

PRELIMINARY OFFICIAL STATEMENT DATED _____, 2012

Draft 6/26/12

**NEW ISSUE
herein**

Ratings: See "RATINGS"

In the opinions of Katten Muchin Rosenman LLP and Hurtado, S.C., Co-Bond Counsel to the Issuer, under existing law, if there is continuing compliance with certain provisions of the Internal Revenue Code of 1986, interest on the Series 2012 F9 Bonds will not be included in the gross income of the holders of the Series 2012 F9 Bonds for federal income tax purposes. Interest on the Series 2012 F9 Bonds will not constitute a preference item for purposes of computation of the alternative minimum tax imposed on individuals and corporations, although interest on the Series 2012 F9 Bonds will be taken into account in computing the alternative minimum tax applicable to certain corporations. In the opinions of Katten Muchin Rosenman LLP and Hurtado, S.C., interest on the Series 2012 F9 Bonds is not exempt from income taxes of the State of Wisconsin. For a discussion of federal and state tax law statutes, see "TAX EXEMPTION" herein.

**\$15,000,000
CITY OF MILWAUKEE
General Obligation Corporate Purpose Multimodal Bonds
(initially offered as Floating Rate Bonds)
Series 2012 F9**

Dated: Date of Initial Delivery Price: 100% CUSIP*: _____ Due: February 15, 2032

The General Obligation Corporate Purpose Multimodal Bonds, Series 2012 F9 (the "Series 2012 F9 Bonds") will be issued by the City of Milwaukee (the "Issuer" or the "City") as fully registered bonds and will be registered in the name of Cede & Co., as nominee for The Depository Trust Company ("DTC"), New York, New York. The Series 2012 F9 Bonds are being issued initially as Floating Rate Bonds ("FRNs") in the FRN Rate Mode and will initially bear interest at the FRN Rate, all as described herein. All references in this Official Statement to the FRNs refer to the Series 2012 F9 Bonds while they are in the FRN Rate Mode.

Interest on the FRNs is payable on the first Business Day of each month commencing September 4, 2012. Principal and interest on the FRNs are payable to DTC by U.S. Bank National Association, as Trustee. See "BOOK-ENTRY ONLY SYSTEM."

For the Series 2012 F9 Bonds, the Initial Tender Date and the Secondary FRN Rate Tender Date are the same date. The Series 2012 F9 Bonds are also subject to mandatory tender on the effective date of any change to another Mode.

The Series 2012 F9 Bonds, while in the FRN Rate Mode, are subject to optional redemption and/or mandatory purchase by the Issuer, in whole, or in part, on any Business Day beginning six months prior to the Initial Tender Date at a redemption price of par plus accrued interest to the date of redemption.

Individual purchases of beneficial ownership of the FRNs will be made in book-entry form, in the denominations of \$5,000 or any integral multiple thereof. No physical delivery of the Series 2012 F9 Bonds will be made to purchasers.

The Series 2012 F9 Bonds may be converted to and from the FRN Rate Mode, the RTV Mode and the Term Rate Mode and may be converted to the Fixed Rate Mode.

This Official Statement generally describes the Series 2012 F9 Bonds only while bearing interest in the FRN Rate Mode. Prospective purchasers of the Series 2012 F9 Bonds in a Mode other than the FRN Rate Mode should not rely on this Official Statement. If and when the Series 2012 F9 Bonds are converted to a different Mode, a new Official Statement will be prepared.

The FRNs are general obligations of the Issuer payable from funds provided under the Act, the Indenture and the Resolution (each as defined herein). As such, the full faith, credit, and taxing power of the Issuer are pledged to make interest payments, when due, and principal payments at maturity and on the Secondary FRN Rate Tender Date of the FRNs. A direct annual irrevocable tax shall be levied in each year that the FRNs are outstanding, in an amount sufficient to pay the interest, when due, and principal at maturity and on the Secondary FRN Rate Tender Date of the FRNs. When there are insufficient funds from proceeds of the annual tax levy to pay such interest on or principal of the FRNs, such interest or principal shall be paid promptly when due from other funds of the Issuer. See "SECURITY."

The FRNs are offered when, as and if issued by the Issuer and received by the Underwriter, subject to the approval of legality by Katten Muchin Rosenman LLP and Hurtado, S.C., Co-Bond Counsel. Certain matters will be passed upon for the Underwriter by its counsel, Gonzalez Saggio & Harlan LLP. Robert W. Baird & Co. has been retained as Financial Advisor to the Issuer in connection with the issuance of the FRNs. It is expected that the FRNs in definitive form will be available for delivery through DTC in New York on or about _____.

BofA MERRILL LYNCH

MORGAN STANLEY

LOOP CAPITAL MARKETS

Dated: _____

* Copyright, American Bank Association. CUSIP data herein are provided by Standard & Poor's, CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Series 2012 F9 Bonds as a result of various subsequent actions. The above-referenced CUSIP number has been assigned by an independent company not affiliated with the City and are included solely for the convenience of the holders of the FRNs. The City is not responsible for the selection or uses of such CUSIP number, and no representation is made as to their correctness on the FRNs, or as indicated above.

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. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or a solicitation of an offer to buy, nor shall there be any sale of these securities, in any jurisdiction in which such offer, solicitation, or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction. This Preliminary Official Statement is in a form "deemed final" by the City as of this date except for the omission of information described in Rule 15c2-12(b)(1) under the Securities Exchange Act of 1934.

\$15,000,000
CITY OF MILWAUKEE
General Obligation Corporate Purpose Multimodal Bonds
(initially offered as Floating Rate Bonds)
Series 2012 F9

<u>Initial Tender Date</u>	<u>Secondary FRN Rate Tender Date</u>	<u>Amount</u>	<u>Interest Rate (variable)⁽²⁾</u>	<u>Price</u>	<u>CUSIP⁽³⁾</u>
January 1, 2016	January 1, 2016 ⁽¹⁾	\$15,000,000	SIFMA Rate plus [__]%	100%	

⁽¹⁾ Since the Initial Tender Date and Secondary FRN Rate Tender Date are the same, an Extension Rate is not applicable to this offering of FRNs.

⁽²⁾ See ***“THE FRNs”*** herein for a description of the SIFMA Rate and the determination thereof.

⁽³⁾ The above-referenced CUSIP number has been assigned by an independent company not affiliated with the City and are included solely for the convenience of the holders of the FRNs. The City is not responsible for the selection or uses of such CUSIP number, and no representation is made as to their correctness on the FRNs, or as indicated above. The CUSIP number is subject to change after the issuance of the FRNs.

The information set forth or incorporated by reference herein has been obtained from the Issuer and other sources which are believed to be reliable, but, as to information from other than the Issuer, it is not to be construed as a representation by the Issuer. 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 Issuer since the date hereof, except as expressly set forth herein.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have 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 Underwriters do not guarantee the accuracy or completeness of such information.

No dealer, broker, salesperson or other person has been authorized to give any information or to make any representation other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the Issuer. 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 the Series 2012 F9 Bonds offered hereby by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

All quotations from and summaries and explanations of provisions of laws, the Indenture, the Resolution, the Series 2012 F9 Bonds and other documents herein do not purport to be complete; reference is made to said laws, the Indenture, the Resolution, the Series 2012 F9 Bonds and other documents for full and complete statements of their provisions. Copies of the above are available for inspection at the principal office of the Trustee.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE SECURITIES OFFERED HEREBY AT A LEVEL ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL, IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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OFFICIAL STATEMENT
\$15,000,000
THE CITY OF MILWAUKEE
General Obligation Corporate Purpose Multimodal Bonds, Series 2012 F9

INTRODUCTORY STATEMENT

General

The purpose of this Official Statement is to furnish information in connection with the offering by The City of Milwaukee (the “Issuer”) of its \$15,000,000 General Obligation Corporate Purpose Multimodal Bonds, Series 2012 F9 (the “Series 2012 F9 Bonds”). The Series 2012 F9 Bonds offered under this Official Statement are being issued initially as Floating Rate Bonds (“FRNs”) in the FRN Rate Mode. All references in this Official Statement to the FRNs refer to the Series 2012 F9 Bonds while they are in the FRN Rate Mode.

Unless otherwise defined herein, capitalized terms used herein shall have the meanings set forth in Appendix D-1 “Summary of Legal Documents - Summary of Certain Provisions of the Indenture - Definitions.” All references to time in this Official Statement, unless otherwise specifically stated, are to New York, New York time.

Pursuant to Section 67.05(5)(b) of the Wisconsin Statutes (the “Act”) the Issuer is authorized to issue municipal bonds as “corporate purpose bonds” to finance various public improvement projects and to pay the associated financing costs. The FRNs are issued pursuant to the Indenture dated as of July 1, 2012 (the “Indenture”), between the Issuer and U.S. Bank National Association (the “Trustee”), and the Resolution File Number 111567 adopted by the Issuer on June 12, 2012 (the “Resolution”). The Commissioners of the Public Debt of the Issuer adopted a resolution on June 20, 2012 (the “PDC Bond Resolution”) approving the sale of the FRNs in accordance with the Resolution.

The FRNs are being issued to finance any undertaking, facility or item defined as a Project under the Indenture. The proceeds of the FRNs will be used to finance the costs of the Projects, including refinancing commercial paper used to pay costs of the Projects, and to pay costs of issuing the FRNs. The City anticipates the Projects will be Street Improvement Projects.

As more fully described herein, the FRNs are general obligations of the Issuer payable from funds provided under the Act, the Indenture and the Resolution. As such, the full faith, credit, and taxing power of the Issuer are pledged to make interest payments, when due, and principal payments at maturity and on the Secondary FRN Rate Tender Date of the FRNs. A direct annual irrevocable tax shall be levied in each year that the FRNs are outstanding, in an amount sufficient to pay interest, when due, and principal payments at maturity and on the Secondary FRN Rate Tender Date of the FRNs. When there are insufficient funds from proceeds of the annual tax levy to pay such interest on or principal of the FRNs, such interest or principal shall be paid promptly when due from other funds of the Issuer. See “SECURITY.”

Purpose and Content of Official Statement

This Official Statement describes the terms and use of proceeds of, and security for, the FRNs. This introduction is subject in all respects to the additional information contained in this Official Statement. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document.

Information about the Issuer is set forth in Appendix A. Financial Statements of the Issuer for the fiscal year ended December 31, 2010 are set forth in Appendix B. Summaries of certain provisions of the Indenture are included as Appendix C. The proposed form of opinion of Co-Bond Counsel is included in Appendix D. Appendix E includes the Master Continuing Disclosure Agreement with respect to the Issuer.

The summaries of the agreements and other documents herein do not purport to be comprehensive or definitive and all references to any contract, agreement and other document described herein are qualified in their entirety by reference to each such contract, agreement and other document. All references herein to the FRNs and the Series 2012 F9 Bonds are qualified in their entirety by reference to the definitive forms thereof and to the Indenture and the Resolution. Definitive copies of all contracts, agreements and other documents described in the Official Statement are available for inspection prior to the date of issuance of the FRNs at the offices of the Issuer, located at City Hall, 200 East Wells Street, Room 404, Milwaukee, Wisconsin 53202, and subsequent to the date of issuance of the FRNs, at the principal corporate trust office of the Trustee.

SOURCES AND USES

Source of Funds	
Proceeds of the Series 2012 F9	\$15,000,000
Issuer Funds	<u>150,000</u>
Total	\$15,150,000
Use of Funds	
Project Fund	\$15,000,000
Costs of Issuance (including Underwriters' discount)	<u>150,000</u>
Total	\$15,150,000

THE FRNs

General

The FRNs will be issued in the aggregate principal amount of \$15,000,000 and are Floating Rate Bonds under the Indenture. The FRNs will be dated the date of initial delivery thereof, will mature on February 15, 2032, and will be subject to optional redemption and mandatory tender for purchase before maturity as described below. For this offering of the Series 2012 F9 Bonds, the Initial Tender Date and the Secondary FRN Rate Tender Date are the same date. The Series 2012 F9 Bonds may be converted to and from the FRN Rate Mode, the RTV Mode and the Term Mode and to the Fixed Rate Mode.

This Official Statement generally describes the FRNs, the term used to identify the Series 2012 F9 Bonds while they are in the FRN Rate Mode. Prospective purchasers of the Series 2012 F9 Bonds in a Mode other than the FRN Rate Mode should not rely on this Official Statement. If and when the Series 2012 F9 Bonds are converted to a different Mode, a new Official Statement will be prepared.

