescribed by the Governmental Accounting Standards Board (GASB) and which the Issuer intends to continue to prepare in substantially the same form.

"Final Official Statement" means the Final Official Statement dated April 18, 2018 delivered in connection with the Securities, which is available from the MSRB.

"Fiscal Year" means the fiscal year of the Issuer.

"Governing Body" means the Common Council of the Issuer or such other body as may hereafter be the chief legislative body of the Issuer.

"Issuer" means the City of Franklin, Milwaukee County, Wisconsin, which is the obligated person with respect to the Securities.

"Issuer Contact" means the City Clerk of the Issuer who can be contacted at 9229 West Loomis Road, Franklin, Wisconsin, 53132, phone (414) 425-7500, fax (414) 427-7627.

"Listed Event" means any of the events listed in Section 5(a) of this Disclosure Certificate.

"MSRB" means the Municipal Securities Rulemaking Board.

"Participating Underwriter" means any of the original underwriter(s) of the Securities (including the Purchaser) required to comply with the Rule in connection with the offering of the Securities.

"Rule" means SEC Rule 15c2-12(b)(5) promulgated by the SEC under the Securities Exchange Act of 1934, as the same may be amended from time to time, and official interpretations thereof.

"SEC" means the Securities and Exchange Commission.

### Section 3. Provision of Annual Report and Audited Financial Statements.

(a) The Issuer shall, not later than 365 days after the end of the Fiscal Year, commencing with the year ended December 31, 2017, provide the MSRB with an Annual Report filed in accordance with Section 1(b) of this Disclosure Certificate and which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the Audited Financial Statements of the Issuer may be submitted separately from the balance of the Annual Report and that, if Audited Financial Statements are not available within 365 days after the end of the Fiscal Year, unaudited financial information will be provided, and Audited Financial Statements will be submitted to the MSRB when and if available.

(b) If the Issuer is unable or fails to provide to the MSRB an Annual Report by the date required in subsection (a), the Issuer shall send in a timely manner a notice of that fact to the MSRB in the format prescribed by the MSRB, as described in Section 1(b) of this Disclosure Certificate.

Section 4. Content of Annual Report. The Issuer's Annual Report shall contain or incorporate by reference the Audited Financial Statements and updates of the following sections of the Final Official Statement to the extent such financial information and operating data are not included in the Audited Financial Statements:

1. DEBT - DIRECT DEBT
2. DEBT - DEBT LIMIT
3. VALUATIONS - CURRENT PROPERTY VALUATIONS
4. TAX LEVIES AND COLLECTIONS - TAX LEVIES AND COLLECTIONS

Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues of the Issuer or related public entities, which are available to the public on the MSRB's Internet website or filed with the SEC. The Issuer shall clearly identify each such other document so incorporated by reference.

Section 5. Reporting of Listed Events.

(a) This Section 5 shall govern the giving of notices of the occurrence of any of the following events with respect to the Securities:

1. Principal and interest payment delinquencies;
2. Non-payment related defaults, if material;
3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements reflecting financial difficulties;
5. Substitution of credit or liquidity providers, or their failure to perform;
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Securities, or other material events affecting the tax status of the Securities;
7. Modification to rights of holders of the Securities, if material;
8. Securities calls, if material, and tender offers;
9. Defeasances;
10. Release, substitution or sale of property securing repayment of the Securities, if material;
11. Rating changes;
12. Bankruptcy, insolvency, receivership or similar event of the Issuer;



13. The consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
14. Appointment of a successor or additional trustee or the change of name of a trustee, if material.

For the purposes of the event identified in subsection (a)12. above, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Issuer in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Issuer, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Issuer.

(b) When a Listed Event occurs, the Issuer shall, in a timely manner not in excess of ten business days after the occurrence of the Listed Event, file a notice of such occurrence with the MSRB. Notwithstanding the foregoing, notice of Listed Events described in subsections (a) (8) and (9) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Securities pursuant to the Resolution.

(c) Unless otherwise required by law, the Issuer shall submit the information in the format prescribed by the MSRB, as described in Section 1(b) of this Disclosure Certificate.

Section 6. Termination of Reporting Obligation. The Issuer's obligations under the Resolution and this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all the Securities.

Section 7. Issuer Contact; Agent. Information may be obtained from the Issuer Contact. Additionally, the Issuer may, from time to time, appoint or engage a dissemination agent to assist it in carrying out its obligations under the Resolution and this Disclosure Certificate, and may discharge any such agent, with or without appointing a successor dissemination agent.

Section 8. Amendment; Waiver. Notwithstanding any other provision of the Resolution or this Disclosure Certificate, the Issuer may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, if the following conditions are met:

(a)(i) The amendment or waiver is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the Issuer, or the type of business conducted; or

(ii) This Disclosure Certificate, as amended or waived, would have complied with the requirements of the Rule at the time of the primary offering, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(b) The amendment or waiver does not materially impair the interests of beneficial owners of the Securities, as determined and certified to the Issuer by an underwriter, financial advisor, bond counsel or trustee.

In the event this Disclosure Certificate is amended for any reason other than to cure any ambiguities, inconsistencies, or typographical errors that may be contained herein, the Issuer agrees the next Annual Report it submits after such amendment shall include an explanation of the reasons for the amendment and the impact of the change, if any, on the type of financial statements or operating data being provided.

If the amendment concerns the accounting principles to be followed in preparing financial statements, then the Issuer agrees that it will give an event notice and that the next Annual Report it submits after such amendment will include a comparison between financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Section 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Issuer chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the Issuer shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 10. Default. (a) Except as described in the Final Official Statement, in the previous five years, the Issuer has not failed to comply in all material respects with any previous undertakings under the Rule to provide annual reports or notices of events.

(b) In the event of a failure of the Issuer to comply with any provision of this Disclosure Certificate any holder of the Securities may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Issuer to comply with its obligations under the Resolution and this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an event of default with respect to the Securities and the sole remedy under this Disclosure Certificate in the event of any failure of the Issuer to comply with this Disclosure Certificate shall be an action to compel performance.

Section 11. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Issuer, the Participating Underwriters and holders from time to time of the Securities, and shall create no rights in any other person or entity.

IN WITNESS WHEREOF, we have executed this Certificate in our official capacities effective the 1st day of May, 2018.

(SEAL)

\_\_\_\_\_  
Stephen R. Olson  
Mayor

\_\_\_\_\_  
Sandra L. Wesolowski  
City Clerk

