

PRELIMINARY OFFICIAL STATEMENT DATED OCTOBER 9, 2013

**NEW ISSUE
BOOK ENTRY ONLY**

RATINGS:

Moody's Rating Requested
Standard & Poor's Rating Requested
(See "RATINGS" herein)

In the opinion of Katten Muchin Rosenman LLP, and of Hurtado, S.C., Bond Counsel, under existing law, if there is continuing compliance with certain requirements of the Internal Revenue Code of 1986, interest on the Notes will not be includable in gross income for federal income tax purposes. The Notes are not "private activity bonds" and the interest thereon is not required to be included as an item of tax preference for purposes of computing individual or corporate "alternative minimum taxable income." However, interest on the Notes is includable in corporate earnings and profits and therefore must be taken into account when computing corporate alternative minimum taxable income for purposes of the corporate alternative minimum tax. Interest on the Notes is not exempt from Wisconsin income taxes.

**\$130,000,000
CITY OF MILWAUKEE, WISCONSIN
SCHOOL REVENUE ANTICIPATION NOTES, SERIES 2013 M7
(Not a general obligation of the City)**

Dated: Expected Date of Delivery

Due: As shown below

The School Revenue Anticipation Notes, Series 2013 M7 (the "Notes") are issued in fully registered form in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York. Individual purchases will be made in the principal amounts of \$5,000 or any integral multiple thereof and will be in book-entry-only form. Purchasers will not receive certificates representing their beneficial ownership in the Notes. Interest shall be payable at maturity. The Notes are not a general obligation of the City, do not constitute an indebtedness for the purpose of determining the City's constitutional debt limitation, and no tax shall be levied to pay the Notes or the interest thereon. The Notes are not subject to redemption prior to maturity.

MATURITY SCHEDULE

| <u>Maturity</u> | <u>Amount</u> | <u>Rate</u> | <u>Yield</u> | <u>CUSIP (1) Base 602424</u> |
|-----------------|---------------|-------------|--------------|----------------------------------|
| June 30, 2014 | \$___,000,000 | | | |

The Notes are issued for the purpose of financing the Milwaukee Public School's general operating purposes pending receipt of school State Aid payments from the State of Wisconsin (the "State"). School Operations Fund revenues have been pledged as security for the repayment on the Notes. In addition, the City has pledged available surplus revenues in its Debt Service Fund to the payment of interest due on the Notes at maturity. (See "THE NOTES – Security And Purpose" herein.)

The Notes have been offered for sale by competitive bid in accordance with the Official Notice of Sale dated October 9, 2013 and are being issued subject to the legal opinion of Katten Muchin Rosenman LLP, Chicago, Illinois, and of Hurtado, S.C., Wauwatosa, Wisconsin, Bond Counsel to the City, and other conditions specified in the Official Notice of Sale. Delivery of the Notes will be on or about October 24, 2013 (the "Expected Date of Delivery") in New York, New York.

THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR QUICK REFERENCE ONLY. IT IS NOT A SUMMARY OF THIS ISSUE. INVESTORS MUST READ THIS ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION.

For Further Information Contact:

Martin Matson, City Comptroller and Secretary to Public Debt Commission
City Hall, Room 404, 200 East Wells Street - Milwaukee, WI 53202 - Phone (414) 286-3321

(1) The above-referenced CUSIP number has been assigned by an independent company not affiliated with the City and is included solely for the convenience of the holders of the Notes. The City is not responsible for the selection or uses of such CUSIP number, and no representation is made as to its correctness on the Notes, or as indicated above. The CUSIP number is subject to change after the issuance of the Notes.

**ELECTRONIC BIDS FOR THE NOTES WILL BE RECEIVED
UNTIL 10:00 A.M. (CENTRAL TIME) ON WEDNESDAY, OCTOBER 16, 2013**

This is a Preliminary Official Statement, subject to correction and change. The City has authorized the distribution of the Preliminary Official Statement to prospective purchasers and others. Upon the sale of the Offered Obligations, the City will complete, adopt and deliver a Final Official Statement substantially in this form.

No dealer, broker, salesperson or other person has been authorized by the City of Milwaukee or Milwaukee Public Schools to give any information or to make any representation other than as contained in this Official Statement in connection with the sale of these securities and, if given or made, such other information or representations must not be relied upon. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities by a person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City of Milwaukee or Milwaukee Public Schools since the date hereof. The Notes have not been registered pursuant to the Securities Act of 1933, in reliance upon exemptions contained in such Act.

The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its 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.

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APPENDICES

- APPENDIX A – Audited Annual Financial Report of the Milwaukee Public Schools for the Year Ended June 30, 2012 – Selected Sections of the Comprehensive Annual Financial Report and Independent Auditors’ Report
- APPENDIX B – Draft Form of Legal Opinion
- APPENDIX C – Form of Continuing Disclosure Certificate
- APPENDIX D – Official Notice of Sale and Bid Form

INTRODUCTION TO THE OFFICIAL STATEMENT

The purpose of this Official Statement, including the cover page and appendices, is to set forth certain information concerning the City of Milwaukee (“City”), Milwaukee Public Schools (“MPS”) and the offering of \$130,000,000 School Revenue Anticipation Notes, Series 2013 M7 of the City dated the Expected Date of Delivery (the “Notes”).

The following information is furnished solely to provide limited introductory information regarding the Notes and does not purport to be comprehensive. All such information is qualified in its entirety by reference to the more detailed descriptions appearing in this Official Statement, including Appendices hereto.

Summary Statement

| | | | |
|-------------------------|---|-----------------|-------------|
| Issuer: | City of Milwaukee, Wisconsin. | | |
| Issue: | \$130,000,000 School Revenue Anticipation Notes, Series 2013 M7. | | |
| Dated Date: | Expected Date of Delivery. | | |
| Sale Date and Time: | Wednesday, October 16, 2013, Until 10:00 A.M. C.T. | | |
| Principal Maturity: | <u>Amount</u> | <u>Maturity</u> | <u>Rate</u> |
| | \$130,000,000 | June 30, 2014 | % |
| Interest: | Calculated on a 30/360 day basis and due on the maturity date. | | |
| Denominations: | \$5,000 or integral multiples thereof. | | |
| Purpose: | To finance MPS operations on an interim basis pending receipt of school State Aid payments. | | |
| Security: | MPS and the City have pledged and will irrevocably segregate upon receipt, school State Aid payments in an amount sufficient with interest thereon, to pay, when due, the principal of and interest on the Notes. MPS and the City have also pledged all other revenues of the School Operations Fund included in the budget for the current fiscal year that are due MPS, that have not been received as of the date of delivery of the Notes, and that are not otherwise pledged or assigned. The City has also pledged available surplus revenues of the City’s Debt Service Fund to the payment of interest on the Notes. (See “ THE NOTES – Security and Purpose ” herein.) | | |
| | The Notes are not a general obligation, do not constitute an indebtedness of the City for the purpose of determining the City’s constitutional debt limitation, and no tax shall be levied to pay the Notes or interest thereon. | | |
| Authority for Issuance: | The City of Milwaukee Common Council and the Milwaukee Board of School Directors (“MBSD”) have authorized the issuance and sale of the Notes in accordance with the provisions of the City Charter and Section 67.12(1), Wisconsin Statutes. | | |

Form of Issuance: The Notes will be issued in fully registered “*Book-Entry-Only Form*” in the name of Cede & Co., as nominee of The Depository Trust Company of New York, New York which will act as security depository for the Notes. (See “**BOOK-ENTRY-ONLY SYSTEM**” herein.)

Tax Exemption: Under existing law, if there is continuing compliance with certain requirements of the Internal Revenue Code of 1986, interest on the Notes will not be includable in gross income for federal income tax purposes. The Notes are not “*private activity bonds*” and the interest thereon is not required to be included as an item of tax preference for purposes of computing individual or corporate “alternative minimum taxable income.” However, interest on the Notes is includable in corporate earnings and profits and therefore must be taken into account when computing corporate alternative minimum taxable income for purposes of the corporate alternative minimum tax. Interest on the Notes is not exempt from Wisconsin income taxes. (See “**TAX STATUS**” herein)

Redemption Feature: The Notes are not subject to redemption prior to maturity.

Official Statement: The City will provide the original purchaser(s) of the Notes with an electronic copy and up to 10 printed copies (pro rata) of this Official Statement within seven business days following the award of the Notes.

Professionals: Bond Counsel: Katten Muchin Rosenman LLP
Chicago, Illinois
Hurtado, S.C.
Wauwatosa, Wisconsin

Financial Advisor: Public Financial Management Inc.
Milwaukee, Wisconsin

Record Date: June 16, 2014.

Delivery: Delivery will be on or about October 24, 2013 (the “*Expected Date of Delivery*”) at the expense of the City, through the facilities of The Depository Trust Company (“*DTC*”), New York, New York.

Reoffering: The public reoffering price(s) and/or yield(s) of the Notes are detailed on the cover of the Final Official Statement.

Continuing Disclosure Certificate: In order to assist bidders in complying with the continuing disclosure requirements of SEC Rule 15c2-12 and as part of the City’s contractual obligation arising from its acceptance of the successful bidder’s proposal, at the time of the delivery of the Notes, the City will provide an executed copy of its Continuing Disclosure Certificate. (See “*RULE 15c2-12*” and **APPENDIX C – Form of Continuing Disclosure Certificate** herein.)

THE NOTES

Authority

Pursuant to Sections 65.05 and 119.46 of the Wisconsin Statutes, the Milwaukee Board of School Directors (the “*MBSD*”), the governing board of Milwaukee Public Schools (“*MPS*”), has full responsibility for its budget expenditures, and the required tax levy. These requirements are included with the City’s financial requirements and MPS is effectively treated as a department of the City.

Pursuant to a resolution adopted on May 30, 2013, MBSD has determined that it will be necessary to finance the operating budget of MPS on an interim basis, and has requested the City to issue notes pursuant to Section 67.12(1), Wisconsin Statutes, for that purpose.

The Common Council of the City has authorized the issuance and sale of the Notes through adoption of a resolution on May 21, 2013 (the “*City Resolution*”) in accordance with the provisions of the City Charter and Section 67.12(1), Wisconsin Statutes.

Security and Purpose

Pursuant to a resolution of MBSD adopted on May 30, 2013, MBSD has authorized the City to issue the Notes, and to pledge all revenues of the School Operations Fund included in the budget for the current fiscal year, that are due MPS, that have not been received as of the date of delivery of the Notes, and that are not otherwise pledged or assigned, as security for repayment of the Notes (the “*Pledged Revenues*”).

The School Operations Fund is established by Section 119.46, Wisconsin Statutes, and is held by the City on behalf of MPS. Revenues from the local property tax, school State Aid payments and federal school aid payments are deposited into the School Operations Fund. See “**REVENUES OF MILWAUKEE PUBLIC SCHOOLS**” generally, and the summary presented under the caption “**MILWAUKEE PUBLIC SCHOOLS – School Operations Fund Budget Fiscal Year 2014 and 2013**” herein.

“*State Aid*” means the general school aids paid by the State to MPS pursuant to subchapter II of Chapter 121, Wisconsin Statutes, as the same may be amended or renumbered from time to time, or any other payments made directly or indirectly by the State to MPS in partial or full replacement or substitution for the school aid payments now made under subchapter II of Chapter 121, Wisconsin Statutes.

Pursuant to Section 121.15, Wisconsin Statutes, MBSD is anticipating receipt of school State Aid payments from the State of Wisconsin to the School Operations Fund in December, 2013, and in March, June, and July 2014. Such payments, per Section 119.50, Wisconsin Statutes, shall be received by the City Treasurer.

The Notes are being issued to fund MPS operations pending receipt of school State Aid. MPS anticipates a cash flow deficit of approximately \$223 million will occur in November 2013 due to MPS receiving the majority of State Aid and property tax revenues between December 2013 and June 2014, which is not until the last seven months of the MPS fiscal year. In contrast to the timing of the State Aid and property tax revenues, MPS expenditures are relatively evenly distributed throughout the school year (See the summary presented under the caption “**MILWAUKEE PUBLIC SCHOOLS – School Operations Fund Monthly Cash Flow Summary**” herein). In September and October 2013, a total of \$100 million of commercial paper is anticipated to be issued for cash flow purposes through December, 2013. The commercial paper is scheduled to be redeemed in December, 2013 from State Aids due in December, 2013 and from the advanced payment of property taxes due in 2014.