The FRNs will be issued by means of a book-entry system, with bond certificates immobilized at The Depository Trust Company, New York, New York ("DTC"), and not available for distribution to the public, evidencing ownership of the FRNs in principal amounts of \$5,000 or any integral multiple thereof, with transfers of ownership effected on the records of DTC and its participants pursuant to rules and procedures established by DTC and its participants. Interest on the FRNs will be payable as stated below, principal of the FRNs will be paid, at maturity or upon earlier redemption, and the purchase price will be paid when due, to DTC or its nominee as registered owner of the FRNs. Transfer of principal and interest payments and the purchase price to participants of DTC will be the responsibility of DTC; transfer of principal and interest payments and purchase price to Beneficial Owners by participants of DTC will be the responsibility of such participants and other nominees of Beneficial Owners. The record date for principal and interest payments on the FRNs by DTC to its participants will be the Business Day next preceding an Interest Payment Date. Accordingly, debt service will be payable to participants of DTC, shown on the records of DTC, at the close of business on the business day preceding such debt service payment date. Neither the Issuer nor the Trustee will be responsible or liable for maintaining, supervising or reviewing the records maintained by DTC, its participants or persons acting through such participants. See "BOOK-ENTRY-ONLY SYSTEM."

The Interest Payment Dates for the FRNs will be the first Business Day of each month, commencing on September 4, 2012. The record date for payment of interest on an FRN is the last Business Day before the date on which interest is to be paid.

Description of the FRNs

General. The Bonds in the FRN Rate Mode will bear interest at the FRN Rate during each FRN Rate Period. The FRN Rate shall be a per annum rate equal to (i) for the period from and including the Date of Issuance or FRN Rate Mode Conversion Date, as applicable, to but excluding the Initial Tender Date, the Initial FRN Rate; (ii) for the period from and including the Initial Tender Date to but excluding the Secondary FRN Rate Tender Date, the Extension Rate (since the Initial Tender Date and Secondary FRN Rate Tender Date are the same, the Extension Rate is not applicable to this offering of the Series 2012 F9 Bonds); and (iii) thereafter at the Maximum Rate. The Initial FRN Rate and the Extension Rate will be determined as described below under "Interest Rate Determinations". For FRNs, the Maximum Rate is the least of (a) 9% per annum or (b) the maximum interest rate permitted under applicable law.

Interest on the FRNs will be paid on each Interest Payment Date for an interest accrual period consisting generally of the preceding month. Interest on the FRNs also will be paid on any purchase date (as part of the purchase price), redemption date and the stated maturity date of the Series 2012 F9 Bonds. Interest accrued on the FRNs will be computed on the basis of a 365/366 day year and actual days elapsed.

The interest accruing during each Interest Period for each FRN Rate Mode shall be the outstanding principal amount of Bonds of the applicable Series on the last day of such Interest Period multiplied by the FRN Rate for such Interest Period multiplied by the quotient of number of days in such Interest Period, divided by 365/366, as appropriate. All percentages resulting from any step in the calculation of interest on such Bonds while in a FRN Rate Mode will be rounded, if necessary, to the nearest ten-thousandth of a percentage point (i.e., to five decimal places) with five hundred thousandths of a percentage point rounded upward, and all dollar amounts used in or resulting from such calculation of interest on such Bonds while in a FRN Rate Mode will be rounded to the nearest cent (with one-half cent being rounded upward).

At the option of the Issuer, Series 2012 F9 Bonds in the FRN Rate Mode may be converted and reconverted, as described below, on any date for which notice of conversion has been given in accordance with the Indenture, to Series 2012 F9 Bonds bearing interest at another variable rate, including the RTV Rate or Term Rate or may be converted to a Fixed Rate. As described under “Mandatory Tender for Purchase”, FRNs are subject to a mandatory tender for purchase upon any such change to a different type of interest rate.

During any period after an Event of Default under the Indenture has occurred and is continuing, interest on an FRN will accrue at an interest rate equal to the Maximum Rate.

Interest Rate Determinations.

Initial FRN Rate

With respect to the initial Series of FRNs issued by the Issuer, during the initial FRN Rate Period for such initial Series of FRNs from and including the Date of Issuance to but excluding the Initial Tender Date for such initial Series of FRNs, the Initial FRN Rate shall be the lesser of (i) the rate determined by the Calculation Agent on each Rate Determination Date by applying the SIFMA Rate, as determined on such Rate Determination Date, and then adding the Initial FRN Rate Mode Spread of [] basis points as designated in Section 2.9(B) of the Indenture to such SIFMA Rate; or (ii) the Maximum Rate. See “Appendix C—Summary of Legal Documents”.

The Calculation Agent shall furnish each FRN Rate so determined to the Trustee and the Issuer by Immediate Notice no later than the Business Day next succeeding the Rate Determination Date. The Rate Determination Date shall be any date on which the interest rate on Bonds shall be determined, which, in the case of the initial conversion to the FRN Rate Mode, shall be no later than the Mode Change Date, and thereafter, shall be each Wednesday or, if Wednesday is not a Business Day, then the Business Day next following such Wednesday.

The Initial FRN Rate Mode Spread shall remain in effect for the duration of the FRN Rate Mode applicable to such Series of Bonds. The Initial FRN Rate Mode Spread established by the Remarketing Agent in the case of any such conversion shall be the minimum Initial FRN Rate Mode Spread that would enable the Remarketing Agent to sell the Bonds of that Series on the Spread Determination Date at a price (without regard to accrued interest) equal to the principal amount thereof.

The initial FRN Rate Period for each FRN Rate Mode shall be the period commencing on the first day of such FRN Rate Mode and ending on and including the next succeeding Wednesday. Thereafter, each FRN Rate Period shall be the period commencing on and including Thursday and ending on and including the next succeeding Wednesday, unless such FRN Rate Mode ends on a day other than Wednesday, in which event the last FRN Rate Period for such FRN Rate Mode shall be the period commencing on and including the Thursday preceding the last day of such FRN Rate Period and ending on and including the last day of such FRN Rate Mode.

Except for this offering of the Series 2012 F9 Bonds, Bonds in the FRN Rate Mode bearing interest at the Initial FRN Rate that have not been remarketed by their respective applicable Initial Tender Date thereafter shall bear interest at the Extension Rate during the remaining FRN Rate Period described below. See “THE FRNs—Mandatory Tender for Purchase”.

Extension Rate

The FRN Rate during the period from and including the applicable Initial Tender Date to but not including the applicable Secondary FRN Rate Tender Date (the “Extension Rate”) shall be the lesser of (i) the rate determined by the Calculation Agent on each Rate Determination Date by applying the SIFMA Rate as determined on such Rate Determination Date, and then adding the applicable Secondary FRN Rate Mode Spread to such SIFMA Rate; or (ii) the Maximum Rate.

Since the Initial Tender Date and Secondary FRN Rate Tender Date are the same for this offering of the Series 2012 F9 Bonds, the Secondary FRN Rate Mode Spread is not applicable.

With respect to any Series of Bonds converted to a FRN Rate Mode after the Date of Issuance (including FRNs converted from one FRN Rate Mode to another FRN Rate Mode), the Secondary FRN Rate Mode Spread shall be determined by the Remarketing Agent on the Spread Determination Date for such Bonds, and shall remain in effect for the duration of the FRN Rate Mode applicable to such Bonds. See “*The FRNs—Description of the FRNs—Conversion*”.

Conversion. Prior to any conversion to the Fixed Rate Mode, the FRNs may be converted, in whole or in part, to and from a different Mode as directed by the Issuer, in a written notice to the Trustee, the Remarketing Agent and any Rating Agency then rating the Series 2012 F9 Bonds. Upon any change in the type of interest rate borne by the Series 2012 F9 Bonds pursuant to the Indenture, the FRNs are subject to mandatory tender for purchase at a price equal to the principal amount thereof plus accrued interest on the effective date of such change in Mode. In the case of an FRN bearing interest at an Initial FRN Rate other than the Maximum Rate, the Trustee is required to mail notice of the proposed change in the Mode to the registered owners of the FRNs no less than fifteen (15) days prior to the proposed effective date of the change in Mode. The mandatory tender shall not occur on the proposed Mode Change Date unless the conditions set forth in the Indenture therefore have been satisfied. In the case of an FRN bearing interest at an Extension Rate or Maximum Rate, a conversion can occur on any Business Day without prior notice of such conversion from the Trustee to the Bondowners, but the Trustee is required to give notice to the Bondowners promptly upon the occurrence of such conversion. All FRNs subject to conversion are subject to mandatory tender for purchase on the Mode Change Date. The Mode Change Date means, with respect to the Bonds in a particular Mode, the day on which another Mode for the Bonds begins.

A change in the Mode for the FRNs will only occur if (i) the Remarketing Agent and the Trustee receive, on or prior to the Mode Change Date, an opinion of Co-Bond Counsel to the effect that such change in the Mode or interest rate is authorized by the Indenture and will not have an adverse effect on the exclusion of interest on such Series 2012 F9 Bonds from gross income for federal income tax purposes; and (ii) a written notice from Moody’s, S&P or Fitch, as appropriate, confirming (a) that the unenhanced rating on the Bonds will not be lowered or withdrawn as a result of the action proposed to be taken; or (b) the rating(s) to be assigned to the Bonds on the Mode Change Date. If any of the foregoing conditions are not met, the mandatory tender for purchase on such proposed conversion date will be rescinded (unless such date is an Secondary FRN Rate Tender Date, in which case such FRNs shall be subject to mandatory tender for purchase on such date) and FRNs bearing interest at an FRN Rate will continue to bear interest at the applicable FRN Rate. If any of the foregoing conditions for a change in the Mode are not met and notice of such proposed change in Mode and mandatory tender has been given, the Trustee shall, as soon as practicable, but in no event later than the next succeeding Business Day, give notice of the failed conversion by Electronic Means to the Issuer and the registered owners of the FRNs.

When converting to or remarketing within FRN Rate Mode, the new Mode shall commence on the Mode Change Date. The Issuer shall specify the Initial Tender Date and the Secondary FRN Rate Tender Date for such Bonds. The Initial Tender Date and the Secondary FRN Rate Tender Date may, but need not, be the same date. The Initial FRN Rate Mode Spread and the Secondary FRN Rate Mode Spread for such Bonds shall be determined by the Remarketing Agent on the Spread Determination Date for such Bonds, and shall remain in effect for the duration of the FRN Rate Mode applicable to such Bonds. The Initial FRN Rate Mode Spread and Secondary FRN Rate Mode Spread established by the Remarketing Agent in the case of any such conversion or remarketing shall be the minimum Initial FRN Rate Mode Spread and Secondary FRN Rate Mode Spread that would enable the Remarketing Agent to sell the Bonds on the Spread Determination Date at a price (without regarding accrued interest) equal to the principal amount thereof.

Remarketing of FRNs. At least ninety (90) days prior to an Initial Tender Date, the Issuer shall begin the process of remarketing the FRNs subject to purchase on that Initial Tender Date, or otherwise provide for mode change, refinancing, or redemption of the FRNs. The FRNs may remain in the FRN Rate Mode with such Initial Tender Date and Secondary FRN Rate Tender Date as specified by the Issuer, and shall be remarketed as described in “*THE FRNs—Description of the FRNs—Conversion*”.

Mandatory Tender for Purchase

Mandatory Tender on Initial Tender Date. Each FRN is subject to mandatory tender for purchase on the applicable Initial Tender Date at the purchase price payable by wire transfer in immediately available funds solely from moneys on deposit in the Remarketing Proceeds Account derived from the successful remarketing of such FRNs. The Trustee shall give notice of such mandatory purchase by mail to the Holders of the FRNs subject to mandatory purchase no less than ten (10) days prior to the Initial Tender Date. If such FRNs subject to mandatory tender for purchase have not been successfully remarketed by the Initial Tender Date, the Trustee shall give written notice to the Issuer and the Holders of all Bonds of such Series on the Business Day immediately succeeding the Initial Tender Date. The notice shall state (i) that the Bonds of such Series have not been successfully remarketed on the Initial Tender Date, (ii) that commencing on the Initial Tender Date, the Bonds of such Series will bear interest at a rate per annum equal to the sum of the SIFMA Rate and the applicable Secondary FRN Rate Mode Spread, (iii) the amount of the Secondary FRN Rate Mode Spread (iv) that the Bonds of such Series shall be subject to mandatory tender for purchase on the Secondary FRN Rate Tender Date unless the Bonds of such Series are converted to another Mode or redeemed on or prior to the Secondary FRN Rate Tender Date, (v) the applicable Secondary FRN Rate Tender Date, and (vi) that an Event of Default will exist on the Secondary FRN Rate Tender Date if the purchase price of such Bonds is not paid on the such date (unless the Bonds have been converted to another Mode or redeemed prior to the applicable Secondary FRN Rate Tender Date).

Mandatory Tender on Secondary FRN Rate Tender Date. Each FRN is subject to mandatory tender for purchase on any applicable Secondary FRN Rate Tender Date at the purchase price, payable by wire transfer in immediately available funds. The Trustee shall give notice of such mandatory purchase by mail to the Holders of the Bonds subject to mandatory purchase no less than ten (10) days prior to the Mandatory Purchase Date. The failure to pay the purchase price on a Secondary FRN Rate Tender Date (“Final Mandatory Purchase Date”) of all tendered Bonds with that Final Mandatory Purchase Date shall constitute an Event of Default pursuant to the Indenture. *See “Appendix C—Summary of Legal Documents”.*

Mandatory Tender Upon a Change in the Interest Rate Mode. The FRNs are subject to mandatory tender for purchase on the Mode Change Date, which includes continuing the FRN Rate Mode with a new Initial Tender Date. A Mode Change Date may not occur prior to the first optional redemption date. If the conditions for the change in Mode set forth in the Indenture are not satisfied, FRNs shall not be subject to mandatory tender on the proposed effective date as a result of the proposed but ineffective change in Mode (unless such date is a Secondary FRN Rate Tender Date).

Notice of Mandatory Tender. A notice of mandatory tender, when required by the provisions of the Indenture, shall state the Initial Tender Date or Mandatory Purchase Date, as applicable, the purchase price and that interest on the Bond subject to mandatory purchase shall cease to accrue from and after the Initial Tender Date if the purchase price of Bonds has been paid. The failure to mail any such notice with respect to any Bond shall not affect the validity of the mandatory purchase of any other Bond subject to such mandatory purchase with respect to which notice was so mailed.

Purchase Price. The purchase price of any FRN purchased upon a mandatory tender on any date other than an Interest Payment Date shall be the principal amount thereof plus accrued interest to the purchase date. Unless a Payment Default has occurred, accrued interest on any FRN purchased upon a mandatory tender on any Interest Payment Date shall be paid to the Registered Owner of such FRN as of the applicable record date.

Book-Entry Bonds. For so long as the FRNs are registered in the name of Cede & Co., as nominee for DTC, notices of mandatory tender for purchase of FRNs shall be given to DTC only, and neither the Issuer, the Trustee, the Underwriter nor the Remarketing Agent shall have any responsibility for the delivery of any of such notices by DTC to any Direct Participants of DTC, by any Direct Participants to any Indirect Participants of DTC or by any Direct Participants or Indirect Participants to Beneficial Owners of the FRNs.

For so long as the FRNs are registered in the name of Cede & Co., as nominee for DTC, delivery of FRNs required to be tendered for purchase shall be effected by the transfer by a Direct Participant on the applicable purchase date of a book entry credit to the account of the Trustee of a beneficial interest in such FRNs or portions thereof required to be tendered for purchase on that date.

For so long as the FRNs are registered in the name of Cede & Co., as nominee for DTC, payment of the purchase price shall be paid directly to DTC. Disbursement of such payments to the Direct Participants is the responsibility of DTC and disbursement of such payments to the Beneficial Owners is the responsibility of the Direct Participants and the Indirect Participants. See “BOOK-ENTRY-ONLY SYSTEM” herein.

Redemption Provisions

Optional Redemption or Mandatory Purchase in Lieu of Redemption by the Issuer. The FRNs are subject to optional redemption or mandatory purchase in lieu of redemption by the Issuer, in whole or in part in Authorized Denominations on any Business Day beginning six months prior to the Initial Tender Date applicable to such FRNs at a redemption price or purchase price of par plus accrued interest to the redemption date or purchase date. The previous statement notwithstanding, if there shall have occurred and be continuing an Event of Default of which the Trustee has actual knowledge, there shall be no redemption of less than all of the Bonds at the time outstanding.

Notice of Redemption. Written notice of a redemption or purchase in lieu of redemption of any Bond shall be given by the Issuer to the Trustee at least thirty-five (35) days prior to the date of redemption or purchase in lieu of redemption (unless a shorter time shall be acceptable to the Trustee for its convenience). Notice of redemption or purchase in lieu of redemption shall be mailed by the Trustee by first class mail, not less than thirty (30) days nor more than sixty (60) days prior to the redemption date, to the respective Holders of any Bonds designated for redemption or such purchase at their addresses appearing on the Bond registration books of the Trustee. Each notice of redemption or purchase shall state the date of such notice, the date of issue of the Bonds, the redemption or purchase date, the redemption or purchase price, the place or places of payment and the CUSIP numbers, and the principal amount thereof to be redeemed or purchased. Each such notice shall also state that on said date there will become due and payable on each of said Bonds the redemption or purchase price thereof or of said specified portion of the principal amount thereof in the case of a Bond of a Series to be redeemed or purchased in part only, together with interest accrued thereon to the redemption or purchase date, and that from and after such redemption or purchase date interest thereon shall cease to accrue to the owner prior to such redemption or purchase, and shall require that such Bonds be then surrendered.

Conditional Notice. The Issuer may instruct the Trustee to provide conditional notice of redemption or purchase which may be conditioned upon the receipt of moneys or any other event. If the Issuer so instructs the Trustee, the notice of redemption or purchase shall also state that it is revocable and any redemption or purchase in lieu of redemption is conditional on funds being on deposit with the Trustee on the applicable redemption or purchase date and that failure to make such a deposit shall not constitute an Event of Default hereunder. If such notice is revoked or sufficient funds are not so deposited by such date, such Bonds shall not be subject to redemption or purchase and the holders thereof shall have the same rights as if no such notice had been given. In such event, the Trustee shall promptly give notice thereof to the Registered Owners of such Bonds by first class mail, postage prepaid.

Partial Redemption. If the FRNs are to be redeemed in part, the FRNs to be redeemed shall be selected by the Trustee in such manner as the Trustee in its discretion may deem fair and appropriate; provided (a) that such portion of any FRN to be redeemed shall be in the principal amount of \$5,000 or any integral multiple thereof, (b) that, in selecting FRNs for redemption, the Trustee shall treat each FRN as representing that number of FRNs which is obtained by dividing the principal amount of such FRN by \$5,000 and (c) that, to the extent practicable, the Trustee will not select any FRN for partial redemption if the amount of such FRN remaining Outstanding would be reduced by such partial redemption to less than the lowest Authorized Denomination. If, however, the FRNs are to be redeemed in part while the Book-Entry Only System through DTC is in effect, the FRNs to be redeemed shall be selected by DTC in increments of \$5,000 and otherwise as described in the foregoing sentence in such manner as DTC may determine.

Effect of Redemption. Notice of redemption having been given in the manner provided above, and money sufficient for the redemption being held by the Trustee for the purpose, the FRNs so called for redemption shall become due and payable on the redemption date, and interest thereon shall cease to accrue as of the redemption date and the owners of the FRNs so called for redemption shall thereafter no longer have any security or benefit under the Indenture except to receive payment of the redemption price for such FRNs.

SECURITY

The FRNs are direct and general obligations of the Issuer. The full faith, credit, and taxing power of the Issuer are pledged to pay, the interest on the Bonds when due, and also to pay and discharge the principal thereof at maturity or on the Final Mandatory Purchase Date (also known as the Secondary FRN Rate Tender Date). A direct annual irrevocable tax shall be levied in each year that the FRNs are outstanding, in an amount sufficient to pay, and for the express purpose of paying, the interest on the FRNs as it falls due, and also to pay and discharge the principal thereof at maturity or on the Final Mandatory Purchase Date. Such taxes shall be levied against all taxable property in the City without limitation as to rate or amount. The FRNs represent and constitute a debt of the Issuer within the meaning of any constitutional or statutory limitation.

When there shall be insufficient funds from proceeds of the annual tax levy to pay interest on the FRNs at any time, or principal of the FRNs at maturity or on the Final Mandatory Purchase Date, such principal and interest shall be paid promptly

when due from other funds of the Issuer.

The receipts derived from the taxes levied for payment of the FRNs and all amounts in the funds and accounts created or maintained pursuant to the Indenture, or any Tax Certificate (except the Rebate Fund), including earnings on such amounts, are irrevocably pledged by the Issuer as security for the payment of the FRNs and constitute trust funds held for that purpose, subject only to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth therein. The granting of this pledge by the Issuer does not limit in any manner the rights of the Issuer to issue any additional debt or incur any other obligations.

BOOK-ENTRY-ONLY SYSTEM

DTC

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the FRNs. The FRNs will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered FRN will be issued for each stated maturity of FRNs, in the aggregate principal amount of the applicable stated maturity, and will be deposited with DTC.

DTC, the world’s largest 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, as amended. 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 and Standard & Poor’s highest rating: AAA. 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 the FRNs under the DTC system must be made by or through Direct Participants, which will receive a credit for the FRNs on DTC’s records. The ownership interest of each actual purchaser of each FRN (“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 FRNs 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 the FRNs, except in the event that use of the book-entry only system for the FRNs is discontinued.

To facilitate subsequent transfers, the FRNs deposited by Direct Participants with DTC are registered in the name of DTC’s nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the FRNs with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the FRNs; DTC’s records reflect only the identity of the Direct Participants to whose accounts such FRNs 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.

Redemption notices shall be sent to DTC. If less than all of the FRNs are being redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant in such FRNs to be redeemed.

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

Principal, redemption premium, if any, and interest payments on the FRNs 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 Issuer or Trustee on the payment date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Trustee, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

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

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

The foregoing information in this section concerning DTC and DTC's book entry system has been obtained from sources that the Issuer believes to be reliable, but neither the Issuer nor the Underwriters take responsibility for the accuracy thereof.

No Responsibility of the Issuer or the Trustee

NEITHER THE ISSUER NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO DIRECT PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE PAYMENTS TO OR THE PROVIDING OF NOTICE FOR DIRECT PARTICIPANTS, INDIRECT PARTICIPANTS, OR BENEFICIAL OWNERS.

SO LONG AS CEDE & CO. IS THE REGISTERED OWNER OF THE FRNS, AS NOMINEE OF DTC, REFERENCES HEREIN TO THE HOLDERS OR REGISTERED OWNERS OF THE FRNS SHALL MEAN CEDE & CO. AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE FRNS.

Certificated Bonds

DTC may discontinue providing its services as securities depository with respect to the FRNs at any time by giving reasonable notice to the Issuer and the Trustee. In addition, the Issuer may determine that continuation of the system of book-entry transfers through DTC (or a successor securities depository) is not in the best interests of the Beneficial Owners of the FRNs. If for either reason the Book-Entry Only system is discontinued, FRN certificates will be delivered as described in the Agreement and the Beneficial Owner, upon registration of certificates held in the Beneficial Owner's name, will become the holder of such FRN. Thereafter, the FRNs may be exchanged for an equal aggregate principal amount of the FRNs in other authorized denominations and of the same maturity, upon surrender thereof at the principal corporate trust office of the Trustee. The transfer of the FRNs may be registered on the books maintained by the Trustee for such purpose only upon the assignment in the form satisfactory to the Trustee. For every exchange or registration of transfer of the FRNs, the Issuer and the Trustee may make a charge sufficient to reimburse them for any tax or other governmental charge required to be paid with respect to such exchange or registration of transfer, but no other charge may be made to the holder of such FRN for any exchange or registration of transfer of the FRNs. The Trustee will not be required to transfer or exchange the FRNs during the notice period preceding any redemption if such FRNs (or any part thereof) is eligible to be selected or has been selected for redemption.

THE ISSUER
LOCATION, ORGANIZATION AND GOVERNMENT

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.

Elected Officials

The Mayor, City Attorney, Comptroller, Treasurer and Common Council members are elected officials of the City. Local elections are non-partisan. The Mayor, City Attorney, Comptroller and Treasurer are elected at-large for identical four-year terms.

The Common Council represents fifteen Aldermanic districts. Each Alderperson represents, and is elected from, an aldermanic district with a population of approximately 40,000.