This Note issue of \$130 million is the anticipated final interim borrowing for MPS during the 2013-2014 fiscal year. (See “**BORROWING-REVENUE BONDS – Borrowing – Future Financing**” herein.)

Pursuant to the City Resolution, the Common Council of the City has pledged the Pledged Revenues for the repayment of the Notes and has established a segregated account within the School Operations Fund to capture State Aid received under Section 121.15, Wisconsin Statutes, in June 2014 in the principal amount of the Notes. The City Resolution also directs the City Treasurer to segregate, for payment of the Notes, June 2014 State Aid, in the principal amount of the Notes. The City Treasurer has no discretion to otherwise apply such revenues.

The City has also pledged available surplus revenues in its Debt Service Fund to the payment of interest on the Notes.

Maturity, Interest Rate(s) and Redemption

The Notes are dated the Expected Date of Delivery and will mature on June 30, 2014 without option of prior redemption. Interest is payable at maturity at the rates as shown on the cover of this Official Statement and is calculated on a 30/360 day basis.

Statutory Borrowing Limitations

Section 67.12(1)(a) of the Wisconsin Statutes limits issuance for the purpose of the Notes to sixty percent (60%) of the Estimated School Operation Fund Revenues for 2013-2014 Fiscal Year.

| | |
|--|--------------------|
| Total Amount of Estimated School Operations Fund Revenues For the 2013-2014 Fiscal Year | \$948,345,675 |
| Statutory Borrowing Limit (60% of Estimated Revenues) | 569,007,405 |
| Borrowing-School Revenue Anticipation Notes, Series 2013 M7 | <u>130,000,000</u> |
| Unused Amount Following this Issue | <u>439,007,405</u> |
| Percentage of Borrowing Limit Used | 22.8% |
| Percentage of Borrowing to Estimated Revenues | 13.7% |

MILWAUKEE PUBLIC SCHOOLS

General

MPS was established on February 3, 1846, and operates under Chapter 119 of the Wisconsin Statutes. MPS is effectively treated by State Statutes as a City department. MPS is governed by MBSD. MPS has budget adoption authority (the City must then levy and collect a tax to support the MBSD budget). MPS provides elementary, secondary, vocational and special education services for grades K through 12 to residents of the City, whose boundaries are coterminous with those of MPS. All funds for MPS flow through the City Treasurer who, by statute, disburses them at the direction of the Director/Board Clerk of MBSD. The City Comptroller, City Treasurer and City Attorney perform their respective functions for MPS as well as the City.

Borrowing – General Obligation Debt

MPS does not have authority to issue debt. The City has the authority (under Chapters 67 and 119, Wisconsin Statutes) to issue municipal obligations for specific school purposes including the acquisition of sites and constructing, enlarging and remodeling school buildings for the purpose of providing additional classroom space to accommodate anticipated school enrollments. Such municipal obligations require the adoption of a resolution by the City and the levying by the City of required debt service. The table below shows the City’s outstanding general obligation debt for school purposes. The City also has authorized but unissued general obligation debt for school purposes. (See “**BORROWING-REVENUE BONDS – Borrowing – Future Financing**” herein.)

**City of Milwaukee
Outstanding General Obligation Debt
for School Purposes (Other than RANs)
as of October 1, 2013**

| Year Ending | Principal (1) | Interest (2) | Total |
|-------------|----------------------|---------------------|----------------------|
| 12/31/2013 | \$ 900,000 | \$ 329,101 | \$ 1,229,101 |
| 12/31/2014 | 12,288,334 | 5,213,699 | 17,502,033 |
| 12/31/2015 | 11,907,192 | 5,421,488 | 17,328,680 |
| 12/31/2016 | 13,690,446 | 4,953,359 | 18,643,805 |
| 12/31/2017 | 11,793,405 | 5,192,179 | 16,985,583 |
| 12/31/2018 | 10,668,637 | 4,754,472 | 15,423,110 |
| 12/31/2019 | 10,357,344 | 5,218,997 | 15,576,341 |
| 12/31/2020 | 9,522,988 | 5,316,986 | 14,839,974 |
| 12/31/2021 | 5,969,814 | 4,957,810 | 10,927,624 |
| 12/31/2022 | 5,555,671 | 5,778,404 | 11,334,074 |
| 12/31/2023 | 5,340,427 | 5,611,439 | 10,951,866 |
| 12/31/2024 | 3,645,000 | 2,106,600 | 5,751,600 |
| 12/31/2025 | 3,375,000 | 2,099,850 | 5,474,850 |
| 12/31/2026 | 3,450,000 | 1,958,250 | 5,408,250 |
| 12/31/2027 | 4,450,000 | 979,125 | 5,429,125 |
| | <u>\$112,914,257</u> | <u>\$59,891,760</u> | <u>\$172,806,017</u> |

(1) Assumes Sinking Fund Deposits in year due.

(2) Compound interest is included in year paid.

Wisconsin Statutes establish a limit on the authority of the City to incur general obligation indebtedness in any form for City and school purposes of 7% of the full value of taxable property located within the City, as equalized by the Wisconsin Department of Revenue. Of the 7%, 2% is authorized for school purposes only. The City may issue bonded debt for school purposes pursuant to the provisions of Chapter 119 or Chapter 67. Bonded indebtedness issued by the City under Chapter 119 for school purposes is limited to 2% of the full value of taxable property in the City as equalized by the State Department of Revenue. Separately, bonded indebtedness issued by the City under Chapter 67 for school purposes counts against the City’s debt limit of 5% of the full value of taxable property within the City. Debt issued under Chapter 67 requires adoption of a resolution by the City but does not require voter approval.

**Total Unused Debt Margin for the City of Milwaukee
as of October 1, 2013**

| | | |
|---|---------------|------------------|
| 2013 Equalized Value of Taxable Property in the City | | \$26,089,611,100 |
| Legal Debt Limitation for City Borrowing | | |
| 5% of Equalized Value | | \$1,304,480,555 |
| General Obligation Debt Outstanding subject to 5% Limit as of 10/01/13 | \$957,520,000 | |
| Less: Provision for current year maturities | \$(735,000) | |
| Net General Obligation Debt Outstanding subject to the 5% Limit as of 10/01/13 | | \$956,785,000 |
| Total Debt Margin for City Borrowing (in Dollars) | | \$347,695,555 |
| As a percentage | | 26.7% |
| including Extendable Municipal Commercial Paper * | | 23.7% |
| including Extendable Municipal Commercial Paper *, and excluding GO Cash Flow Notes .. | | 31.4% |

* Excludes EMCP to be refunded by this Issue, and EMCP issued for Cash Flow purposes

Legal Debt Limitation for School Purpose Borrowing

| | | |
|---|--------------|---------------|
| 2% of Equalized Value | | \$521,792,222 |
| General Obligation Debt Outstanding subject to 2% Limit as of 10/01/13 | \$14,774,150 | |
| Less: Provision for current year maturities | - | |
| Net General Obligation Debt Outstanding subject to the 2% Limit as of 10/01/13 | | \$14,774,150 |
| Total Debt Margin for School Purpose Borrowing (in Dollars) | | \$507,018,072 |
| (As a percentage) | | 97.2% |

**History of Equalized Valuation in the City of Milwaukee
(2009-2013)**

| <u>Levy Year</u> | <u>Collection Year</u> | <u>Equalized Valuation</u> | <u>Percent Increase/Decrease</u> |
|------------------|------------------------|----------------------------|----------------------------------|
| 2009 | 2010 | \$31,266,329,200 | -3.07% |
| 2010 | 2011 | 29,520,783,200 | -5.58 |
| 2011 | 2012 | 27,954,669,900 | -5.31 |
| 2012 | 2013 | 26,421,932,000 | -5.48 |
| 2013 | 2014 | 26,089,611,100 | -1.26 |

BORROWING-REVENUE BONDS

The following sections provide information on outstanding revenue obligations issued by the Redevelopment Authority of the City of Milwaukee (“*RACM*”) for school purposes.

Neighborhood Schools Initiative

In February 2002, RACM issued \$33,300,000 of its Revenue Bonds, Series 2002A (the “2002A Bonds”) and in November 2003, RACM issued \$78,740,000 of its Revenue Bonds, Series 2003A (the “2003A Bonds”) (Milwaukee Public Schools – Neighborhood Schools Initiative) (collectively, the “NSI Revenue Bonds”). RACM loaned the proceeds of the NSI Revenue Bonds to MPS to partially finance the initial cost of providing approximately 750,000 square-feet of additional classroom capacity for MPS schools, to implement the Neighborhood Schools Initiative and for related activities of MPS. MPS is obligated to make payments to RACM sufficient to pay the principal of and interest on the NSI Revenue Bonds. MPS’s repayment obligation is payable solely from and secured by a pledge of all intra-district aid received by MPS from the State.

In February 2007, RACM issued \$31,865,000 of Refunding Revenue Bonds, Series 2007A, which advance refunded a portion of the 2003A Bonds. In April 2013, RACM issued \$45,570,000 of Refunding Revenue Bonds, Series 2013A, which refunded all of the outstanding 2002A Bonds and a portion of the outstanding 2003A Bonds.

The schedule of remaining debt service payments on the NSI Revenue Bonds is as follows:

**City of Milwaukee
Redevelopment Authority Revenue Bonds
Annual Debt Service Payments as of October 1, 2013**

| Year ending June 30 | Debt Service Payments |
|------------------------|----------------------------|
| 2014 | \$ 1,634,642 |
| 2015 | 8,322,335 |
| 2016 | 8,554,385 |
| 2017 | 8,783,185 |
| 2018 | 9,019,735 |
| 2019 | 9,268,485 |
| 2020 | 9,516,985 |
| 2021 | 9,794,153 |
| 2022 | 10,060,310 |
| 2023 | 10,650,500 |
| 2024 | 11,097,600 |
| Total | <u><u>\$96,702,315</u></u> |

Lease Revenue Bonds

The lease revenue bonds do not constitute general obligations of MPS or the City and shall not constitute or give rise to a charge against the City’s taxing powers. MPS does, however, have an obligation to pay rents under a lease to support the debt service on the lease revenue bonds. Under the lease, the annual rent payments constitute a budgeted expenditure of MPS payable only if funds are budgeted and appropriated annually by MPS from its School Operations Fund. MPS’s obligation under the lease may be terminated on an annual basis by MPS if MPS fails to budget and appropriate for lease payments.

In November 2005, RACM issued \$12,415,000 Redevelopment Lease Revenue Bonds, Series 2005A (the “Series 2005A Bonds”) on behalf of MPS to pay certain costs in connection with constructing

additions and making improvements to three public schools of the City of Milwaukee: Congress Extended Year-Round Elementary School, Craig Montessori School and La Escuela Fratney. In 2013, a portion of the Series 2005A Bonds were refinanced with general obligation debt.

| <u>Fiscal Year</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------|--------------------|--------------------|--------------------|
| 2014 | | \$ 98,581 | \$ 98,581 |
| 2015 | | 197,163 | 197,163 |
| 2016 | | 197,163 | 197,163 |
| 2017 | | 197,163 | 197,163 |
| 2018 | | 197,163 | 197,163 |
| 2019 | | 197,163 | 197,163 |
| 2020 | | 197,163 | 197,163 |
| 2021 | | 197,163 | 197,163 |
| 2022 | \$ 805,000 | 178,648 | 983,648 |
| 2023 | 845,000 | 140,698 | 985,698 |
| 2024 | 880,000 | 101,683 | 981,683 |
| 2025 | 925,000 | 61,521 | 986,521 |
| 2026 | 920,000 | 20,470 | 940,470 |
| | <u>\$4,375,000</u> | <u>\$1,981,738</u> | <u>\$6,356,738</u> |

Pension Obligation Bonds

In December, 2003, RACM issued its \$146,569,122 Taxable Pension Funding Bonds, 2003 Series C and 2003 Series D (Milwaukee Public Schools) (the “*Pension Bonds*”). RACM loaned the proceeds of the Pension Bonds to MPS, which, together with the proceeds of a general obligation note issue issued by the City, was used to retire MPS unfunded actuarial accrued liability owed to the Wisconsin Retirement System with respect to retirement benefits for MPS employees. MPS is obligated to make payments to RACM sufficient to pay the principal of and interest on the Pension Bonds, subject to annual appropriation. MPS’s repayment obligation is payable solely from and secured by a pledge of monies in the School Operations Fund. MPS has also pledged certain State Aid payments received by MPS from the State of Wisconsin to secure the payment of debt service.