CITY OFFICIALS

As of April, 2012

(initial year in office follows name)

Mayor	Tom Barrett	(2004)
City Attorney	Grant F. Langley	(1984)
City Comptroller	Martin Matson	(2012)
City Treasurer	Spencer Coggs	(2012)

COMMON COUNCIL

Ashanti Hamilton	(2004)	Robert W. Puente	(2004)
Joe Davis, Sr.	(2003)	Michael J. Murphy	(1989)
Nik Kovac	(2008)	Joseph A. Dudzik	(2002)
Robert J. Bauman	(2004)	Jose G. Perez	(2012)
James A. Bohl, Jr.	(2000)	Terry L. Witkowski	(2003)
Milele A. Coggs	(2008)	T. Anthony Zielinski	(2004)
Willie C. Wade	(2003)	Willie L. Hines, Jr.	(1996)
Robert G. Donovan	(2000)		

**The terms of all the above elected positions expire in April, 2016.*

Public Services and Facilities

The City, employing approximately 6,400 people on a full time basis plus others in a seasonal capacity, is charged with primary responsibility for public safety (via its police, fire and health departments); public works (including refuse removal and a City-owned water utility); various cultural and recreational services including a library system; and general municipal administration. City government also participates in housing and neighborhood programs through separate housing and redevelopment authorities. These two latter authorities have the ability to borrow directly and issue revenue backed financings.

Other major local governmental units and their related government services are the Milwaukee Public Schools (education); Milwaukee County (parks, airport/mass transit/highways, social services and court system); Milwaukee Metropolitan Sewerage District (wastewater treatment); and the Milwaukee Area Technical College (higher education). Wisconsin Statutes require the City to issue debt for Milwaukee Public Schools. Each of the other governmental units listed have the statutory authority to issue general obligation debt.

Two special purpose governmental units exist with the ability to borrow and tax on a limited revenue basis. The first is the Southeastern Wisconsin Professional Baseball Park District (the "SWPBP District"), a public entity created by State legislation, encompassing southeastern Wisconsin counties, including Milwaukee County, to finance construction/operations of a new baseball facility ("Miller Park") for the National League Milwaukee Brewers baseball club. Miller Park opened in March, 2001. The SWPBP District has issued \$199 million of revenue bonds supported by a five-county, one-tenth of one percent sales tax and other ancillary revenue streams. In addition, \$45 million of lease certificates of participation have been issued by the SWPBP District to finance acquisition and installation of facility equipment, scoreboards, etc.

The second special purpose governmental unit is the Wisconsin Center District ("WC District"), a public entity created by State legislation, which oversees construction/operation of the Frontier Airline Center (formerly, Midwest Airline Center), the City's major convention complex. This complex also includes the US Cellular Arena and the Milwaukee Auditorium facilities, formerly known as "MECCA." The Frontier Airline Center, was financed by \$185 million of revenue bonds issued by the WC District and secured by a pledge of dedicated sales tax revenues from lodging, restaurant, and vehicle rentals collected in the WC District. Phase One of the Frontier Airline Center was completed during 1998. Phase Two was completed in 1999. In 2001, the WC District issued \$30 million of bonds to renovate the Milwaukee Auditorium which was renamed the Milwaukee Theatre.

In addition to the facilities noted above, the City is home to a 17,000+ seat indoor sports and concert venue, the Bradley Center, located in the heart of downtown. This facility serves the National Basketball Association Milwaukee Bucks, the Marquette University Golden Eagles basketball team and the Milwaukee Admirals International Hockey League club. The City is home to the Milwaukee Art Museum, as well as major symphony, ballet and opera companies, and other theatre and performing arts.

On the lakefront is the Milwaukee Art Museum, which combines art, dramatic architecture and landscape design. The Quadracci Pavilion, the first Santiago Calatrava-designed building in the United States, features a 90-foot high glass-walled reception hall enclosed by the Burke Brise Soleil, a sunscreen that can be raised or lowered creating a unique moving sculpture.

Finally, the Milwaukee area is the site of a number of higher education institutions including Marquette University, the University of Wisconsin – Milwaukee, Alverno College, Mount Mary College and the Milwaukee School of Engineering.

Employee Relations

The City has approximately 6,400 full-time employees, 2,800 of which, in 4 bargaining units, are covered by labor agreements. One labor agreement covering 38 members expires on July 31, 2012. The agreement covers non-public safety officers, and pursuant to 2011 Act 10, the unions may only negotiate wages. Three other agreements, covering 2,700 public safety members, expires on December 31, 2012. 2011 Act 10 did not affect the ability of public safety unions to negotiate most issues.

On March 30, 2012, a Federal Court declared null and void a provision of 2011 Act 10 that requires non-public safety public employee unions to hold certification elections each year. Approximately 3,000 full-time City employees in 15 bargaining units with expired contracts, and 1 bargaining units that has an unexpired labor agreement, are affected by the ruling. The City is not a party to the litigation, and anticipates an appeal of the ruling. Prior to the ruling, 9 of the 16

bargaining units representing approximately 855 employees filed for annual certification. The City does not know which, if any, of the remaining bargaining units will choose to remain a bargaining unit if the ruling is upheld.

LITIGATION

The City, its boards, 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. The City does not carry a blanket policy of insurance against tort liability. 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 in their official capacity to \$50,000 in tort liability for non-automobile cases and \$250,000 in automobile cases.

The City Attorney's office has 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 and which individually represent maximum potential loss exposure in excess of \$1 million, existing on June 25, 2012.

Amoco Oil, et al. v. City of Milwaukee. Amoco, BP, Marathon, and US Oil are contesting the property tax assessments of their contiguous oil terminals. They allege that the City's inclusion of the value of certain through-put contracts is contrary to law and that a tax refund is warranted. The City asserts that the inclusion of the value of these contracts in the assessments is consistent with the law because they run with the property. Following the June 2011 lifting of the stay imposed during the pendency of *Metropolitan Associates v. City of Milwaukee*, (plaintiff successfully challenged the validity of 2008 amendments to § 74.37 of the Wisconsin Statutes that would have been favorable to the City in future tax cases), four separate cases have been consolidated in Judge Moroney's court for trial on December 12, 2012. In addition, following the lifting of the stay, each of the terminals was permitted to add tax years 2009 and 2010 to the original claim for tax year 2008. Approximately \$3.9 million of property taxes are being disputed.

Section 74.37 Litigation. Several plaintiffs have brought a series of approximately a dozen similar lawsuits against the City for the refund of allegedly excessive property taxes on various commercial properties such as apartment buildings and pharmacies. The first of these lawsuits was brought in 2009 for the 2008 tax year. All of these cases were stayed by the Chief Judge for Milwaukee County Circuit Court pending the Wisconsin Supreme Court's resolution of the case of *Metropolitan Associates v. City of Milwaukee*. With the resolution of that case, the stay was lifted in June of 2011. The 2009 and 2010 tax years have now been added to most of these cases. Circuit Court branches have begun to issue scheduling orders that will result in these cases progressing to adjudication beginning about the middle of 2012. In addition, a dozen new lawsuits were filed in the second half of 2011 for tax year 2010. These cases are also moving toward adjudication in 2012 and 2013. Appeals by the losing party are likely in many of these cases. The city estimates that up to \$7.3 million of property taxes are being disputed.

William Avery, et al. v. City of Milwaukee, et al. In this 2011 civil rights action, the plaintiffs claim that William Avery was wrongly convicted in 2005 of the 1998 murder of a woman. Avery spent six years in prison until DNA testing in 2010 linked the murder victim to another individual who has been convicted of murdering a number of other women. Avery claims that Milwaukee police officers unconstitutionally withheld exculpatory evidence and coerced false statements from witnesses. Avery also claims that supervisors in the police department permitted such alleged misconduct to occur as a matter of practice. The parties are in the early stages of discovery in the matter. The defendants plan to file a dispositive motion asking the court to dismiss the action.

Chaunte Ott v. City of Milwaukee, et al. In this 2009 civil rights action, Ott claims that he was wrongly convicted in 1996 of the 1995 murder of a girl. Ott spent 13 years in prison until recent DNA testing linked the murder victim to another individual. Ott claims that Milwaukee police officers unconstitutionally withheld exculpatory evidence and coerced false statements from witnesses. Ott also claims that supervisory individuals in the department permitted such alleged misconduct to occur as a matter of practice. The matter is still in the discovery stage. Defendants plan to file a dispositive motion asking the court to dismiss the case.

Robert Lee Stinson v. City of Milwaukee, et al. In this 2009 civil rights action, Mr. Stinson claims that he was wrongly convicted in 1984 of the murder of a 67-year-old woman. Stinson spent more than 20 years in prison until recent DNA testing of the victim's clothing produced no DNA matching Stinson's and new techniques of examining bite marks on the victim indicating that the marks did not match Stinson's teeth. Stinson claims that Milwaukee police officers unconstitutionally withheld exculpatory evidence and conspired with a dental expert to produce false evidence. Stinson also claims that supervisory individuals in the police department permitted such alleged misconduct to occur as a matter of practice. The matter is still in the discovery stage. Defendants plan to file a dispositive motion asking the court to dismiss the case.

Javier v. Glover. In this civil rights action, the plaintiffs claim that an off-duty Milwaukee police officer violated their civil rights when in March 2005 he fatally shot Wilbert Javier Prado. The officer, Alfonzo Glover, subsequently committed suicide after he was charged criminally with Prado's murder. In this ensuing civil litigation, the city has vigorously contested the plaintiffs' claims that Glover was acting within the scope of his employment and under color of law at the time of the shooting. The court ruled, however, not only that the issue of action under color of law presented a jury question but also that the plaintiffs could recover punitive damages even though the officer is deceased. The City has recently filed a motion on certain evidentiary issues that would have the effect of a dismissal of the case if granted. In the event that the motion is denied, however, the matter is set for trial later in 2012.

Estate of James F. Perry, et al. v. Wenzel, et al. This case stems from the September 13, 2010 death of James F. Perry, while he was in custody at the Milwaukee County Criminal Justice Facility (CJF). According to the complaint, Mr. Perry was in the custody of members of the Milwaukee Police Department when he apparently experienced a seizure. Medical personnel were called to the jail. They treated Mr. Perry and transported him to a local hospital for further treatment and evaluation. Mr. Perry was released from the hospital and was returned to the jail. His processing there was completed, and he was then transferred to the CJF, where he later suffered a heart attack and died. Mr. Perry's estate and his minor son brought suit, raising constitutional and state-law claims against the City, the Police Department, the County of Milwaukee, its Sheriff's Department, and various employees thereof. Plaintiffs' claims center around the allegation that all of the City and County employees who came into contact with Mr. Perry that day were deliberately indifferent to his alleged serious medical condition. Plaintiffs also allege direct failure-to-train and failure-to-supervise claims against the City and the County. Plaintiffs claim compensatory and punitive damages, along with attorneys' fees and costs. To date, only the City has been served. Once an answer has been filed by all of the parties and the court has issued a scheduling order, discovery work will begin.

TAX MATTERS

Summary of Bond Counsel Opinion

Bond Counsel is of the opinion that under existing law, interest on the Series 2012 F9 Bonds 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 is of the opinion that interest on the Series 2012 F9 Bonds will continue to be excluded from the gross income of the owners thereof for federal income tax purposes. Bond Counsel is further of the opinion that the Series 2012 F9 Bonds are not "private activity bonds" within the meaning of Section 141(a) of the Code. Accordingly, interest on the Series 2012 F9 Bonds is not an item of tax preference for purposes of computing individual or corporate alternative minimum taxable income. However, interest on the Series 2012 F9 Bonds 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 Series 2012 F9 Bonds 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 Series 2012 F9 Bonds in order to preserve the exclusion from gross income for federal income tax purposes of interest on the Series 2012 F9 Bonds. These requirements relate to the use and investment of the proceeds of the Series 2012 F9 Bonds, the payment of certain amounts to the United States, the security and source of payment of the Series 2012 F9 Bonds and the use of the property financed with the proceeds of the Series 2012 F9 Bonds.

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 Series 2012 F9 Bonds. Among these requirements are the following:

Limitations on Private Use. The Code includes limitations on the amount of Series 2012 F9 Bond 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 Series 2012 F9 Bonds 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 Series 2012 F9 Bonds.

Rebate of Arbitrage Profit. Unless the City qualifies for an exemption, earnings from the investment of the "gross proceeds" of the Series 2012 F9 Bonds 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 Series 2012 F9 Bonds 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 Series 2012 F9 Bonds, amounts received as a result of investing such proceeds and amounts to be used to pay debt service on the Series 2012 F9 Bonds.

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 Series 2012 F9 Bonds.