The 2003 Series D Pension Bonds were issued as variable rate securities. In 2005, the 2003 Series D Pension Bonds were converted to index linked at a fixed spread of 0.25% over 1-Month LIBOR for the life of the bonds. The City, on behalf of MPS, entered into Interest Rate Exchange Agreements to synthetically fix the interest rate payable for the entire term of the Pension Bonds. Under the Interest Rate Exchange Agreement, MPS receives a fixed spread of 0.20% over 1-Month LIBOR for the life of the bonds. In 2011, Interest Rate Exchange Agreements with Lehman Brothers were replaced at no net cost to MPS. The schedule of loan payments, after taking into account the Interest Rate Exchange Agreements, is as follows:

**Redevelopment Authority of the City of Milwaukee
Taxable Pension Funding Bonds
(Milwaukee Public Schools)
Annual Loan Payments as of October 1, 2013**

| Year Ending June 30 | Loan Payments |
|------------------------|---------------|
| 2014 | \$7,340,685 |
| 2015 | 7,340,685 |
| 2016 | 7,340,685 |
| 2017 | 7,340,685 |
| 2018 | 7,340,685 |
| 2019 | 7,340,685 |
| 2020 | 7,340,685 |
| 2021 | 7,340,685 |
| 2022 | 7,340,685 |
| 2023 | 7,340,685 |
| 2024 | 13,590,685 |
| 2025 | 13,315,060 |
| 2026 | 14,420,228 |
| 2027 | 14,239,603 |
| 2028 | 15,298,978 |
| 2029 | 15,743,353 |
| 2030 | 15,707,728 |
| 2031 | 16,707,103 |
| 2032 | 16,766,478 |
| 2033 | 17,725,853 |
| 2034 | 17,890,228 |
| 2035 | 18,804,603 |
| 2036 | 19,353,978 |
| 2037 | 19,673,353 |
| 2038 | 20,530,533 |
| 2039 | 20,957,713 |
| 2040 | 21,784,893 |
| 2041 | 8,787,073 |
| 2042 | 7,239,253 |
| 2043 | 6,891,433 |
| 2044 | 6,296,806 |

Borrowing – Qualified Zone Academy Projects

In December, 2001, MPS entered into a \$8,590,000 Lease Purchase Agreement (2001 QZAB Project) for the purpose of purchasing and installing certain equipment for use at the Lynde and Harry Bradley Technology and Trade School. In November, 2002 and in August, 2003, respectively, MPS entered into a \$4,979,000 Lease and Deferred Payment Agreement (2002 QZAB Project), and \$2,650,000 Lease and Deferred Payment Agreement (2003 QZAB Project). In December 2005, MPS entered into a \$2,021,000 Lease and Deferred Payment Agreement (2005 QZAB Project) and in December, 2006, entered into a \$1,078,100 Lease and Deferred Payment Agreement (2006 QZAB Project) for the purpose of constructing certain improvements to, and purchasing and installing certain equipment for use at, various MPS schools. MPS entered into QZAB Agreements with each investor, under which MPS makes

annual impoundment payments which are subject to annual appropriation by MPS. The last remaining impoundment payment in the amount of \$103,298 is due December 1, 2013.

Borrowing – Future Financing

The City has \$8,000,000 of authorized, but unissued, general obligation borrowing authority for school purposes.

MPS has requested, and the City has approved, the issuance of \$38,000,000 of Qualified School Construction Bonds. MPS and the City are in the process of executing the financing.

Board of School Directors

MPS is governed by a nine member Board of Directors. Eight Directors represent and are elected by districts. One member is elected at-large. Directors serve staggered four year terms which expire in April, and annually, at its organizational meeting, elect a president. The current members and the years in which their terms of office expire are as follows:

| <u>Name</u> | <u>District</u> | <u>Term Expiration</u> |
|---|-----------------|------------------------|
| Michael Bonds (<i>President</i>) | District 3 | 2015 |
| Meagan Holman (<i>Vice President</i>) | District 8 | 2015 |
| Mark Sain | District 1 | 2015 |
| Jeff Spence | District 2 | 2015 |
| Annie Woodward | District 4 | 2017 |
| Larry Miller | District 5 | 2017 |
| Tatiana Joseph | District 6 | 2017 |
| Claire Zautke | District 7 | 2017 |
| Terrance Falk | At-Large | 2015 |

The City officials who serve in identical capacities for MPS, and the year in which their terms of office expire are as follows:

| <u>Name</u> | <u>Title</u> | <u>Term Expiration</u> |
|------------------|--------------|------------------------|
| Martin Matson | Comptroller | 2016 |
| Grant F. Langley | Attorney | 2016 |
| Spencer Coggs | Treasurer | 2016 |

Public Services and Facilities

In the 2012-13 school year, MPS had approximately 76,461 full-time students and 4,927 teachers, attending 165 school programs within approximately 140 school buildings. The average age of the MPS buildings is approximately 66 years, however, significant investment was made in upgrading many of these buildings in the 1970’s and 1980’s and by the Neighborhood Schools Initiative in 2002-2006.

The purpose and responsibility of MPS is to provide an efficient educational system for children enrolled in the public schools, whereby each child has access to programs and services that are appropriate to his or her educational needs. In addition to the regular educational programs, MPS offers comprehensive programs in the areas of vocational education, special education, and bilingual education. Through its specialty school programs, MPS offers advanced educational programs in such areas as fine

arts, computer science, health professions, business, and technical trades. In addition, MPS provides community recreation and education services through its parks and centers for the elderly.

The following schools closed effective June 2013:

- Milwaukee School of Entrepreneurship
- Northwest Secondary School
- Professional Leadership Institute

The following partnership schools' contracts with MPS terminated as of June 2013:

- Centro Hispano

All of MPS has been accredited by the North Central Association of Colleges and Schools.

Enrollment

| <u>School Year</u> | <u>Average School Daily Membership (1)</u> |
|--------------------|--|
| 2003-2004 | 98,323 |
| 2004-2005 | 96,874 |
| 2005-2006 | 94,973 |
| 2006-2007 | 92,224 |
| 2007-2008 | 89,110 |
| 2008-2009 | 87,137 |
| 2009-2010 | 85,239 |
| 2010-2011 | 84,422 |
| 2011-2012 | 82,982 |
| 2012-2013 | 81,798 |

(1) Kindergarten 1/2 day membership converted to full day equivalents.

Employee Relations

All eligible MPS personnel are covered by the Municipal Employment Relations Act (“*MERA*”) of the Wisconsin Statutes. MERA was amended by 2011 Wisconsin Act 10 (“*Act 10*”) and by 2011 Wisconsin Act 32. Pursuant to MERA, employees have rights to organize and, after significant changes were made to the law by Act 10, very limited rights to collectively bargain with municipal employers.

The Collective Bargaining Agreements (Agreements) between the MBSD and the accountants/bookkeepers, substitute teachers, educational assistants, Local 1053 (Clericals), Local 950, Local 150 (Building Service), Local 150 (Food Service), and Local 1616 expired on June 30, 2012.

The Agreements with the Milwaukee Teacher’s Education Association, the Psychologists’ Association in the Milwaukee Public Schools, and the Administrators and Supervisors Council (ASC) expired on June 30, 2013.

Except for ASC, all of the above Collective Bargaining Agents (CBAs) have petitioned for annual recertification, and the recertification votes are anticipated to occur in November, 2013. ASC has not, and has never been, recognized by the Wisconsin Employment Relations Commission (WERC) as a certified CBA. ASC has not filed for certification. Another group, Building Trades, does not have a contract, but has received benefits based upon Agreements with other CBAs. Building Trades has

petitioned for recertification, but the petition was not filed in time and was rejected by the WERC. Building Trades has appealed the ruling, and if that appeal is unsuccessful, can next petition for recertification in August, 2014.

Under Act 10, negotiations may only be conducted with certified CBAs and are limited to the issue of employee base wages. For other issues, MPS has established and implemented an Employee Handbook covering these employees.

On March 30, 2012, a federal court declared null and void a provision of 2011 Act 10 that requires unions to hold certification elections each year. On January 18, 2013, the ruling was overturned by the United States Court of Appeals, which upheld 2011 Act 10 in its entirety. The MBSD is not a party to the appellate litigation, but anticipates that there will be an appeal of the ruling.

In addition to the federal action, in September, 2012, Dane County Circuit Court overturned certain provisions of 2011 Act 10 related to city, county and school employees, including its limitations on collective bargaining. That, and other cases, are pending in State court and are in various levels of appeal. None of the cases brought to date were in circuit courts having jurisdiction over the MBSD. It is uncertain whether any circuit court ruling related to 2011 Act 10 is binding on local units of government outside the jurisdictions in which those cases are located and, as a result, whether the overturned provisions of 2011 Act 10 are applicable to MBSD.

Financial Information

MPS has full control of all expenditures and revenues required to operate the school district. Section 119.46 of the Wisconsin Statutes requires MPS to transmit to the City a budget to operate, maintain, equip and improve the schools. The City's Common Council must levy and collect property taxes equal to the amount of money budgeted by MPS. All taxes so collected and all other funds received by MPS for these purposes are deposited to accounts of the School District.

Insurance

The District purchases commercial property insurance, auto liability insurance, errors and omissions insurance, and excess liability insurance. The District assumes a \$250,000 self-insured retention for any one loss or occurrence under its self-insured general liability program. The District purchases excess liability insurance for its general liability that provides per occurrence and aggregate protection. The District is fully self-insured for environmental-related liabilities and purchases no excess environmental liability insurance. In addition, Section 893.80 of the Wisconsin Statutes limits the amount recoverable against a political corporation, its officers, officials, or employees for acts done within the scope of their official capacity to \$50,000 in tort liability for non-automobile cases and \$250,000 in automobile cases.

MPS is self-insured for health, dental, and workers' compensation benefits and certain other general liability exposures. The accrued liability for estimated self-insured claims of \$34,313,984 recorded in the School Operations Fund and \$7,623,083 represents an estimate of the amount of claims incurred, but not paid or reported, as of June 30, 2012.

Investment Policies

The City may invest any of its funds not immediately needed in accordance with Section 66.0603 of the Wisconsin Statutes. The City, through Common Council Resolution 930358, adopted July 6, 1993, has instructed the City Treasurer to invest City funds, including Milwaukee Public Schools (MPS) funds, in: (a) Certificates of Time Deposit at approved public depositories limited to the equity capital or net

worth of the financial institution with collateralization required when total deposits at any institution exceed \$500,000; (b) Repurchase Agreements with public depository institutions; (c) the State of Wisconsin Local Government Investment Pool; (d) U.S. Treasury and Agency instruments; and (e) commercial paper which has a rating in the highest or second highest rating category assigned by Standard & Poor's Ratings Services, Moody's Investors Service, Inc., or some other similar nationally recognized rating agency.

To the extent possible, the City Treasurer attempts to match investments with anticipated cash flow requirements. No limits have been placed on how much of the portfolio can be invested in any of the above investment categories.

The State of Wisconsin Investment Board ("SWIB") provides the Local Government Investment Pool ("LGIP") as a subset of the State Investment Fund (the "Fund"). The LGIP includes deposits from elective participants consisting of over 1,000 municipalities and other public entities. The Fund also consists of cash balances of participants required to keep their cash balances in the Fund. These required participants include the State General Fund, State agencies and departments and Wisconsin Retirement System reserves. The LGIP portion of the Fund is additionally secured as to credit risk.

The LGIP is a local option City depository. The City utilizes the LGIP in a manner similar to a "money market" account. When other investment options provide more favorable returns, such options are utilized. As of May 31, 2012, the City had approximately 15% (\$83,288,221) of its and MPS' investments deposited in the LGIP.

SWIB invests the assets of the Fund, which includes assets of the LGIP. Overall policy direction for SWIB is established by an independent, eight-member Board of Trustees (the "Trustees"). The Trustees establish long-term investment policies, set guidelines for each investment portfolio and monitor investment performance.

The objectives of the Fund are to provide (in order of priority) safety of principal, liquidity, and a reasonable rate of return. The Fund includes retirement trust funds cash balances pending longer-term investment by other investment divisions. The Fund also acts as the State's cash management fund and provides the State's General Fund with liquidity for operating expenses. The Fund is strategically managed as a mutual fund with a longer average life than a money market fund. This strategic advantage is made possible by the mandatory investment of State funds for which the cash flow requirements can be determined significantly in advance. Because of the role played by the Fund, the cash balances available for investment vary daily as cash is accumulated or withdrawn from various funds.

A copy of SWIB's annual report may be obtained by submitting a written request to the State of Wisconsin Investment Board, P.O. Box 7842, Madison, WI 53707-7842.

REVENUES OF MILWAUKEE PUBLIC SCHOOLS

Sources of Funding

In addition to borrowing, MPS revenues are derived from three major sources - local property taxes, state school aids and federal school aids. Sources of MPS revenues are detailed in the four year summary presented under the caption "**MILWAUKEE PUBLIC SCHOOLS – General Fund – Four Year Summary**".

Local Property Tax

Property taxes levied on behalf of MPS by the City account for a significant portion of the School Operations Fund revenues available to MPS. For fiscal year 2012-13, MPS's share of levy produced approximately \$274,919,524 of the total revenues to the School Operations Fund. MPS's 2013-14 School Operations Fund Revenues are budgeted at \$948,345,675 of which City ad valorem property taxes are estimated at \$283,196,730.

Milwaukee Public Schools Property Tax Levies All Funds (2008-2012)

| <u>Levy Year</u> | <u>Collection Year</u> | <u>Taxes Levied</u> |
|------------------|------------------------|---------------------|
| 2008 | 2009 | \$287,778,700 |
| 2009 | 2010 | 295,833,114 |
| 2010 | 2011 | 293,500,000 |
| 2011 | 2012 | 297,786,794 |
| 2012 | 2013 | 300,605,082 |

In addition to taxes for operations levied under Section 119.46 of the Wisconsin Statutes, the MBSD by two-third vote of members elect may direct the City to levy a tax to provide funds to purchase school sites and construct or remodel school buildings. The school construction fund taxes in any one year may not exceed 0.6 mills on each dollar of assessed valuation of taxable property in the City.

Property Subject to Taxation – The City, at the direction of the MBSD, is required to levy and collect ad valorem taxes on or against all taxable property within MPS. Both real and personal property are subject to taxation, but there are certain classes of property which are exempt from taxation. These include, but are not limited to, property of the United States of America; property of the State and its political subdivisions; public libraries; public school property; certain charitable property not used for profit; religious property; manufacturing machinery and equipment; business computers; non-profit cemeteries; household furnishings and personal effects not used to produce income; intangible personal property; and inventories of merchandise and materials and supplies which are held for consumption by a business or are held primarily for sale.

Assessment of Property – The City Tax Commissioner's staff of assessors and appraisers annually conducts appraisals in order to determine the full (fair market) value of all non-manufacturing taxable real property and full cash value of all taxable personal property within MPS as of January 1st. Real property is divided into classes for taxation purposes. In cities there are four classes of real estate: (1) Residential; (2) Commercial; (3) Manufacturing; and (4) Agricultural.

The assessed value of a property is intended to represent current full market (cash) value and, with certain exceptions, is determined from manuals and associated data published by the State Department of Revenue. The State Department of Revenue certifies the competency of local assessors and supervises the administration of all laws concerning the valuation and assessment of taxable property and the levying of property taxes. Annually, the Department analyzes sales data reported to the Register of Deeds for each county to determine the relative level of local assessments to actual market sales. This process is referred to as "equalization". The ratios developed by the Department of Revenue are reported to each assessor.

Assessed valuation represents the value upon which ad valorem property taxes are levied. Wisconsin law requires that assessed values in any taxation district be established within 10% of “full value,” as determined by the Department of Revenue, at least once during each four year period ending with the current year. If a district fails to meet this criteria in any year, the district’s assessors are subject to special supervision by Department of Revenue employees during the ensuing assessment year. For 2011, the City’s ratio of assessed to equalized value, as reported by the Department of Revenue, was 99.87 percent. Full values of any two major classes of property must also be within 10% during such four-year period or State Revenue Department supervision is required.

For each assessment year the City assessors must complete their assessments for review by the Tax Commissioner on or before the second Monday in May.

Manufacturing property is assessed by the Wisconsin Department of Revenue which annually notifies the City of the assessed value of all such property to be placed on the City tax roll. Manufacturing machinery and equipment are exempt from local property taxes.

Property owners are notified of increases in assessed valuation of their land or improvements, or taxable personal property in accordance with certain statutory deadlines. Property owners are given the opportunity to object to the amount or valuation of their real or personal properties by filing written objections with the board of assessors, which consists of the chief assessor, chief appraiser, supervising assessors and assistant supervising assessors of the Tax Commissioner’s office and a City Board of Review or, for State assessments of manufacturing property, by the State Tax Appeals Commission. The City Board of Review consists of nine residents of the City appointed by the Mayor with approval of the City Common Council for staggered five-year terms.

Adjustments for increases or decreases in assessed values resulting from appeals are made. Upon conclusion of such hearings, the tax assessors are required to complete the assessment roll of all taxable property for the City and return it to the City Tax Commissioner no later than the first Monday of November each year. The Tax Commissioner must prepare the tax roll and return it to the City Treasurer for collection no later than the third Monday in December. Assessments may be appealed to the State courts from the Board of Review or State Tax Appeals Commission within a short period of time, provided the taxes are paid timely on the challenged assessment. Refund of any excess taxes paid may be ordered by the court. If rebated or abated taxes reduce equalized values of the City, the Wisconsin Department of Revenue may prorate the rebated amounts among all taxing jurisdictions which levied a tax against the subject property or adjust equalized values.

In addition to MPS’s tax levy, owners of property within MPS are obligated to pay taxes to other taxing entities in which their property is located. There are five other active taxing entities which have authority to levy ad valorem property taxes on property within MPS. These include the City, Milwaukee County, State of Wisconsin, Vocational School District and Milwaukee Metropolitan Sewerage District. As a result, property owners within the School District’s boundaries are subject to a variety of different mill levies.

The 2012 levies (collected in 2013) were as follows (amounts in millions):

| | |
|--------------------------------|---------|
| Milwaukee Public Schools | \$300.6 |
| City of Milwaukee | 250.4 |
| Milwaukee County | 128.5 |
| MATC | 54.0 |
| Metropolitan Sewerage District | 41.5 |
| State Forestry Tax | 4.5 |

The net tax rate for all taxing jurisdictions was \$29.95 per \$1,000 of assessed property value.

Property Tax Collections – Taxes levied in one year are collected in the succeeding year. Thus, taxes certified in 2012 will be collected in 2013. Taxes are due on January 31st in the year of collection; however, taxes on real property may be paid in 10 equal installments not later than the last day of each month from January to October without interest or penalty. Personal property taxes may be paid in 7 equal installments on the last day of each month from January to July without interest or penalty. First installments which are not timely paid within the prescribed time bear interest at the rate of 1% per month until paid, plus 0.5% of the tax with interest from January 31 and penalty. The City Treasurer collects current and delinquent property taxes, as well as any interest or penalty, and after deducting a statutory fee for such collection, remits the balance to MPS on a monthly basis from January through May and any balance of the annual levy remaining at June 30 is remitted to MPS in early July. If a tax payment is insufficient to pay all charges, City special charges, special assessments and special taxes are paid before MPS receives its share of the levy.

All taxes levied on property, together with interest thereon and penalties for default, as well as all other costs of collection, constitute a perpetual lien on and against the property taxed from January 1 of the levy year until paid. Such lien is on a parity with the tax liens of other general taxes. It is the City Treasurer's duty to enforce the collection of delinquent real property taxes by tax sale of such realty. Delinquent personal property taxes are enforceable by an action in debt and the property taxed or other property may be seized on execution to pay the judgment. Tax sales on realty are held on or before the second Monday in December of the collection year, preceded by a notice of delinquency to the taxpayer and a minimum of four weeks of public notice of the impending sale. Sales of personal property may be held at any time after October 1st of the collection year following notice of delinquency and public notice of sale. There can be no assurance, however, that the value of property sold, in the event of foreclosure and sale would be sufficient to produce the amount required with respect to taxes levied for MPS, taxes levied by overlapping taxing entities, as well as any interest or costs due thereon. Further, there can be no assurance that the property will be bid on and sold and if that should occur, the City Treasurer will remove the property from the tax rolls and delinquent taxes are payable when the property is sold or redeemed.

State Aids

The Wisconsin Constitution requires the State Legislature to provide for establishment of district schools "*which shall be free and without charge for tuition to all children between the ages of 4 and 20 years*". MPS receives revenues in the form of general school aids from the State as well as federal sources. State Aid is divided into two general categories, referred to as general and categorical aids. As explained below, general aid consists of equalization aid (determined by formula based upon pupil membership and property valuation) and integration aid (determined by a formula based on the number of students transferring into and out of minority areas). Categorical aid is based upon specific instructional or supporting programs.

In 1996, the Governor and the State Legislature approved reducing funding for schools from property taxes. The State approved increasing its proportionate share of school aid from 40% to at least 66.7% beginning in 1996-1997.

Although the State has a multi-year tradition of providing State Aid to local school districts to reduce their reliance on local property taxes, there can be no assurance that the State will not decrease, perhaps materially, the amount of State Aid provided to MPS. Unless offsetting revenue sources are obtained, or expenses reduced, MPS would have to increase its reliance upon the property tax to fund its operations if a decrease in State Aid were to occur.

State Aid-General Aids

Equalization Aid

MPS receives the majority of its State Aid in the form of equalization aid. Equalization aid is paid based on a formula designed to compensate for differences in property values between Wisconsin school districts. The effect is to equalize the property tax base supporting each Wisconsin student.

The State guarantees a minimum tax base to support the education of each public school child. The ratio of MPS’ equalized valuation to the State’s guaranteed valuation determines the percentage of shared costs funded by local property tax versus State equalization aid.

$$\text{Equalization Aid} = \text{Shared Costs} \times \frac{\text{Net Guaranteed Valuation}}{\text{Guaranteed Valuation}}$$

where Net Guaranteed Valuation equals Guaranteed Valuation minus Equalized Valuation. Shared Costs equals the net cost of the general fund plus the net cost of the debt service fund.

While MPS’ annual revenue per pupil has been above the State-wide average during the past three school years (as detailed below), these revenues have been met with above average federal and State Aid payments.

Annual Revenues Per Pupil

| | Statewide | | | Milwaukee | | |
|-------------------|-----------|----------|----------|-----------|----------|----------|
| | 2009-10 | 2010-11 | 2011-12 | 2009-10 | 2010-11 | 2011-12 |
| Revenue per Pupil | \$12,823 | \$13,196 | \$12,591 | \$14,863 | \$15,447 | \$14,271 |
| Federal share (%) | 10.50 | 9.14 | 8.7 | 20.66 | 20.52 | 18.8 |
| State share (%) | 44.78 | 45.85 | 44.1 | 53.00 | 53.87 | 53.2 |
| Local share (%) | 44.72 | 45.01 | 47.2 | 26.34 | 25.61 | 28.0 |

Integration Aid

MPS also receives integration aid from the State under a plan where compensation is paid for each minority pupil transferring from an attendance area where minority pupils comprise 30% or more of the population to an attendance area which has less than a 30% minority population. Also, aid is paid for each non-minority pupil transferring from a non-minority attendance area to a minority attendance area.