Risks of Non-Compliance

In the event that the City fails to comply with the requirements of the Code, interest on the Series 2012 F9 Bonds 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 Series 2012 F9 Bonds require neither acceleration of payment of principal of, or interest on, the Series 2012 F9 Bonds nor payment of any additional interest or penalties to the owners of the Series 2012 F9 Bonds.

Federal Income Tax Consequences

Pursuant to Section 103 of the Code, interest on the Series 2012 F9 Bonds 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 Series 2012 F9 Bonds 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 Series 2012 F9 Bonds.

Cost of Carry. Owners of the Series 2012 F9 Bonds 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 Series 2012 F9 Bonds. As discussed below, special allocation rules apply to financial institutions.

Corporate Owners. Interest on the Series 2012 F9 Bonds 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 Series 2012 F9 Bonds 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.

Individual Owners. Receipt of interest on the Series 2012 F9 Bonds 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 Series 2012 F9 Bonds 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 Series 2012 F9 Bonds may reduce otherwise deductible underwriting losses of a property or casualty insurance company.

RATINGS

Moody's and S&P have assigned the FRNs the ratings of "___" and "___," respectively, based on the credit quality of the Issuer. The ratings may be changed upon a change in the rating of the Issuer. Such ratings reflect only the respective views of such organizations, and an explanation of the significance of such ratings may be obtained from the rating agency furnishing the same. There is no assurance that a rating will continue for any given period of time or that a rating will not be revised or withdrawn entirely by any or all of such rating agencies, if in its or their judgment, circumstances so warrant. Any downward revision or withdrawal of a rating could have an adverse effect on the market prices of the FRNs.

Fitch has rated prior general obligation debt of the Issuer. The Issuer did not request a rating from Fitch for the FRNs.

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 FRNs.

LEGAL MATTERS

All legal matters related to the authorization and issuance of the Series 2012 F9 Bonds are subject to the approval of Katten Muchin Rosenman LLP and Hurtado, S.C., Co-Bond Counsel for the Issuer. The approving opinion of Co-Bond Counsel, substantially in the form attached hereto as Appendix D, will be delivered on the date of delivery of the FRNs. Certain matters will be passed upon for the Underwriters by their counsel, Gonzalez Saggio & Harlan LLP.

DISCLOSURE CERTIFICATE

At the time of delivery of the FRNs, the Comptroller of the Issuer will furnish a certificate to the effect that, to the best of his knowledge and belief, the Official Statement as of its date and as of the date of delivery of the FRNs does not contain any untrue statement of a material fact and does not omit to state a material fact necessary to make the statements made therein, in the light of the circumstances under which they are made, not misleading.

UNDERWRITING

The Underwriters have agreed, subject to certain conditions, to purchase the Series 2012 F9 Bonds from the Issuer for a [purchase price of \$[]], which represents the par amount of the Series 2012 F9 Bonds less underwriter's discount of \$[]]. The Underwriters may offer and sell the Series 2012 F9 Bonds to certain dealers (including dealers depositing the Series 2012 F9 Bonds into investment trusts) and others at prices lower than the public offering price stated on the cover page hereof. The principal offering price of the Series 2012 F9 Bonds set forth on the cover hereof may be changed from time to time after the initial offering by the Underwriters.

CONTINUING DISCLOSURE

The Issuer has agreed to enter into an undertaking (the "Undertaking") for the benefit of holders including beneficial holders of the FRNs to provide certain financial information and operating data relating to the Issuer annually to the Municipal Securities Rulemaking Board (the "MSRB"), and to provide notices of the occurrence of certain events enumerated in Rule 15c2-12 promulgated by the United States Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934 (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 Issuer at the time the initial Series of FRNs are delivered. Such Certificate will be in substantially the form attached hereto as Appendix C. The Issuer intends to fully comply with the Undertaking relating to the FRNs.

Continuing disclosure undertakings entered into prior to August of 2003 required that the Issuer provide Annual Financial Information (AFI) within six months of the end of each fiscal year. Each of the Issuer's continuing disclosure undertakings since August of 2003 have required filing AFI within nine months of the end of the fiscal year. While the Issuer 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 Issuer filed notices to that effect as required under the pre-August 2003 continuing disclosure undertakings. In the future, the Issuer 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 Issuer has complied in all material respects with all continuing disclosure undertakings entered into since August of 2003.

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

FINANCIAL STATEMENTS OF THE ISSUER

Appendix B contains audited financial information of the Issuer as of December 31, 2010 and for the fiscal year then ended. See the appendix for disclosures regarding the information, and how to view the Issuer's Comprehensive Annual Financial Report.

MISCELLANEOUS

All quotations from and summaries and explanations of the Act, the Indenture, the Resolution, the FRNs and the Series 2012 F9 Bonds contained herein do not purport to be complete and reference is made to said laws and documents for full and complete statements of their provisions. The Appendices attached hereto are a part of this Official Statement. Copies, in reasonable quantity, of the Indenture and the Resolution may be obtained upon request directed to:

Martin Matson, City Comptroller
City of Milwaukee, Public Debt Commission
City Hall, Room 404
200 East Wells Street
Milwaukee, Wisconsin 53202
(414) 286-3321

Any statements in this Official Statement involving estimates or matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the Issuer and the purchasers or holders of any of the Series 2012 F9 Bonds.

The execution and delivery of this Official Statement by its City Comptroller and Secretary have been duly authorized by the Issuer.

/s/ _____
City Comptroller and Secretary
City of Milwaukee, Wisconsin

[UPDATES NEEDED] APPENDIX A

**INFORMATION REGARDING THE ISSUER
GENERAL, DEMOGRAPHIC AND ECONOMIC INFORMATION**

General

Based on 2010 census results, the City's population is 594,833. Population in the four county area surrounding the City is estimated at 1,619,429 and represents 28% of the population of the State of Wisconsin.

**CITY OF MILWAUKEE
SELECTED ECONOMIC DATA**

Year	Population		Adjusted Gross Income Per Return
	Department of Administration	U.S. Census	
2011	595,525		Not Available
2010	580,500	594,833	\$32,753
2009	584,000		32,492
2008	590,870		33,144
2007	590,190		33,225
2000	605,572	596,974	32,370

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.

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Building Permits

Another indicator of economic growth is the activity in the building industry. The following table indicates building permit activity during the period 2006 through December 2011.

General Total

<u>Year</u>	<u>Value</u>	<u>Permits Issued</u>
2011	\$269,386,167	2,340
2010	283,026,280	2,065
2009	290,326,431	1,723
2008	249,992,533	2,067
2007	336,748,300	2,405

Residential Building

<u>Year</u>	<u>Single Family</u>		<u>Multi-Family</u>		<u>Total</u>		<u>Permits Issued</u>
	<u>Value</u>	<u># Of Units</u>	<u>Value</u>	<u># Of Units</u>	<u>Value</u>	<u># Of Units</u>	
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
2007	24,940,117	160	123,505,408	677	148,445,525	837	187

Commercial Building

<u>Year</u>	<u>Value</u>	<u>Permits Issued</u>
2011	\$58,518,315	47
2010	53,319,884	67
2009	127,122,466	37
2008	59,502,236	74
2007	82,501,318	105

Public Building

<u>Year</u>	<u>Value</u>	<u>Permits Issued</u>
2011	\$49,456,901	256
2010	22,238,704	129
2009	10,808,648	107
2008	9,107,611	85
2007	19,791,921	140

Alterations and Additions

<u>Year</u>	<u>Value</u>	<u>Permits Issued</u>
2011	\$101,191,071	1,815
2010	107,888,101	1,751
2009	107,771,958	1,506
2008	101,774,868	1,804
2007	86,009,536	1,973

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 that 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	2011 Employment Estimates	Type of Business or Service
Aurora Health Care	22,000 ⁽¹⁾	Health Care
U.S. Government (Includes Zablocki V.A. Medical Center)	10,800 ⁽²⁾	Government
Milwaukee Public Schools	9,142	Education
Wheaton Franciscan Healthcare	8,356	Health care provider
Froedtert Memorial Lutheran Hospital and Community Health	8,000	Health care provider
Kohl's Corporation	7,700	Specialty department stores
Wal-Mart Stores	7,360	Discount retail stores and warehouse clubs
Roundy's Supermarket	6,800	Retail grocer
Quad Graphics	6,700	Commercial printing
City of Milwaukee	6,400	Government
Milwaukee County	5,457	Government
Northwestern Mutual Life	5,000	Insurance
GE Healthcare Technologies	3,000	Medical imaging, healthcare services
Medical College of Wisconsin	4,877	Medical school/academic/health care
Children's Hospital of Wisconsin	4,604	Health care provider
ProHealth Care, Inc.	4,302	Health care provider
Columbia-St. Mary's	4,190	Health care provider
WE Energies	4,060	Electric/natural gas utility
BMO Financial Group ⁽³⁾	3,924	Holding company banking/finance and data services
University of Wisconsin-Milwaukee	3,881	Education
Walgreens Co.	3,521	Retail drugstore chain
U. S. Bank	3,467	Finance, banking
Briggs and Stratton	3,000	Manufacturer, small engines, automotive locks and keys
Target Corporation	3,000	Discount department store chain
Rockwell Automation	3,000	Industrial automation, power and control

⁽¹⁾ Aurora's employee number includes four hospitals, rehabilitation, homecare and hospice facilities and their corporate office within a six-county area in and around the City of Milwaukee.

⁽²⁾ Preliminary.

⁽³⁾ Formerly M&I Marshall & Ilsley Bank, acquired by Toronto-based BMO Financial Group. The acquisition was completed in July, 2011.

Source: The 2012 Business Journal Book of Lists, Employer contacts March 2012 and the U.S. Bureau of Labor Statistics February 2012.

EMPLOYMENT AND INDUSTRY

During 2011, the City's unemployment rate averaged approximately 10.6%. Presented below are unemployment rates for the City, as compared to the State of Wisconsin and the United States for the period 2007 through December 2011.

Annual Unemployment Rates (Not Seasonally Adjusted)

<u>Year</u>	<u>City of Milwaukee</u>	<u>Milwaukee - Waukesha-West Allis Metropolitan Statistical Area</u>	<u>State of Wisconsin</u>	<u>United States</u>
2011	10.6%	7.9%	7.5%	8.9%
2010	11.5	8.7	8.3	9.6
2009	11.4	8.9	8.7	9.3
2008	6.6	4.8	4.7	5.8
2007	7.2	5.1	4.9	4.6

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

Recent Monthly Unemployment Rates (Not Seasonally Adjusted)

<u>Month</u>	<u>City of Milwaukee</u>	<u>Milwaukee - Waukesha-West Allis Metropolitan Statistical Area</u>	<u>State of Wisconsin</u>	<u>United States</u>
January, 2012	10.3% ⁽¹⁾	7.7% ⁽¹⁾	7.6% ⁽¹⁾	8.8%

⁽¹⁾ Preliminary.

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 69% of the workforce. Manufacturing firms employ 17% 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.

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Ten Largest Taxpayers With 2011 Estimated Equalized Valuations

US Bank Corporation	\$ 249,092,565
Northwestern Mutual Life Ins.	\$ 193,493,375
Mandel Group	\$ 106,732,616
Marcus Corp/Milw City Center/Pfister	\$ 97,387,873
Metropolitan Associates	\$ 94,846,441
NNN 411 East Wisconsin LLC	\$ 89,724,353
100 E. Wisconsin-CW Wisconsin Ave. LLC	\$ 79,822,218
Towne Realty	\$ 75,787,573
Flanders Westborough	\$ 56,704,469
875 East Wisconsin-875 East Sponsor LLC	\$ 54,442,335

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

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DEBT STRUCTURE

The City of Milwaukee has never defaulted in the payment of the principal or interest on its debt obligations, nor has the City issued any refunding securities for the purpose of preventing default in principal or interest on its debt obligations.

Legal Debt Limitations

Section 67.03 of the Wisconsin Statutes, as supplemented and amended, limits direct general obligation borrowing by the City to an amount equivalent to five percent of the equalized valuation of taxable property within the City. Section 119.49 of the Wisconsin Statutes, as supplemented and amended, further authorizes referendum approved-bonding in an additional amount equivalent to two percent of the equalized taxable property within the City for school capital purposes.