The State provides for intradistrict transfer aid as well as interdistrict transfer aid. Intradistrict aid is calculated by multiplying the number of eligible transfer pupils by 0.25 and multiplying the product by the district’s current equalization aid per pupil.

For interdistrict transfers, the State provides a financial incentive for both the sending and receiving districts. The receiving district is paid an amount equal to its average cost per pupil for each student it receives. The sending district is allowed to continue to count the transferred students for equalization aid purposes at 0.75 full-time equivalent (FTE), thereby removing any disincentive for transferring students. MPS must pay the transportation costs for its students sent to other districts, as well as the students it receives from other districts.

State Aid-Categorical Aids

MPS receives State Aid in the form of categorical aids to finance or reimburse specific categories of instructional or supporting programs.

Pupil transportation aids are paid to reimburse MPS for transportation of public and non-public school pupils. Reimbursement for transportation aids is made on the basis of the number of children/mileage transported during the prior year and miles transported during the regular school year, with an additional flat per pupil payment for summer school. MPS is not required to transport children who live two miles or less from the school attended following the shortest commonly traveled route unless the route is considered hazardous.

The State pays tuition for the following types of children attending public schools:

- a) children in children's homes;
- b) children of parents employed at and residing on the grounds of a state or federal military camp, federal veteran's hospital, or state, charitable or penal institution; and
- c) children in foster homes or group homes if the home is located outside the district in which the child's parent or guardian resides and is exempt from property tax.

School library aid paid from the common school fund under Article 10, sections 4 and 5 of the Wisconsin Constitution and Section 43.70 of the Wisconsin Statutes, is distributed on the basis of the number of children between age 4 and 20 residing in the district as of June 30 of the year before payments are made. School library aid payments to MPS for 2012-13 were \$3,625,555 or \$24.71 per child.

The State pays special aids to the district to finance approved programs for handicapped children or children with exceptional educational needs, including those with visual or hearing disabilities, speech or language disabilities, learning disabilities and requiring homebound instruction. This aid has been decreasing as a percent of costs for the last two decades.

Other categorical aids include grants for demonstration projects to assist minors in avoiding or overcoming problems resulting from the abuse of alcohol or drugs; State matching payments for school lunch programs required under 42 U.S.C. 1751, et. seq.; elderly food service aid; grants to provide pre-school structured educational experience focusing on the needs of low-income pupils and encouraging early skill development; bilingual/bicultural aids for programs designed to improve comprehension, speaking, reading and writing ability of limited English speaking pupils in the English language; youth initiatives for education and training programs for youths 14 through 21; and Wisconsin morning milk program for children enrolled in kindergarten through grade 5. MPS also receives funding under Sections 119.71, 119.72 and 119.74 of the Wisconsin Statutes for five-year old kindergarten and early childhood education.

These categorical aids are in addition to equalization aid and integration aid.

Parental Choice Program

Beginning in the 1990-91 school year, low-income children constituting up to 1.5% of the pupils in grades kindergarten to 12 residing in the City and enrolled in MPS may attend at no charge any private non-sectarian school located in the City which meets all public school health and safety laws and codes, complies with federal nondiscrimination laws and meets a standard of advancement, attendance, academic progress, or parental involvement. Beginning in the 1996-97 school year, no more than 15% of the

school district's membership may attend private school under Wisconsin Statute 119.23. In March 2006, Governor Doyle signed Act 125 which increases the limit of participants to 22,500 students. In June 2011, Governor Walker's Wisconsin Act 32 was passed into law, among other things eliminating the enrollment cap on the Parental Choice Program and increasing the family income limitation for student eligibility. Upon proof of a pupil's enrollment in the private school the State Superintendent provides a proportionate share of basic and supplemental State school aids. Since 2002 annual general school aids for MPS have been reduced by an amount equal to 45% of the total cost of the Choice Program.

For the 2012-13 school year, approximately 24,165 low-income children enrolled in the Milwaukee Parental Choice Program.

Federal School Aids

In addition to State Aid, MPS receives federal aids for specific school programs.

The federal government provides basic school lunch aid to school districts. This program is administered by the State Department of Public Instruction. For the 2012-13 school year, MPS received \$32,692,750 in basic lunch aid under the federal program administered by the United States Department of Agriculture through the Wisconsin Department of Public Instruction. A portion of this amount was received after the end of the 2013 fiscal year.

MPS has applied for and received federal aid for numerous other programs. In general, these federal aids are known as categorical aids and require MPS to make the expenditure first, with federal reimbursement following. The federal programs administered by the Wisconsin Department of Public Instruction from which MPS received program reimbursement include the following: Public Law 89-313 providing funds for handicapped children; Title I –Disadvantaged and Low Income Children; Special Education – Grants to States; Carl Perkins Act; Emergency Immigrant Educational Assistance; Title II; Public Law 99-457. MPS received aid directly from the Federal Government in the case of several federal programs including the Drug Free Schools program and Headstart.

For the 2012-13 school year, total federal aids to MPS for food services and other categorical aids are estimated to be approximately \$199,301,746.

General Fund Trends

Equalization Aid revenues in the 2011-12 school year decreased by approximately \$48,224,089. Property tax revenues increased by approximately \$14,140,940.

Total expenditures decreased approximately \$94,148,103 in 2011-12 over the previous year. Expenditures for instructional services were 61.59% of total expenditures. The District remains under a revenue cap limitation first imposed in 1993-1994. Despite this restriction, MPS expects to provide all necessary instructional and operating services without major disruptions.

**Milwaukee Public Schools
General Fund
Four Year Summary**

| | 2012 Year End | 2011 Year End | 2010 Year End | 2009 Year End |
|---|----------------------|----------------------|----------------------|----------------------|
| Revenues | | | | |
| Property tax levy | \$287,184,152 | \$273,079,212 | \$284,416,319 | \$268,906,568 |
| Other local sources | 10,995,975 | 11,029,241 | 9,627,675 | 12,174,169 |
| Microsoft Settlement Refunds | 278,642 | 6,706,515 | 6,796,310 | - |
| State aid: | | | | |
| Equalization aid | 496,690,640 | 544,914,729 | 514,990,790 | 469,912,641 |
| Special classes | 54,013,275 | 49,429,225 | 46,323,816 | 47,564,912 |
| Integration | 35,235,721 | 39,158,028 | 40,804,682 | 41,276,129 |
| Other state aid | 47,442,724 | 71,938,535 | 72,041,083 | 74,510,985 |
| Federal aid: | | | | |
| Education Consolidation Improvement Act | 106,765,706 | 121,910,586 | 121,231,450 | 102,207,198 |
| Erate Refunds | 2,753,269 | 3,346,923 | 1,920,868 | 1,751,957 |
| Other federal aid | 54,382,871 | 61,104,594 | 77,649,458 | 129,957,356 |
| Intergovernmental Aid from City of Milwaukee | | - | 191,000 | - |
| Miscellaneous | 3,196,721 | 4,533,161 | 1,222,859 | 932,475 |
| Interest and investment earnings | 224,006 | 185,426 | 187,144 | 438,526 |
| Total Revenues | 1,099,163,702 | 1,187,336,175 | 1,177,403,454 | 1,149,632,916 |
| Expenditures | | | | |
| Current operating: | | | | |
| Instructional services: | | | | |
| Undifferentiated curriculum | 379,231,430 | 408,281,267 | 419,013,141 | 426,468,415 |
| Regular and other curriculum | 129,989,610 | 153,723,073 | 162,055,281 | 152,019,378 |
| Special curriculum | 151,900,661 | 157,796,084 | 151,818,754 | 138,130,512 |
| Total instructional services | 661,121,701 | 719,800,424 | 732,887,176 | 716,618,305 |
| Community services | 24,841,805 | 23,467,701 | 23,184,162 | 23,482,483 |
| Pupil and staff services | 112,712,746 | 129,016,403 | 114,858,237 | 112,412,796 |
| General and school building administration | 111,351,669 | 118,430,195 | 128,618,542 | 118,520,404 |
| Business services | 153,073,711 | 170,709,794 | 160,335,051 | 161,983,843 |
| Debt Service: | | | | |
| Principal | 1,534,454 | 4,505,249 | 12,226,343 | 3,762,400 |
| Interest | 485,865 | 532,831 | 1,086,685 | 1,304,377 |
| Bond Issuance Cost | 1,000 | 4,999 | 835,507 | 10,771 |
| Capital outlay | | 1,131,777 | - | - |
| Total Expenditures | 1,073,451,270 | 1,167,599,373 | 1,174,031,703 | 1,138,095,379 |
| Excess of revenues over (under) expenditures | 25,712,432 | 19,736,802 | 3,371,751 | 11,537,537 |
| Other Financing Sources (Uses) | | | | |
| Proceeds from sale of assets | | 18,128 | - | - |
| Capital Leases | | - | 11,504,297 | - |
| Transfers in (out) | 20,963,406 | (20,168,630) | (19,506,580) | (13,156,982) |
| Total Other Financing Sources(uses) | 20,963,406 | (20,150,502) | (8,002,283) | (13,156,982) |
| Net Change in Fund Balances | 4,749,026 | (413,700) | (4,630,532) | (1,619,445) |
| Fund balance - beginning of year | 91,600,874 | 92,014,574 | 96,645,106 | - |
| Fund balance - beginning of year, as restated | - | - | - | 98,264,551 |
| Fund balance - end of year | 96,349,900 | \$91,600,874 | \$92,014,574 | \$96,645,106 |

Source: Comprehensive Annual Financial Report, State of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds.

**Milwaukee Public Schools
School Operations Fund Budget
Fiscal Years 2014 and 2013**

| | 2013-14 Budget (1) | 2012-13 Budget (2) |
|--|-----------------------|-----------------------|
| Revenues | | |
| Locally Generated: | | |
| Property Tax Levy | \$283,196,730 | \$274,919,524 |
| Other Local Sources | 9,254,536 | 12,062,481 |
| Subtotal..... | 292,451,266 | 286,982,005 |
| State Aid: | | |
| Equalization Aid | 494,557,826 | 494,557,826 |
| Special Education | 51,265,155 | 49,500,000 |
| Integration..... | 34,178,357 | 34,178,357 |
| Other | 20,599,421 | 24,772,608 |
| Subtotal..... | 600,600,759 | 603,008,791 |
| Federal Aid: | | |
| School Nutrition Commodities & Federal Indirect..... | 43,216,800 | 37,954,691 |
| Other | 12,076,850 | 15,958,250 |
| Subtotal..... | 55,293,650 | 53,912,941 |
| Total Revenues..... | 948,345,675 | 943,903,737 |
| Plus Use of Surplus..... | 0 | 0 |
| Total Sources of Funds..... | \$948,345,675 | \$943,903,737 |
| Expenditures (3) | | |
| Instructional Services..... | \$585,173,025 | \$584,420,998 |
| Support Services | 363,172,650 | 359,482,739 |
| Total Expenditures | \$948,345,675 | \$943,903,737 |
| Summary | | |
| Total Revenues and Use of Surplus | \$948,345,675 | \$943,903,737 |
| Total Expenditures | 948,345,675 | 943,903,737 |
| Difference | \$0 | \$0 |

(1) Initial Fiscal Year 2014 School Operations Fund Budget approved June, 2013.

(2) Final Fiscal Year 2013 School Operations Fund Budget approved October, 2012.

(3) Expenditure categories include allocations based on estimates and may differ from actual experience.

The management of MPS has prepared the projected financial information set forth below to present the cash flow needs of MPS for the fiscal year 2012-2013. It is the belief of MPS management that these projections are reasonable and reflect the best current estimates and judgments regarding future cash flows. MPS's independent auditors have not compiled, examined, or performed any procedures with respect to the prospective financial information set forth below, nor have they expressed any opinion or

any form of assurance on such information or its achievability, and assume no responsibility for, and disclaim any association with, this prospective financial information.

Milwaukee Public Schools
School Operations Fund Monthly Cash Flow Summary
2012-13 Actual Results (Unaudited)
2013-2014 Projected
(Millions of Dollars)

2012-2013 Actual Results

| | <u>Beginning</u> | <u>Receipts</u> | <u>Disbursements</u> | <u>Ending</u> |
|------------|------------------|-----------------|----------------------|---------------|
| July, 2012 | 66.365 | 33.591 | 90.708 | 9.248 |
| Aug | 9.248 | 29.066 | 73.926 | (35.612) |
| Sept | (35.612) | 94.623 | 92.577 | (33.566) |
| Oct | (33.566) | 186.815 (1) | 93.025 | 60.224 |
| Nov | 60.224 | 25.227 | 99.261 | (13.810) |
| Dec | (13.810) | 137.279 | 144.768 (2) | (21.299) |
| Jan, 2013 | (21.299) | 175.920 | 95.832 | 58.789 |
| Feb | 58.789 | 72.544 | 99.734 | 31.599 |
| Mar | 31.599 | 196.504 | 127.825 | 100.278 |
| Apr | 100.278 | 32.547 | 94.610 | 38.215 |
| May | 38.215 | 42.238 | 104.200 | (23.747) |
| Jun | (23.747) | 337.656 | 272.354 (3) | 41.555 |

(1) Includes \$50,000,000 of Commercial Paper proceeds and \$120,000,000 of 2012 M11 Notes.

(2) Includes repayment of Commercial Paper.

(3) Includes repayment of 2012 M11 Notes.

2013-2014 Projected

| | <u>Beginning</u> | <u>Receipts</u> | <u>Disbursements</u> | <u>Ending</u> |
|------------|------------------|-----------------|----------------------|---------------|
| July, 2013 | 41.555 | 46.010 | 104.439 | (16.874) |
| Aug | (16.874) | 12.362 | 78.348 | (82.860) |
| Sept | (82.860) | 139.289 (1) | 99.584 | (43.155) |
| Oct | (43.155) | 195.789 (2) | 92.521 | 60.113 |
| Nov | 60.113 | 33.194 | 94.605 | (1.298) |
| Dec | (1.298) | 158.607 | 204.046 (3) | (46.737) |
| Jan, 2014 | (46.737) | 193.202 | 93.951 | 52.514 |
| Feb | 52.514 | 84.060 | 104.094 | 32.480 |
| Mar | 32.480 | 170.570 | 104.034 | 99.016 |
| Apr | 99.016 | 36.925 | 89.708 | 46.233 |
| May | 46.233 | 47.569 | 93.853 | (0.051) |
| Jun | (0.051) | 314.013 | 282.052 (4) | 31.910 |

(1) Includes \$50,000,000 of Commercial Paper proceeds.

(2) Includes \$50,000,000 of Commercial Paper proceeds and \$130,000,000 of 2013 M7 Notes.

(3) Includes repayment of Commercial Paper.

(4) Includes repayment of 2013 M7 Notes.

Milwaukee Public Schools
School Operations Fund- Cash Flow Actual
July 1, 2012 – June 30, 2013
(Millions of Dollars)

| | Jul | Aug | Sep | Oct | Nov | Dec | Jan | Feb | Mar | Apr | May | Jun | Total |
|---------------------------------|---------------|-----------------|-----------------|----------------|-----------------|-----------------|----------------|---------------|----------------|---------------|-----------------|----------------|------------------|
| Balance | 66.365 | 9.248 | (35.612) | (33.566) | 60.224 | (13.810) | (21.299) | 58.789 | 31.599 | 100.278 | 38.215 | (23.747) | |
| RECEIPTS | | | | | | | | | | | | | |
| Property Taxes | | | | | | | 156.00 | 45.850 | 6.628 | 10.000 | 10.000 | 46.440 | 274.918 |
| Integration Aid..... | | | | | | | | | | | | 34.178 | 34.178 |
| Computer Aid..... | 5.132 | | | | | | | | | | | | 5.132 |
| State Aid..... | | | | | | | | | | | | | |
| Equalization Aid..... | 9.711 | | 73.141 | | | 121.045 | | | 121.366 | | 0.000 | 169.912 | 495.175 |
| Other..... | | 0.007 | | | 7.581 | 9.570 | 9.426 | 7.764 | 13.267 | 3.626 | 0.000 | 19.044 | 70.285 |
| Categorical Aid..... | 10.175 | 27.696 | 15.230 | 3.790 | 10.183 | 0.679 | 2.337 | 10.860 | 34.902 | 12.638 | 23.287 | 33.967 | 185.744 |
| Nutrition | 5.383 | 0.246 | 0.687 | 0.245 | 0.017 | 0.185 | 0.210 | 0.109 | 14.503 | 0.074 | 0.045 | 2.018 | 23.722 |
| Local Revenues | 0.443 | 0.025 | 0.933 | 1.776 | 1.280 | 0.346 | 0.391 | 1.034 | 0.276 | 0.165 | 0.954 | 5.543 | 13.166 |
| Other Local Receipts | 2.747 | 1.092 | 4.632 | 1.017 | 1.011 | 0.770 | 1.505 | 1.404 | 1.254 | 1.026 | 1.856 | 6.855 | 25.169 |
| Reimbursed QSCB Interest..... | | | | | | | | | | | | 1.958 | 1.958 |
| GASB 45 | | | | 9.987 | 5.155 | 4.684 | 6.051 | 5.523 | 4.308 | 5.018 | 6.096 | 17.741 | 64.563 |
| CP Proceeds..... | | | | 50.000 | | | | | | | | | 50.000 |
| Note Proceeds..... | | | | 120.000 | | | | | | | | | 120.000 |
| Total Receipts..... | 33.591 | 29.066 | 94.623 | 186.815 | 25.227 | 137.279 | 175.920 | 72.544 | 196.504 | 32.547 | 42.238 | 337.656 | 1,364.010 |
| DISBURSEMENTS | | | | | | | | | | | | | |
| Salaries and Benefits | 21.885 | 36.323 | 74.230 | 73.372 | 73.309 | 73.309 | 71.888 | 74.370 | 73.412 | 73.412 | 75.456 | 75.412 | 796.378 |
| Services & Supplies..... | 25.476 | 36.511 | (4.285) | 12.636 | 18.941 | 14.689 | 16.439 | 17.960 | 40.104 | 20.172 | 26.888 | 61.958 | 287.489 |
| Other Local Expenses..... | 2.747 | 1.092 | 4.632 | 1.017 | 1.011 | 0.770 | 1.505 | 1.404 | 1.254 | 1.026 | 1.856 | 6.855 | 25.169 |
| GASB 45 | 40.600 | | 18.000 | 6.000 | 6.000 | 6.000 | 6.000 | 6.000 | 6.000 | | | | 94.600 |
| Debt Service | | | | | | | | | 7.055 | | | 8.129 | 15.184 |
| CP Repayment..... | | | | | | 50.000 | | | | | | | 50.000 |
| Note Repayment | | | | | | | | | | | | 120.000 | 120.000 |
| Total Disbursements..... | 90.708 | 73.926 | 92.577 | 93.025 | 99.261 | 144.768 | 95.832 | 99.734 | 127.825 | 94.610 | 104.200 | 272.354 | 1,388.820 |
| Balance | 9.248 | (35.612) | (33.566) | 60.224 | (13.810) | (21.299) | 58.789 | 31.599 | 100.278 | 38.215 | (23.747) | 41.555 | |

Milwaukee Public Schools
School Operations Fund – Cash Flow Projection
July 1, 2013 – June 30, 2014
(Millions of Dollars)

| | Jul | Aug | Sep | Oct | Nov | Dec | Jan | Feb | Mar | Apr | May | Jun | Total |
|----------------------------------|-----------------|-----------------|-----------------|----------------|----------------|-----------------|----------------|----------------|----------------|---------------|----------------|----------------|------------------|
| Balance | 41.555 | (16.874) | (82.860) | (43.155) | 60.113 | (1.298) | (46.737) | 52.514 | 32.480 | 99.016 | 46.233 | (0.051) | |
| RECEIPTS | | | | | | | | | | | | | |
| Property Taxes..... | | | | | | | 156.000 | 45.850 | 6.628 | 10.000 | 10.000 | 54.719 | 283.197 |
| Integration Aid..... | | | | | | | | | | | | 34.178 | 34.178 |
| Computer Aid..... | 4.900 | | | | | | | | | | | | 4.900 |
| State Aid..... | | | | | | | | | | | | | |
| Equalization Aid..... | 9.115 | | 72.819 | | | 121.710 | | | 121.280 | | | 169.633 | 494.557 |
| Other..... | | | | | 8.904 | 11.980 | 14.090 | 8.900 | 16.854 | 4.550 | | 14.025 | 79.303 |
| Categorical Aid..... | 17.338 | 4.240 | 8.732 | 5.680 | 14.721 | 12.428 | 9.572 | 18.539 | 12.956 | 11.123 | 23.117 | 26.530 | 164.976 |
| Nutrition | 7.482 | 0.501 | 0.380 | 1.222 | 1.242 | 4.842 | 6.757 | 3.627 | 4.702 | 3.428 | 5.096 | 3.546 | 42.825 |
| Local Revenues | 0.253 | 0.628 | 0.204 | 0.204 | 0.276 | 0.124 | 0.476 | 0.126 | 0.054 | 0.247 | 0.193 | 3.468 | 6.253 |
| Other Local Receipts | 0.307 | 2.000 | 2.000 | 2.000 | 2.000 | 2.000 | 2.000 | 2.000 | 2.000 | 2.000 | 2.000 | 2.000 | 22.307 |
| Reimbursed QSCB Interest..... | | | | | | | | | | | | 1.128 | 1.128 |
| GASB 45 | 6.615 | 4.993 | 5.154 | 4.683 | 6.051 | 5.523 | 4.307 | 5.018 | 6.096 | 5.577 | 7.163 | 4.786 | 65.966 |
| CP Proceeds..... | | | 50.000 | 50.000 | | | | | | | | | 100.000 |
| Note Proceeds*..... | | | | 132.000 | | | | | | | | | 132.000 |
| Total Receipts..... | 46.010 | 12.362 | 139.289 | 195.789 | 33.194 | 158.607 | 193.202 | 84.060 | 170.570 | 36.925 | 47.569 | 314.013 | 1,431.590 |
| DISBURSEMENTS | | | | | | | | | | | | | |
| Salaries and Benefits | 19.879 | 36.316 | 74.216 | 75.360 | 73.295 | 73.295 | 71.874 | 74.356 | 73.398 | 73.398 | 75.442 | 75.398 | 796.227 |
| Services & Supplies..... | 62.384 | 34.863 | 14.599 | 9.992 | 14.141 | 14.627 | 14.908 | 22.569 | 19.667 | 9.141 | 11.242 | 59.356 | 287.489 |
| Other Local Expenses..... | 0.307 | 2.000 | 2.000 | 2.000 | 2.000 | 2.000 | 2.000 | 2.000 | 2.000 | 2.000 | 2.000 | 2.000 | 22.307 |
| GASB 45 | 21.869 | 5.169 | 5.169 | 5.169 | 5.169 | 5.169 | 5.169 | 5.169 | 5.169 | 5.169 | 5.169 | 5.169 | 78.728 |
| Debt Service | | | 3.600 | | | | | | 3.800 | | | 8.129 | 24.484 |
| CP Repayment..... | | | | | | 100.000 | | | | | | | 100.000 |
| Note Principal to Trustee* | | | | | | | | | | | | 132.000 | 132.000 |
| Total Disbursements..... | 104.439 | 78.348 | 99.584 | 92.521 | 94.605 | 204.046 | 93.951 | 104.094 | 104.034 | 89.708 | 93.853 | 282.052 | 1,441.235 |
| Balance | (16.874) | (82.860) | (43.155) | 60.113 | (1.298) | (46.737) | 52.514 | 32.480 | 99.016 | 46.233 | (0.051) | 31.910 | |

*Assumes \$2,000,000 of premium on the sale of the Notes.