[Debt Margin] (Includes Series 2012 F9 and V10)¹

Equalized Value of Taxable Property in the City	\$27,954,669,900
-------------------------------------------------	------------------

Legal Debt Limitation for City Borrowing

5% of Equalized Value	\$1,397,733,495
-----------------------	-----------------

General Obligation Debt Outstanding subject to 5% Limit as of 07/01/12	\$954,355,000	
Plus: Series 2012 F9 and V10	30,000,000	
Less: Provision for current year maturities	(33,030,000)	
Less: Refunded Commercial Paper	(9,800,000)	
	\$941,525,000	

Net General Obligation Debt Outstanding subject to the 5% Limit as of 07/01/12	\$941,525,000
-----------------------------------------------------------------------------------	---------------

Total Debt Margin for City Borrowing (in Dollars)	\$456,208,495
---------------------------------------------------	---------------

(As a percentage)	32.6%
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(As a percentage excluding GO Cash Flow Notes)	39.8%
------------------------------------------------	-------

Legal Debt Limitation for School Purpose Borrowing

2% of Equalized Value	\$559,093,398
-----------------------	---------------

General Obligation Debt Outstanding subject to 2% Limit as of 07/01/12	\$14,774,150	
Less: Provision for current year maturities	-	

Net General Obligation Debt Outstanding subject to the 2% Limit as of 07/01/12	\$14,774,150
-----------------------------------------------------------------------------------	--------------

Total Debt Margin for School Purpose Borrowing (in Dollars)	544,319,248
(As a percentage)	97.4%

¹ The Series 2012 F9 and Series 2012 V10 are being offered at the same time under different offering documents.

Debt Refunded

The City has issued the following series of general obligation refunding bonds that have outstanding escrow amounts:

\$45,240,000 General Obligation Refunding Bonds, Series 2005 A5, dated June 7, 2005, for the purpose of refunding portions of seven general obligation issues, with a final escrow payment in 2012, with Associated Trust Company, National Association as escrow trustee.

\$113,430,000 General Obligation Promissory Notes, Series 2012 N2, dated May 3, 2012, for the purpose of advance refunding a portion of five general obligation bond issues, with a final escrow payment in 2015, and with Bank of New York Mellon Trust Company as Escrow Trustee.

In the “*DEBT MARGIN*” presentation above, the refunded debt is excluded in the calculation of net general obligation debt outstanding.

Analysis of General Obligation Debt Outstanding As of May 1, 2012

Tax Increment Districts	\$194,267,063
Public Buildings	150,898,922
Schools (5% City Borrowing)	111,418,312
Schools (2% School Purpose Borrowing)	14,774,150
Streets	116,278,603
Finance Real & Personal Property Tax Receivables	56,201,000
Sewers	48,092,838
Blight Elimination/Urban Renewal	31,258,811
Police	30,097,876
Bridges	26,874,567
Water	21,164,749
Fire	18,983,807
Library	13,948,548
Parking	12,380,177
Local Improvement Projects/Special Assessments	10,399,368
Playground/Recreational Facilities	8,341,818
Harbor	3,126,175
Grant & Aid Improvements (City Share)	611,908
Economic Development	4,572
Industrial Land Bank	3,207
Milwaukee Exposition and Convention Center	1,238
Resource Recovery	1,043
Lakefront Development	398
Cash Flow Notes (matures December 2012)	<u>100,000,000</u>
Total	<u><u>\$969,129,150</u></u>

General Obligation Debt Service Requirements

The following indicates the annual requirements of principal and interest on the general obligation debt of the City.

Year	Total G.O. Debt Service as of 7/1/12 ⁽¹⁾		Series 2012 F9 and V10		Total Requirements After Issuance
	Principal ⁽²⁾	Interest ⁽³⁾	Principal	Interest ⁽⁴⁾	
2012	\$133,030,000	\$20,875,497		\$ 973,771	\$ 154,879,267
2013	115,915,000	36,802,989		2,698,747	155,416,736
2014	95,099,504	32,930,505		2,700,000	130,730,009
2015	83,623,467	29,497,217		2,700,000	115,820,684
2016	80,598,434	25,532,811		2,701,253	108,832,498
2017	72,470,239	22,623,367		2,698,747	97,792,352
2018	74,938,544	18,702,920		2,700,000	96,341,464
2019	58,811,727	16,187,917		2,700,000	77,699,644
2020	52,701,322	14,077,014		2,701,253	69,479,589
2021	43,588,148	11,778,033		2,698,747	58,064,928
2022	35,389,005	10,992,450		2,700,000	49,081,454
2023	31,793,761	9,477,368		2,700,000	43,971,129
2024	26,255,000	4,776,724		2,701,253	33,732,977
2025	22,430,000	3,749,133		2,698,747	28,877,879
2026	15,430,000	2,848,238		2,700,000	20,978,237
2027	11,700,000	1,402,207		2,700,000	15,802,207
2028	4,045,000	152,864		2,701,253	6,899,117
2029	400,000	50,730		2,698,747	3,149,477
2030	350,000	36,680		2,700,000	3,086,680
2031	370,000	22,815		2,700,000	3,092,815
2032	390,000	7,800	\$30,000,000	540,000	30,937,800
	<u>\$959,329,150</u>	<u>\$262,525,276</u>	<u>\$30,000,000</u>	<u>\$ 52,812,516</u>	<u>\$ 1,304,666,942</u>

⁽¹⁾ Excludes debt to be refunded.

⁽²⁾ Assumes Sinking Fund Deposits in year due.

⁽³⁾ Assumes: the maximum interest rate of 12.0% on \$10,000,000 of variable rate debt (the tax levy requirement).

⁽⁴⁾ Assumes: the maximum interest rate of 9.0% on \$30,000,000 of variable rate debt (the tax levy requirement).

**Trends of General Obligation Debt
(Thousands of Dollars)**

<u>Year 12/31</u>	<u>Total GO Debt</u>	<u>Self-Sustaining GO Debt *</u>	<u>Levy Supported GO Debt</u>
2007	\$747,298	\$294,952	\$452,346
2008	788,579	291,317	497,262
2009	804,474	293,039	511,435
2010	916,034	342,400	573,634
2011	934,004	373,059	560,945

* General Obligation debt whose debt service requirements are paid by non-Citywide property tax revenues.

Trends of Self-Sustaining General Obligation Debt

(Thousands of Dollars)

<u>Year 12/31</u>	<u>TID Program</u>	<u>Parking Program</u>	<u>Special Assessments</u>	<u>Delinquent Taxes ⁽¹⁾</u>	<u>Water</u>	<u>Sewer ⁽²⁾</u>	<u>Total Self-Sustaining</u>
2007	\$143,886	\$11,733	\$16,458	\$28,320	\$19,895	\$74,661	\$294,952
2008	165,217	10,743	14,631	34,136	17,049	49,541	291,317
2009	164,106	11,616	12,994	40,508	17,049	46,766	293,039
2010	167,944	11,753	11,623	47,575	13,453	90,052	342,400
2011	192,838	12,170	10,462	52,728	22,053	82,807	373,059

⁽¹⁾ Debt issued for Delinquent Tax Purposes is paid from collections of the delinquent taxes.

⁽²⁾ Includes temporary borrowing pending refunding with revenue bonds.

**Ratio of General Obligation Debt
To Equalized And Assessed Values And To Per Capita**

Year 12/31	Population ⁽¹⁾	Net Equalized Valuation	AV	Total GO Debt	GO Debt /Net EV	GO Debt /AV	GO Debt /capita
2007	590,190	\$31,887,192,100	\$29,374,372,962	\$747,298,112	2.34%	2.54%	\$1,266
2008	590,870	32,257,525,000	30,431,675,204	788,579,150	2.44	2.59%	1,335
2009	584,000	31,266,329,200	28,994,573,372	804,474,150	2.57	2.77%	1,378
2010	580,500	29,520,783,200	28,048,464,348	916,034,150	3.10	3.27%	1,578
2011	595,525	27,954,669,900	27,917,642,983	934,004,150	3.34	3.35%	1,568

⁽¹⁾ Population estimate from the Wisconsin Department of Revenue for use in the distribution of State Shared Revenues.

The 2012 Assessed Valuation of the City is anticipated to decline approximately 9% from the prior year. Equalized Values are prepared by the State, and the City will not know the 2012 Equalized Value until August, 2012. The City has no estimate of the 2012 Equalized Value. For the past 10 years, the ratio of Assessed Value to Equalized Value has ranged from 90.1% to 99.9%, with an average of 95.1%. The most recent ratio was 99.9%. A decline of Equalized Value that is less than the decline of Assessed Value would be consistent with the historical range of the ratio.

The Public Debt Amortization Fund may be used to purchase and prepay City GO Debt. Assuming the unsegregated fund balance is used to prepay City GO Debt at year-end, the following results would have occurred:

Year 12/31	PDAF Unsegregated Balance	GO Debt /Net EV	GO Debt /capita
2007	\$50,824,739	2.18%	\$1,180
2008	50,916,679	2.29	1,248
2009	50,444,955	2.41	1,291
2010	55,453,164	2.92	1,482
2011 ⁽¹⁾	55,453,164	3.14	1,475

⁽¹⁾ 12/31/11 balance is unknown at this time. Assumes balance is unchanged for the year.

Computation of Net Direct and Overlapping Debt
MAY 1, 2012

<u>Governmental Unit</u>	<u>Debt Outstanding</u> <u>As of May 1, 2012</u>	<u>Percentage</u> <u>Applicable</u>	<u>Milwaukee's</u> <u>Share of Debt</u> <u>As of May 1, 2012</u>
City of Milwaukee ⁽¹⁾	\$990,299,150	100.00%	\$990,299,150
Area Board of Vocational, Technical and Adult Education, District No. 9	80,060,000	37.34	29,894,404
County of Milwaukee	614,819,152	45.75	281,279,762
Milwaukee Metropolitan Sewerage District ⁽²⁾	928,417,875	46.78	434,313,882
TOTAL NET DIRECT AND OVERLAPPING DEBT	<u><u>\$2,613,596,177</u></u>		<u><u>\$1,735,787,198</u></u>

⁽¹⁾ Includes \$126 million general obligation debt outstanding, which financed Milwaukee Public Schools improvements. Figure includes the new issue, and excludes debt to be refunded and provisions for current year maturities.

⁽²⁾ Includes approximately \$928,417,875 of low interest loans from the State of Wisconsin Clean Water Fund, supported by the full faith and credit of the MMSD.

Future Financing

The City is concurrently offering \$15,000,000 of Series 2012 F9, and \$15,000,000 of Series 2012 V10 under separate offering document. After the issuance of the Series 2012 F9 and V10, the City has \$384 million authorized unissued general obligation debt for various corporate and capital improvement purposes, which can be issued at any time. In addition, the City has \$250 million of authorized unissued revenue anticipation borrowing for City and School cash flow purposes.

The authorized unissued general obligation debt includes \$67 million for sewer purposes. In addition, there is currently outstanding \$10 million of 2008 CP Notes that the City intends to refinance with 2012 EMCP Notes (the 2008 CP Notes and 2012 EMCP Notes are defined under the caption “*DEBT STRUCTURE; Commercial Paper Program*”) and are issued on a temporary basis for sewer purposes. Most of the sewer purpose debt will be financed on a revenue bond basis, including second lien revenue bonds sold to the State of Wisconsin Clean Water Fund Program. The remaining portion will be financed on a long-term basis with general obligation debt.

See “*DEBT STRUCTURE; City Capital Improvements Plan*” herein for information on potential future capital needs.

City Capital Improvements Plan

The City’s 2012-2017 Draft Capital Improvement Plan (“CIP”) outlines planned capital improvement projects and programs. Some school purpose improvements are financed by the City for Milwaukee Public School, but are not included in the CIP.

The six-year CIP plan totals \$988 million. About \$652 million, or 66% of the planned spending, is intended to preserve the City’s existing infrastructure facilities (streets, sewers, alleys, bridges, etc.). Approximately 66% (\$654 million) is anticipated to be borrowed with General Obligation debt, with the balance (\$334 million) being borrowed with revenue debt.

<u>Purpose</u>	<u>Amount (\$Millions)</u>
Transportation	\$323
Environment	334
Economic Development	179
Public Safety	64
Miscellaneous	<u>88</u>
Total	<u><u>\$988</u></u>

Commercial Paper Programs

The City has authorized the issuance of Commercial Paper (“CP”) with the General Obligation Commercial Paper Promissory Notes, 2008 Program Series C2, Series R3, and Series T4 (Taxable) (the “2008 C2 Notes”, “2008 R3 Notes”, and “2008 T4 Notes” respectively, and together, the “2008 CP Notes”). Any combination of 2008 C2 Notes, 2008 R3 Notes, and 2008 T4 Notes, up to an aggregate total of \$125,000,000, is authorized to be outstanding at any time. The 2008 CP Notes are general obligation debt of the City and are additionally secured by a direct pay letter of credit from State Street Bank that expires on December 1, 2012. The 2008 CP Notes are authorized to be outstanding until January 31, 2018.

In anticipation of the expiration of the letter of credit securing the 2008 CP Notes, the City authorized the issuance of Extendable Municipal Commercial Paper (“EMCP”) with the Extendable Municipal Commercial Paper Notes, 2012 Program Series C6, Series R7, and Series T8 (Taxable) (the “2012 C6 Notes”, “2012 R7 Notes”, and “2012 T8 Notes” respectively, and together, the “2012 EMCP Notes”). Any combination of 2012 C6 Notes, 2012 R7 Notes, and 2012 T8 Notes, up to an aggregate total of \$200,000,000, is authorized to be outstanding at any time. The 2012 EMCP Notes are not general obligation debt of the City and are secured by pledge to issue general obligation debt to refinance principal and interest. In the event a 2012 EMCP Note is not able to be rolled on its original maturity date, the maturity date of the 2012 EMCP Note may be extended a minimum of 90 days in order to give the City time to perform the refunding.

The 2008 CP Notes and 2012 EMCP Notes may be issued at any time for any purpose, including the purposes described under the caption “*DEBT STRUCTURE; Future Financing*”. The primary purpose of the 2008 CP Notes and 2012 EMCP Notes program is to provide interim financing for expenditures pending the City’s next long-term financing and short-term cash flow needs. As of July 1, 2012, the City had \$19,800,000 of 2008 C2 Notes, \$32,000,000 of 2012 C6 Notes, and \$50,000,000 of 2012 R7 Notes outstanding.

Auction Rate and Other Variable Rate Exposure

The City has no outstanding Auction Rate securities. The City has the 2008 CP Notes, and 2012 EMCP Notes programs as described in the previous section. The Series 2012 F9 Bonds that has a rate tied to a floating rate index (SIFMA) without an option of the bondholder to put the bond prior to the initial tender date in [2016]. The Series 2012 V10 Bonds are Extendable 7-Day Variable Rate Demand Bonds, and if tendered by the bondholder, the City may extend the tender date to 180 days in order to give the City time to remarket/refund the bonds.

It is anticipated that, over time, up to 15-25% of the tax levy supported long-term general obligation debt will be in the form of variable rate debt.

In 2003, the Redevelopment Authority of the City of Milwaukee, on behalf of the MPS, issued \$130,850,000 of Taxable Pension Funding Bonds, 2003 Series D in Auction Rate Mode and insured by MBIA. In 2005, the 2003 Series D bonds were converted to Index Bonds (“IB”) whose interest rate is reset monthly to 1-month LIBOR + 25 basis points. The IB bond owners do not have an option to put the bonds. The 2003 Series D bonds also have an interest rate swap that pays MPS 1-month LIBOR + 20 basis points in exchange for a fixed rate of 5.56% paid by MPS, effectively converting the IB to a fixed rate with no basis risk.

REVENUE BONDING

The City has issued revenue bonds for its Water and Sewerage Systems and has issued industrial revenue bonds on behalf of borrowers for eligible projects. Additionally, the Housing Authority of the City (the “Housing Authority”), the Redevelopment Authority of the City (the “Redevelopment Authority”), the Milwaukee Economic Development Corporation and related entities also have outstanding obligations. Collectively, the programs of the Housing and Redevelopment Authorities and Milwaukee Economic Development Corporation complement the City-financed economic development projects and foster the same development objectives.

Water System Revenue Bonds, Series 1998 — In 1998, the City and the State of Wisconsin entered into a loan agreement under the State of Wisconsin Safe Drinking Water Loan Program. Subsidized loans are available for certain projects, are secured by revenues of the Milwaukee Water Works, and are repayable over a period of 20 years. As of December 1, 2011, the outstanding balance was \$7.5 million.

Sewerage System Revenue Bonds — In 2001, the City created the Sewerage System with the issuance of \$29,095,000 of Sewerage System Revenue Bonds, and in 2003, the City issued an additional \$33,885,000 of Sewerage System Revenue

Bonds. In 2011, the City issued \$52,565,000 of refunding and new money Sewerage System Revenue Bonds. As of December 31, 2011, total outstanding Sewerage System Revenue Bonds was \$62 million with a final maturity in 2031.

In 2006, the City created the Sewerage System Second Lien Revenue Bonds for the purpose of borrowing from the State of Wisconsin Clean Water Fund Program. As of December 31, 2011, the City had \$80.5 million outstanding under the Program. The City hopes to satisfy as much as possible of its Sewerage System capital needs with borrowings under the Program. (See “*DEBT STRUCTURE; Future Financing*”).

Industrial Revenue Bonding Program — The City has established guidelines relating to its Industrial Revenue Bonding Program. These guidelines establish criteria for IRB financing. The guidelines delineate that the primary goals of this program are to create additional tax base, additional jobs, or both.

Industrial land, buildings, and machinery and equipment used in the manufacturing process and pollution abatement equipment of new or expanding industries are eligible projects. Since the first IRB issue in 1973, the City has closed 125 issues amounting to approximately \$265 million. The City has no responsibility to either secure or redeem IRB debt, and thus neither guarantees nor lends its own credit to these obligations.

Housing Authority of the City of Milwaukee — Most of the Housing Authority bonds and notes are secured by a lien on all revenues of the Housing Authority Low Income Housing Program. The Housing Authority has also issued debt for “stand-alone” projects. The Housing Authority bonds and notes are limited obligations of the Housing Authority and are neither a general obligation of the City nor are they guaranteed by the City. As such, they are not backed by the general credit or taxing powers of the City.

Between 1983 and December 1, 2011, the Housing Authority issued revenue bonds of approximately \$149 million, of which approximately \$8.990 million are still outstanding.

Redevelopment Authority of the City of Milwaukee — The Redevelopment Authority is a public body corporate and politic formed in 1958 by action of the Common Council of the City pursuant to the Section 66.1333 (formerly Section 66.431) of the Wisconsin Statutes, as supplemented and amended (“Redevelopment Authority Act”).

The Redevelopment Authority has as its purpose the carrying out of blight elimination, slum clearance and urban renewal programs and projects as set forth in the Redevelopment Authority Act, and is authorized under the Redevelopment Authority Act to issue revenue bonds for the financing of such programs and projects, and to enter into revenue agreements to provide revenues for the payment of such revenue bonds.

Since its creation, the Redevelopment Authority has provided for the acquisition and improvement of a variety of industrial, commercial, housing and other revenue-producing projects, and, in some instances, has entered into revenue agreements for the financing thereof, pursuant to authorization contained in the Redevelopment Authority Act. In connection with the financing of a number of such projects, the Redevelopment Authority has issued revenue bonds under a number of authorizing resolutions and indentures, each of which contained separate terms and conditions relating to the respective issues of revenue bonds. In each instance, the bonds issued constitute limited obligations of the Redevelopment Authority, and do not constitute an indebtedness of the City or a charge against the City’s general credit or taxing power.

The majority of these issues are supported solely by the revenues of the various projects. While in each instance, the bonds issued constitute limited obligations of the Redevelopment Authority, and do not constitute an indebtedness of the City or a charge against the City’s general credit or taxing power, there are certain issues which involve contingent liabilities of the Redevelopment Authority and/or the City.

As of December 31, 2011, the Redevelopment Authority had outstanding: two bond issues with \$36,490,000 outstanding that have a Moral Obligation Pledge of the City; and \$253,939,122 in six bond issues for MPS, one secured by a lease, and five secured by loan agreement, with the Milwaukee Board of School Directors (“MBSD”). These bonds do not constitute general obligations of the City, or of MBSD, and shall not constitute or give rise to a charge against the City’s, or MBSD’s, taxing powers. These pledges create only financial obligations of the City, or MBSD, which are subject to annual appropriation. The loan agreement with MBSD includes a pledge of certain state aid payable to MBSD.

The Redevelopment Authority has also issued debt payable from tax increment revenues. (See “*DEBT STRUCTURE; Tax Increment District Financing*” herein).

Milwaukee Economic Development Corporation As of December 31, 2011, the Milwaukee Economic Development Corporation, itself, or through a related entity, funded loans for 1,080 small businesses and redevelopment projects utilizing \$260.9 million to leverage a total of \$1.299 billion in investment. 954 loans have been enrolled in the Capital Access Program with covered loan amounts totaling \$53.1 million.

The Milwaukee Economic Development Corporation had notes and debentures payable under the Small Business Administration's Section 503 and 504 loan programs in the amount of \$9.5 million as of December 31, 2011.

TAX INCREMENT DISTRICT FINANCING

Five issues of the Redevelopment Authority and Housing Authority involving over \$60 million in bonds have financed projects located within tax increment districts ("TID") of the City. The City has also financed public improvements and provided grants to the Redevelopment Authority for redevelopment purposes within such districts through the issuance of its general obligation bonds. As of December 31, 2011, \$193 million general obligation bonds for TID purposes were outstanding. Under current law, tax increments received by the City have been calculated based upon the assessed valuation and the applicable tax levy in the TID. The applicable tax levy includes the public school tax levy rate for Milwaukee Public Schools.

The Redevelopment Authority of the City has approximately \$42 million of debt secured by tax increment revenues. One of those issues, in the approximate amount of \$20 million, has the Moral Obligation Pledge of the City. The remaining debt is owed to developers of projects within the TID, with no recourse to the City in the event that tax increment revenues are insufficient to repay the obligations. In 1996, the Wisconsin Legislature passed a property tax relief measure which increased the portion of statewide school revenues funded by State equalization aid to two-thirds from approximately one-half of all funds' budgets. The 2011 Assessed Tax Rate for Milwaukee Public Schools is \$11.11 per thousand dollars of assessed value, down from \$15.70 in 1995 (amounts are net of the school state tax credit). As a result, tax increment revenues for certain TIDs received by the City have been, and are expected to continue to be, reduced and therefore have the impact of either increasing the time needed to recover incurred project costs, including future debt service requirements; reducing the funding of active and proposed TIDs; or may require the City to fund TID cash flow deficiencies with other City revenues. In connection with the change in the School Aid formula, the State Legislature extended the allowable life of all TIDs established before October 1, 1995 from a maximum 23 years to a maximum 27 years to accommodate the lower school property tax rate. Pursuant to 2003 Wisconsin Acts 126, 127, 194 and 231 (enacted in February through April 2004), the allowable life of TIDs created between September 30, 1995 and October 1, 2004 for blight elimination and rehabilitation purposes is 27 years. The maximum lives for TIDs created after September 30, 2004 is 27 years for blighted and rehabilitation TIDs, and 20 years for mixed-use TIDs and industrial TIDs, which, for industrial TIDs represents a reduction from 23 years, though the new law also makes them eligible for a three-year extension under certain circumstances. In any year in which total TID debt service requirements for the ensuing year are greater than total tax increments received, the shortfall is funded by the City's general property tax levy.

FINANCIAL INFORMATION

Budgeting

Each department and agency prepares its own detailed estimate of needs for the ensuing fiscal year which is filed with the Mayor not later than the second Tuesday in May of each year, at which time the Comptroller submits a statement of anticipated non-property tax revenues in accordance with City Charter provisions. Under the City Charter, changes to these non-property tax revenue estimates can be made only by the Comptroller. The Mayor holds hearings on departmental spending requests during July and August at the times and places the Mayor or Common Council by ordinance directs. The Mayor submits a proposed budget to the Common Council on or before September 28th of each year. This budget includes the Comptroller's anticipated non-property tax revenues. Subsequent to receipt of the budget by the Common Council, its Committee on Finance and Personnel reviews the Mayor's proposed expenditure budget. The Mayor and Common Council hold a public hearing on the entire budget no later than the 30th day of October. The Common Council subsequently adopts a property tax levy, but cannot change the Comptroller's anticipated revenues budget. The final budget must be adopted by the 14th of November. The City is under no State or local levy limits with respect to General Obligation Debt Service.