THE CITY OF MILWAUKEE

General

The City is located on the western shore of Lake Michigan in southeastern Wisconsin. The City is the hub of the metropolitan area and a thriving place to live and work. The City is Wisconsin’s largest city with a population of approximately 595,525 and is the principal trade, service and financial center of southeastern Wisconsin. The surrounding Metropolitan Statistical Area (“MSA”) includes the principal cities of Milwaukee, Waukesha and West Allis, in the counties of Milwaukee, Ozaukee, Waukesha and Washington, counties, and has a population of nearly 1.6 million.

The Port of Milwaukee provides access to the sea lanes of the world. General Mitchell International Airport is served by domestic and international airlines. Five rail lines serve the City and provide transportation links throughout the United States. The City is also connected with the interstate highway system.

The City was incorporated as a city on January 31, 1846, pursuant to the laws of the Territory of Wisconsin. Wisconsin gained statehood in 1848. The City, operating under a Home Rule Charter since 1874, has a council-mayor form of government.

City of Milwaukee Selected Economic Data

| Year | Population | | Adjusted Gross Income Per Return |
|------|---------------------------------|-------------|-------------------------------------|
| | Department of Administration | U.S. Census | |
| 2012 | 595,425 | | Not Available |
| 2011 | 595,525 | | \$34,050 |
| 2010 | 580,500 | 594,833 | 32,753 |
| 2009 | 584,000 | | 32,492 |
| 2008 | 590,870 | | 33,144 |

Sources: U.S. Census and the Wisconsin Department of Administration, Demographic Service Center and the Wisconsin Department of Revenue, Division of Research and Analysis. The Division’s population estimates are used in the distribution of State Shared Revenues.

Building Permits

Another indicator of economic growth is the activity in the building industry. The following table indicates building permit activity for the years 2008-2012.

General Total

| Year | Value | Permits Issued |
|------|---------------|----------------|
| 2012 | \$254,896,334 | 2,297 |
| 2011 | 269,386,167 | 2,340 |
| 2010 | 283,026,280 | 2,065 |
| 2009 | 290,326,431 | 1,723 |
| 2008 | 249,992,533 | 2,067 |

Residential Building

| Year | Single Family | | Multi-Family | | Total | | Permits Issued |
|------|---------------|------------|--------------|------------|--------------|------------|----------------|
| | Value | # Of Units | Value | # Of Units | Value | # Of Units | |
| 2012 | \$ 4,408,472 | 44 | \$30,455,000 | 281 | \$34,863,472 | 325 | 60 |
| 2011 | 17,892,282 | 139 | 42,327,598 | 364 | 60,219,880 | 503 | 222 |
| 2010 | 8,400,090 | 84 | 91,179,501 | 726 | 99,579,591 | 810 | 118 |
| 2009 | 7,269,207 | 59 | 37,354,152 | 409 | 44,623,359 | 468 | 72 |
| 2008 | 15,632,811 | 90 | 63,975,007 | 509 | 79,607,818 | 599 | 104 |

Commercial Building

| Year | Value | Permits Issued |
|------|---------------|----------------|
| 2012 | \$ 52,952,469 | 51 |
| 2011 | 58,518,315 | 47 |
| 2010 | 53,319,884 | 67 |
| 2009 | 127,122,466 | 37 |
| 2008 | 59,502,236 | 74 |

Public Building

| Year | Value | Permits Issued |
|------|--------------|----------------|
| 2012 | \$43,046,652 | 211 |
| 2011 | 49,456,901 | 256 |
| 2010 | 22,238,704 | 129 |
| 2009 | 10,808,648 | 107 |
| 2008 | 9,107,611 | 85 |

Alterations and Additions

| Year | Value | Permits Issued |
|------|---------------|----------------|
| 2012 | \$124,033,741 | 1,975 |
| 2011 | 101,191,071 | 1,815 |
| 2010 | 107,888,101 | 1,751 |
| 2009 | 107,771,958 | 1,506 |
| 2008 | 101,774,868 | 1,804 |

Sources: Development Center, Department of City Development. Data accumulated from monthly reports submitted to U.S. Department of Commerce, Bureau of the Census, Construction Statistics Division, Washington D.C.

Leading Business and Industrial Firms Located Within Milwaukee County

The listing of large employers in the Milwaukee County area which follows reveals the diversity of Milwaukee County's economic base. The largest of these are shown in the following list which includes only employers with the majority or all of their employment in Milwaukee County.

| Employer | 2012 Employment Estimates | Type of Business or Service |
|--|---------------------------------|---|
| Aurora Health Care | 31,000 | Health Care |
| Milwaukee Public Schools | 11,766 | Education |
| U.S. Government (Includes Zablocki V.A. Medical Center) | 10,500 | Government |
| Froedert Memorial Lutheran Hospital and Community Health | 8,900 | Health care provider |
| Wheaton Franciscan Healthcare | 8,699 | Health care provider |
| Kohl's Corporation | 8,400 | Specialty department stores |
| Roundy's Supermarket | 7,630 | Retail grocer |
| Quad Graphics | 6,900 | Commercial printing |
| City of Milwaukee | 6,400 | Government |
| Medical College of Wisconsin | 5,492 | Medical school/academic/health care |
| GE Healthcare | 5,000 | Medical imaging, healthcare services |
| Northwestern Mutual | 5,000 | Insurance |
| ProHealth Care, Inc. | 4,716 | Health care provider |
| Milwaukee County | 4,661 | Government |
| Columbia-St. Mary's | 4,429 | Health care provider |
| Target Corporation | 4,362 | Discount department store chain |
| BMO Harris Bank | 4,070 (1) | Holding company banking/finance and data services |
| WE Energies | 4,005 | Electric/natural gas utility |
| University of Wisconsin-Milwaukee | 3,881 | Education |
| Walgreens Co. | 3,765 | Retail drugstore chain |
| Children's Hospital of Wisconsin | 3,726 | Health care provider |
| Johnson Controls Inc. | 3,632 | Building and automotive |
| U.S. Bank | 3,540 | Finance, banking |
| Wells Fargo | 3,500 | Finance, banking |
| Goodwill Industries | 3,215 | Retail services |

(1) Formerly M&I Marshall & Ilsley Bank, acquired by BMO Financial Group.

Source: *The 2013 Business Journal Book of Lists, Employer contacts March 2013, and the U.S. Bureau of Labor Statistics February 2013.*

EMPLOYMENT AND INDUSTRY

During 2012, the City's unemployment rate averaged approximately 10.1%. Presented below are unemployment rates for the City, as compared to the State of Wisconsin and the United States for the period 2008 through December 2012.

| Annual Unemployment Rates (Not Seasonally Adjusted) | | | | |
|---|----------------------|--|-----------------------|------------------|
| Year | City of Milwaukee | Milwaukee - Waukesha-West Allis Metropolitan Statistical Area | State of Wisconsin | United States |
| 2012 | 10.1% | 7.4% | 6.9% | 8.1% |
| 2011 | 10.9 | 8.0 | 7.5 | 8.9 |
| 2010 | 11.9 | 8.9 | 8.5 | 9.6 |
| 2009 | 11.4 | 8.9 | 8.7 | 9.3 |
| 2008 | 6.7 | 4.9 | 4.8 | 5.8 |

Source: U.S. Department of Labor, Bureau of Labor Statistics.

| Recent Monthly Unemployment Rates (Not Seasonally Adjusted) | | | | |
|---|----------------------|--|-----------------------|------------------|
| Month | City of Milwaukee | Milwaukee - Waukesha-West Allis Metropolitan Statistical Area | State of Wisconsin | United States |
| July, 2013 | 10.6% | 7.6% | 6.8% | 7.7% |

Source: U.S. Department of Labor, Bureau of Labor Statistics.

The City's economic structure reveals a diversified economy with strong service and manufacturing sectors. The service sector (service, finance, insurance, real estate and retail trade) employs over 80 of the workforce. Manufacturing firms employ 14% of the workforce. The area is not dominated by any large employers. Less than two percent of the manufacturers have employment levels greater than 500. Less than one percent of the employers in finance, insurance and services have more than 500 employees.

Ten Largest Taxpayers With 2012 Estimated Equalized Valuations

| | |
|--|---------------|
| US Bank Corp | \$240,036,585 |
| Northwestern Mutual Life Ins. | 155,165,291 |
| Mandel Group | 99,583,015 |
| Metropolitan Associates | 94,185,117 |
| 411 East Wisconsin LLC | 93,720,408 |
| Marcus Corp/Milw City Center/Pfister | 87,806,236 |
| 100 E. Wisconsin – CW Wisconsin Ave. LLC | 80,717,922 |
| Towne Realty | 80,206,430 |
| Flanders Westborough | 58,696,760 |
| Riverbend Place | 57,893,136 |

Source: City of Milwaukee, Assessor's Office December 2012.

BOOK-ENTRY-ONLY SYSTEM

The information contained in the following paragraphs of this subsection “BOOK-ENTRY-ONLY SYSTEM” has been extracted from a document prepared by The Depository Trust Company (“DTC”) entitled “SAMPLE OFFERING DOCUMENT LANGUAGE DESCRIBING BOOK-ENTRY ONLY ISSUANCE.” The City makes no representation as to the completeness or the accuracy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof.

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the Notes. The Notes 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 Note certificate will be issued for each issue of the Notes, each in the aggregate principal amount of such issue, and will be deposited with DTC.

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 Standard & Poor’s rating: 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 and www.dtc.org.

Purchases of Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Notes on DTC’s records. The ownership interest of each actual purchaser of each Note (“*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 Notes 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 Notes, except in the event that use of the book-entry system for the Notes is discontinued.

To facilitate subsequent transfers, all Notes 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 Notes with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Notes; DTC’s records reflect only the

identity of the Direct Participants to whose accounts such Notes 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.

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 the Notes may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Notes, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Notes may wish to ascertain that the nominee holding the Notes 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.

Redemption notices shall be sent to DTC. If less than all of the Notes 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.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Notes unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the 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 the Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Notes 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, 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 Notes 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, 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, 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.

DTC may discontinue providing its services as depository with respect to the Notes at any time by giving reasonable notice to the City. Under such circumstances, in the event that a successor depository is not obtained, Note certificates are required to be printed and delivered.

City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Note certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that City believes to be reliable, but City takes no responsibility for the accuracy thereof.

NEITHER THE CITY NOR THE UNDERWRITERS WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO PARTICIPANTS, TO INDIRECT PARTICIPANTS OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DTC PARTICIPANT OR ANY INDIRECT PARTICIPANT; (2) THE PAYMENT BY DTC, ANY

DTC PARTICIPANT OR ANY INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE NOTES; (3) ANY NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN TO HOLDERS OF THE NOTES; (4) ANY CONSENT GIVEN BY DTC OR OTHER ACTION TAKEN BY DTC AS THE HOLDER OF THE NOTES; OR (5) THE SELECTION BY DTC, ANY DTC PARTICIPANT OR ANY INDIRECT PARTICIPANT OF ANY BENEFICIAL OWNER TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF NOTES.

LEGAL MATTERS

Litigation

MPS and its directors, officers and employees have been defendants in numerous lawsuits over the years. Experience has shown that a relatively small number of suits commenced are reduced to judgment. MPS does carry Commercial General Liability Insurance, Umbrella General Liability Insurance and School Teachers Error and Omissions Insurance. Section 893.80 of the Wisconsin Statutes limits the amount recoverable against a political corporation, its officer, officials or employees for acts performed in their official capacity to \$50,000 in tort liability of non-automobile cases and \$250,000 in automobile cases.

The City Attorney's Office has currently reviewed the status of pending or threatened litigation, claims and assessments to which the office has devoted substantive attention in the form of legal consultation or representation. As of October 1, 2013, there is no pending or threatened litigation matters, claims or assessments which individually represent a maximum potential loss exposure in excess of \$1 million.

LEGAL OPINION

The legal opinions of Katten Muchin Rosenman LLP, Chicago, Illinois, and Hurtado, S.C., Wauwatosa, Wisconsin, Bond Counsel to the City, will be delivered to the purchasers of the Notes. A draft of the legal opinions for the Notes are included herein as **APPENDIX B**.

TAX STATUS

Summary of Bond Counsel Opinion

Bond Counsel are of the opinion that under existing law, interest on the Notes is not includable in the gross income of the owners thereof for federal income tax purposes. If there is continuing compliance with the applicable requirements of the Internal Revenue Code of 1986 (the "*Code*"), Bond Counsel are of the opinion the Notes are not "*private activity bonds*" within the meaning of Section 141(a) of the Code. Accordingly, interest on the Notes is not an item of tax preference for purposes of computing individual or corporate alternative minimum taxable income. However, interest on the Notes is includable in corporate earnings and profits and therefore must be taken into account when computing corporate alternative minimum taxable income for purposes of the corporate alternative minimum tax. Interest on the Notes is not exempt from Wisconsin income taxes.

The Code contains certain requirements that must be satisfied from and after the date of issuance of the Notes in order to preserve the exclusion from gross income for federal income tax purposes of interest on the Notes. These requirements relate to the use and investment of the proceeds of the Notes,

the payment of certain amounts to the United States, the security and source of payment of the Notes and the use of the property financed with the proceeds of the Notes.

Notes Purchased at a Premium or at a Discount

The difference (if any) between the initial price at which a substantial amount of the Notes are sold to the public (the “*Offering Price*”) and the principal amount payable at maturity of such Notes is given special treatment for federal income tax purposes. If the Offering Price is higher than the maturity value of a Note, the difference between the two is known as “*bond premium*;” if the Offering Price is lower than the maturity value of a Note, the difference between the two is known as “*original issue discount*.”

Bond premium and original issue discount are amortized over the term of a Note on the basis of the owner’s yield from the date of purchase to the date of maturity, compounded at the end of each accrual period of one year or less with straight line interpolation between compounding dates, as provided more specifically in the Income Tax Regulations. The amount of bond premium accruing during each period is treated as a reduction in the amount of tax-exempt interest earned during such period. The amount of original issue discount accruing during each period is treated as interest that is excludable from the gross income of the owner of such Note for federal income tax purposes, to the same extent and with the same limitations as current interest.

Owners who purchase Notes at a price other than the Offering Price, after the termination of the initial public offering or at a market discount should consult their tax advisors with respect to the tax consequences of their ownership of the Notes. In addition, owners of Notes should consult their tax advisors with respect to the state and local tax consequences of owning the Notes; under the applicable provisions of state or local income tax law, bond premium and original issue discount may give rise to taxable income at different times and in different amounts than they do for federal income tax purposes.

Exclusion from Gross Income: Requirements

The Code sets forth certain requirements that must be satisfied on a continuing basis in order to preserve the exclusion from gross income for federal income tax purposes of interest on the Notes. Among these requirements are the following:

Limitations on Private Use. The Code includes limitations on the amount of Note proceeds that may be used in the trade or business of, or used to make or finance loans to, persons other than governmental units.

Investment Restrictions. Except during certain “*temporary periods*,” proceeds of the Notes and investment earnings thereon (other than amounts held in a reasonably required reserve or replacement fund, if any, or as part of a “*minor portion*”) may generally not be invested in investments having a yield that is “*materially higher*” (1/8 of one percent) than the yield on the Notes.

Rebate of Arbitrage Profit. Unless the City qualifies for an exemption, earnings from the investment of the “*gross proceeds*” of the Notes in excess of the earnings that would have been realized if such investments had been made at a yield equal to the yield on the Notes are required to be paid to the United States at periodic intervals. For this purpose, the term “*gross proceeds*” includes the original proceeds of the Notes, amounts received as a result of investing such proceeds and amounts to be used to pay debt service on the Notes.

Covenants to Comply

The City has covenanted to comply with the requirements of the Code relating to the exclusion from gross income for federal income tax purposes of interest on the Notes.

Risks of Non-Compliance

In the event that the City fails to comply with the requirements of the Code, interest on the Notes may become includable in the gross income of the owners thereof for federal income tax purposes retroactive to the date of issue. In such event, the City's agreements with the owners of the Notes require neither acceleration of payment of principal of, or interest on, the Notes nor payment of any additional interest or penalties to the owners of the Notes.

Federal Income Tax Consequences

Pursuant to Section 103 of the Code, interest on the Notes is not includable in the gross income of the owners thereof for federal income tax purposes. However, the Code contains a number of other provisions relating to the treatment of interest on the Notes that may affect the taxation of certain types of owners, depending on their particular tax situations. Some of the potentially applicable federal income tax provisions are described in general terms below. **PROSPECTIVE PURCHASERS SHOULD CONSULT THEIR TAX ADVISORS CONCERNING THE PARTICULAR FEDERAL INCOME TAX CONSEQUENCES OF THEIR OWNERSHIP OF THE NOTES.**

Cost of Carry. Owners of the Notes will generally be denied a deduction for otherwise deductible interest on any debt which is treated for federal income tax purposes as incurred or continued to purchase or carry the Notes. As discussed below, special allocation rules apply to financial institutions.

Corporate Owners. Interest on the Notes is generally taken into account in computing the earnings and profits of a corporation and consequently may be subject to federal income taxes based thereon. Thus, for example, interest on the Notes is taken into account not only in computing the corporate alternative minimum tax but also the branch profits tax imposed on certain foreign corporations, the passive investment income tax imposed on certain S corporations, and the accumulated earnings tax. Interest on the Notes is not taken into account when computing corporate alternative minimum taxable income for purposes of the corporate alternative minimum tax.

Individual Owners. Receipt of interest on the Notes may increase the amount of social security and railroad retirement benefits included in the gross income of the recipients thereof for federal income tax purposes.

Certain Blue Cross or Blue Shield Organizations. Receipt of interest on the Notes may reduce a special deduction otherwise available to certain Blue Cross or Blue Shield organizations.

Property or Casualty Insurance Companies. Receipt of interest on the Notes may reduce otherwise deductible underwriting losses of a property or casualty insurance company.

Financial Institutions. Financial institutions may be denied a deduction for their otherwise allowable interest expense in an amount determined by reference, in part, to their adjusted basis in the Notes.

Foreign Personal Holding Company Income. A United States shareholder of a foreign personal holding company may realize taxable income to the extent that interest on the Notes held by such a company is properly allocable to the shareholder.

The opinions of Bond Counsel and the descriptions of the tax law contained in this Official Statement are based on statutes, judicial decisions, regulations, rulings and other official interpretations of law in existence on the date the Notes are issued. There can be no assurance that such law or the interpretation thereof will not be changed or that new provisions of law will not be enacted or promulgated at any time while the Notes are outstanding in a manner that would adversely affect the value or the tax treatment of ownership of the Notes.

State Tax Matters

Interest on the Notes is not exempt from State of Wisconsin income or franchise tax.

NO DESIGNATION AS QUALIFIED TAX-EXEMPT OBLIGATIONS

The City will not designate the Notes as “*qualified tax-exempt obligations*” for purposes of Section 265 (b)(3) of the Code relating to the ability of certain financial institutions (within the meaning of Section 265(b)(5) of the Code) to deduct from income for federal income tax purposes, 80% of the interest expense that is allocable to carrying and acquiring tax-exempt obligations.

CONTINUING DISCLOSURE

In order to assist the Underwriters in complying with SEC Rule 15c2-12 promulgated by the Securities and Exchange Commission (the “*Commission*”), pursuant to the Securities Exchange Act of 1934 (the “*Rule*”), the City shall covenant pursuant to a Resolution adopted by the Governing Body to enter into an undertaking (the “*Undertaking*”) for the benefit of holders including beneficial holders of the Notes to provide certain financial information and operating data relating to the City annually to a central repository designated by the Commission, currently the Municipal Securities Rulemaking Board (the “*MSRB*”), and to provide notices of the occurrence of certain events enumerated in the Rule electronically or in the manner otherwise prescribed by the MSRB to the MSRB. The MSRB has designated its Electronic Municipal Market Access (“*EMMA*”) system as the system to be used for continuing disclosures to investors. The details and terms of the Undertaking, as well as the information to be contained in the annual report or the notices of material events, are set forth in the Continuing Disclosure Certificate to be executed and delivered by the City at the time the Notes are delivered. Such Certificate will be in substantially the form attached hereto as **APPENDIX C**. The City intends to fully comply with the Undertaking relating to the Notes.

Continuing disclosure undertakings entered into prior to August of 2003 required that the City provide Annual Financial Information (AFI) within six months of the end of each fiscal year. Each of the City’s continuing disclosure undertakings since August of 2003 have required filing AFI within nine months of the end of the fiscal year. While the City has consistently filed AFI within nine months, it has not proven feasible to do so within six months. In each of the last five years, AFI was not available within the six-month requirement and the City filed notices to that effect as required under the pre-August 2003 continuing disclosure undertakings. In the future, the City anticipates continuing to file AFI subsequent to the six month deadline, and expects to file required notices of failure to file AFI before June 30 of each year. The City has complied in all material respects with all continuing disclosure undertakings entered into since August of 2003.

A failure by the City to comply with the Undertaking will not constitute an event of default on the Notes (although holders will have the right to obtain specific performance of the obligations under the Undertaking). Nevertheless, such a 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. Consequently, such a failure may adversely affect the transferability and liquidity of the Notes and their market price.

RATINGS

The City has requested ratings on the Notes from Moody's Investors Service, Inc., and Standard & Poor's Ratings Group, a division of The McGraw-Hill Companies, Inc. ("*Standard & Poor's*"). Moody's Investors Service, Inc. has assigned a rating of "_____" on the Notes. Standard & Poor's has assigned a rating of "_____" on the Notes.

The ratings, when issued, reflect only the views of the respective ratings agencies, and an explanation of the significance of such rating may be obtained therefrom. There is no assurance that the ratings will remain in effect for any given period of time or that they will not be revised, either upward or downward, or withdrawn entirely, by the respective agencies, if, in their judgment, circumstances so warrant. A revision or withdrawal of the credit rating could have an effect on the market price of the Notes.

FINANCIAL ADVISOR

Public Financial Management, Inc. has been retained as Financial Advisor to the City in connection with the issuance of the Notes.

UNDERWRITING

The Notes will be purchased at competitive bidding conducted on October 16, 2013.

The award of \$_____,000,000 of the Notes was made to _____, _____, _____, its co-managers and associates.

The public reoffering yields on the Notes will be detailed on the cover of the Final Official Statement.

LEGISLATION

The City is not aware of any pending legislation that would cause significant adverse consequences to either the Notes, the financial condition of the City or the financial condition of MPS.

CLOSING DOCUMENTS AND CERTIFICATES

Simultaneously with the delivery of and payment for the Notes by the original purchasers thereof, the City will furnish to the original purchasers the following closing documents, in form satisfactory to Bond Counsel:

- (1) a signature and no litigation certificate;
- (2) a tax certificate;

- (3) a certificate of delivery and payment;
- (4) the opinions as to the legality of the Notes under Wisconsin law and as to the tax-exempt status of the interest thereon for federal income tax purposes rendered by Katten Muchin Rosenman LLP, Chicago, Illinois, and by Hurtado, S.C., Wauwatosa, Wisconsin, Bond Counsel to the City, in substantially the forms as set forth in **APPENDIX B**;
- (5) copies of this Official Statement issued in conjunction with the Notes within seven business days after the award of the Notes in accordance with SEC Rule 15c2-12(b)(3);
- (6) a Continuing Disclosure Certificate; and
- (7) a statement to the effect that this Official Statement, to the best of its knowledge and belief as of the date of sale and the date of delivery, is true and correct in all material respects and does not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made herein, in light of the circumstances under which they were made, not misleading.

REPRESENTATIONS OF THE CITY

To the best of our knowledge, the information in this Official Statement does not include any untrue statement of a material fact, nor does the information omit the statement of any material fact required to be stated therein, or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

ADDITIONAL INFORMATION

Additional information may be obtained from the undersigned City Comptroller upon request.

MARTIN MATSON
City Comptroller and Secretary
City of Milwaukee
Public Debt Commission
City Hall - Room 404
200 East Wells Street
Milwaukee, Wisconsin 53202
414-286-3321

/s/

Martin Matson
City Comptroller and Secretary
City of Milwaukee, Wisconsin

_____, 2013