Adopted Budget - Combined Revenues - 2012

	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Total
Taxes						
Property Tax - General	\$115,230,737	—	\$68,736,570	\$1,025,000	—	\$184,992,307
Provision for Empl Retirement ⁽¹⁾	58,016,150	—	—	—	—	58,016,150
Common Council Cont	5,000,000	—	—	—	—	5,000,000
Total Taxes	178,246,887	—	68,736,570	1,025,000	—	248,008,457
Revenues						
Taxes	16,147,300	—	—	—	—	16,147,300
Licenses and Permits	12,647,600	—	—	—	—	12,647,600
Intergovernmental Revenues	259,851,500	63,846,247	—	—	—	323,697,747
Charges for Service	133,120,514	—	—	—	—	133,120,514
Fines and Forfeitures	5,304,000	—	—	—	—	5,304,000
Miscellaneous Revenues	3,710,825	12,300,000	—	—	—	16,010,825
Fringe benefits ⁽²⁾	25,000,000	—	—	—	—	25,000,000
Parking	22,410,157	—	2,170,000	5,000,000	15,866,843	45,447,000
Water Works	—	—	5,870,907	630,000	78,356,093	84,857,000
Sewer Maintenance Fund	12,734,075	—	11,408,929	6,440,000	25,219,115	55,802,119
Retained Earnings	—	—	—	—	9,734,527	9,734,527
Sinking Fund	—	—	64,058,277	—	—	64,058,277
Cash Flow borrowings	—	—	125,000,000	—	—	125,000,000
Special Assessments	—	7,703,639	—	1,065,600	—	8,769,239
Capital Revenue	—	—	—	15,058,000	—	15,058,000
Total Revenues	490,925,971	83,849,886	208,508,113	28,193,600	129,176,578	940,654,148
Tax Stabilization						
Transfer from Reserves	13,767,000	—	—	—	—	13,767,000
Sale of Bonds and Notes						
General City	—	—	—	96,308,100	—	96,308,100
Enterprise Funds	—	—	—	46,990,000	—	46,990,000
Grand Total	\$682,939,858	\$83,849,886	\$277,244,683	\$172,516,700	\$129,176,578	\$1,345,727,705

⁽¹⁾ Includes employer and employee pension contributions and City employers' share of FICA.

⁽²⁾ For budgeting purposes, Fringe Benefits are used as an offset against expenditures since these costs are budgeted twice, both as a lump sum and as individual departmental expenditures.

Adopted Budget – Combined Appropriations – 2012

	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Total
Administration, Dept of	\$ 9,480,298	—	—	\$600,000	—	\$10,080,298
Assessor's Office	4,627,225	—	—	—	—	4,627,225
City Attorney	7,629,058	—	—	—	—	7,629,058
City Treasurer	3,063,379	—	—	—	—	3,063,379
Common Council - Clerk	8,555,215	—	—	40,000	—	8,595,215
Municipal Court	3,505,745	—	—	—	—	3,505,745
Comptroller	5,652,900	—	—	—	—	5,652,900
Dept of City Development	4,682,014	—	—	29,176,000	—	33,858,014
Election Commission	2,912,189	—	—	—	—	2,912,189
Employee Relations, Dept of	4,541,064	—	—	—	—	4,541,064
Fire and Police Commission	1,300,016	—	—	—	—	1,300,016
Fire Department	105,025,041	—	—	3,424,000	—	108,449,041
Health Department	13,161,487	—	—	450,000	—	13,611,487
Library Board	22,699,974	—	—	2,577,000	—	25,276,974
Mayor's Office	1,215,279	—	—	—	—	1,215,279
Neighborhood Services	17,236,668	—	—	—	—	17,236,668
Police Department	236,229,306	—	—	1,502,000	—	237,731,306
Port of Milwaukee	5,018,503	—	—	225,000	—	5,243,503
DPW-Administration	4,533,496	—	—	1,220,000	—	5,753,496
DPW-Infrastructure	39,508,604	—	—	52,981,700	—	92,490,304
DPW-Operations	79,476,499	—	—	10,239,000	—	89,715,499
Water Works	—	—	5,870,907	9,320,000	82,125,061	97,315,968
Sewer Maintenance Fund	—	—	11,408,929	43,950,000	26,592,120	81,951,049
Special Purpose Accounts	163,659,514	—	—	—	—	163,659,514
Pension Funds	87,566,061	—	—	—	—	87,566,061
Debt Service - City	—	—	132,794,847	—	—	132,794,847
Debt Service - Schools	—	—	—	—	—	—
Debt Service - Cash Flow	—	—	125,000,000	—	—	125,000,000
Contingency	5,000,000	—	—	—	—	5,000,000
Delinquent Tax Fund	—	12,300,000	—	—	—	12,300,000
Parking	—	—	2,170,000	5,790,000	20,459,397	28,419,397
Grant & Aid Fund	—	63,846,247	—	—	—	63,846,247
Special Capital Projects	—	—	—	11,022,000	—	11,022,000
Economic Development	—	7,703,639	—	—	—	7,703,639
Fringe Benefit Offset ⁽¹⁾	(153,339,677)	—	—	—	—	(153,339,677)
Grand Total	\$682,939,858	\$83,849,886	\$277,244,683	\$172,516,700	\$129,176,578	\$1,345,727,705

⁽¹⁾For budgeting purposes, Fringe Benefits are used as an offset against expenditures since these costs are budgeted twice, both as a lump sum and as individual departmental expenditures.

CITY OF MILWAUKEE
GENERAL FUND - PROJECTED CASHFLOW SUMMARY

(Millions of Dollars)

JANUARY 1, 2012 to DECEMBER 31, 2012

	January	February	March	April	May	June	July	August	September	October	November	December	TOTAL
BALANCE	81.374	118.797	21.050	(16.657)	5.872	82.196	16.041	39.470	9.133	10.852	(0.470)	136.679	
RECEIPTS													
Property Taxes	2.764	8.067	5.098	6.733	7.629	8.184	52.481	10.440	14.434	13.513	1.237	83.302	213.882
State Aids													
Shared Revenue	-	-	-	-	-	-	41.090	-	-	-	185.717	-	226.807
Highway Aids	6.176	-	-	6.170	-	-	6.960	-	-	6.170	-	-	25.476
Payment Muni. Services	-	1.912	-	-	-	-	-	-	-	-	-	-	1.912
Computer Exemption Aid	-	-	-	-	-	-	3.900	-	-	-	-	-	3.900
Other	9.550	5.674	14.152	7.474	10.236	13.117	13.005	15.185	9.282	14.076	9.477	9.580	130.808
Delinquent Taxes Transfer	31.404	-	-	-	-	-	-	-	-	-	-	-	31.404
Pension Fees	2.234	-	0.487	-	2.392	3.154	1.018	2.632	1.695	0.879	2.691	1.163	18.345
City Services Fees	3.075	2.340	2.432	1.846	2.376	1.805	2.147	2.556	2.128	3.093	4.927	3.180	31.905
City PILOTS (Major)	-	-	-	-	-	-	-	-	-	-	-	12.668	12.668
Parking Transfers	-	-	-	-	-	10.205	-	-	-	-	-	10.205	20.410
Summerfest Lease	-	-	-	-	-	-	-	-	-	-	-	1.351	1.351
Street Sweeping	-	-	-	-	-	6.070	-	-	-	-	-	6.070	12.140
Vehicle Registration Fee	0.378	0.630	0.378	0.378	0.630	0.630	0.630	0.567	0.567	0.567	0.567	0.378	6.300
Potawatomi PILOT	-	-	-	-	-	-	-	5.500	-	-	-	-	5.500
Year End Transfers	34.218	-	-	-	-	-	-	-	-	-	-	-	34.218
Note Proceeds ⁽¹⁾	-	-	-	50.000	100.000	-	-	-	20.000	-	-	-	170.000
TOTAL RECEIPTS	89.799	18.623	22.547	72.601	123.263	43.165	121.231	36.880	48.106	38.298	204.616	127.897	947.026

Maximum deficit occurs in July and November.

⁽¹⁾ Includes the CFNs, and anticipated commercial paper for cash flow purposes.

CITY OF MILWAUKEE

GENERAL FUND - PROJECTED CASHFLOW SUMMARY (MILLIONS OF DOLLARS)

(Millions of Dollars) (Continued)

JANUARY 1, 2012 to DECEMBER 31, 2012

	January	February	March	April	May	June	July	August	September	October	November	December	TOTAL
DISBURSEMENTS													
Salaries & Benefits	39.205	42.281	51.381	38.019	37.720	38.222	38.530	51.528	38.728	39.121	38.718	39.896	493.349
Services & Supplies	13.171	12.650	8.873	12.053	9.219	11.470	9.272	15.689	7.659	10.499	8.749	6.980	126.284
Employer Pension Contribution	-	25.000	-	-	-	-	-	-	-	-	-	-	25.000
Purchase Tax Delinquents	-	36.439	-	-	-	-	-	-	-	-	-	-	36.439
Contractual Tax Payment	-	-	-	-	-	59.628	-	-	-	-	-	-	59.628
Year End Transfers	-	-	-	-	-	-	-	-	-	-	-	29.300	29.300
Note Principal Repayment ⁽¹⁾	-	-	-	-	-	-	50.000	-	-	-	20.000	100.000	170.000
TOTAL DISBURSEMENTS	52.376	116.370	60.254	50.072	46.939	109.320	97.802	67.217	46.387	49.620	67.467	176.176	940.000
BALANCE	118.797	21.050	(16.657)	5.872	82.196	16.041	39.470	9.133	10.852	(0.470)	136.679	88.400	

⁽¹⁾ Includes the CFNs, and anticipated commercial paper for cash flow purposes.

CITY OF MILWAUKEE

GENERAL FUND

Projected Schedule of Cash Receipts and Disbursements

For the Year Ended December 31, 2012

(Millions of Dollars)

	Beginning Cash Balance (Deficit)	Receipts	Disbursements	Ending Cash Balance (Deficit)	Ending Cash Balance Excluding RAN and CP
January	\$81.374	\$89.799	\$52.376	\$118.797	\$118.797
February	118.797	18.623	116.370	21.050	\$21.050
March	21.050	22.547	60.254	(16.657)	(\$16.657)
April	(16.657)	72.601	50.072	5.872 ⁽¹⁾	(\$44.128)
May	5.872	123.263	46.939	82.196 ⁽¹⁾	(\$67.804)
June	82.196	43.165	109.320	16.041	(\$133.959)
July	16.041	121.231	97.802	39.470 ⁽²⁾	(\$60.530)
August	39.470	36.880	67.217	9.133	(\$90.867)
September	9.133	48.106	46.387	10.852 ⁽¹⁾	(\$109.148)
October	10.852	38.298	49.620	(0.470)	(\$120.470)
November	(0.470)	204.616	67.467	136.679 ⁽²⁾	\$36.679
December	136.679	<u>127.897</u>	<u>176.176</u>	88.400 ⁽²⁾	\$88.400
		<u>\$947.026</u>	<u>\$940.000</u>		

⁽¹⁾ Balance includes RAN and CP principal receipts.

⁽²⁾ Balance includes RAN and CP principal repayments.

CITY OF MILWAUKEE

GENERAL FUND

Schedule of Cash Receipts and Disbursements

For the Year Ended December 31, 2011

(Millions of Dollars)

	Beginning Cash Balance <u>(Deficit)</u>	<u>Receipts</u>	<u>Disbursements</u>	Ending Cash Balance <u>(Deficit)</u>
January	\$56.982	\$102.292	\$54.588	\$104.686
February	104.686	17.354	94.906	27.134
March	27.134	40.496	64.999	2.631
April	2.631	25.228	51.376	(23.517)
May	(23.517)	68.323 ⁽¹⁾	48.413	(3.607)
June	(3.607)	142.293 ⁽¹⁾	157.288 ⁽²⁾	(18.602)
July	(18.602)	123.021	49.036	55.383
August	55.383	36.321	58.615	33.089
September	33.089	28.648	58.766	2.971
October	2.971	38.956	67.931	(26.004)
November	(26.004)	212.644	50.829	135.811
December ⁽³⁾	135.811	<u>130.275</u>	<u>184.712 ⁽²⁾</u>	81.374
		<u>\$965.851</u>	<u>\$941.459</u>	

Notes:

⁽¹⁾ \$46 million of CP were issued in May, and \$100 million of RANs were issued in June

⁽²⁾ \$46 million of CP were repaid in June, and \$100 million of RANs were repaid in December

⁽³⁾ Estimated.

CITY OF MILWAUKEE
Schedule of Cash and Investment

Balances - All Funds

2011

(Millions of Dollars)

	General Fund ⁽¹⁾	Other Governmental Funds	Enterprise Funds	Trust and Agency Funds ⁽²⁾	Total
January	\$104.686	\$261.005	\$40.899	\$145.688	\$552.278
February	27.134	192.825	41.305	106.365	367.629
March	2.631	173.592	41.746	203.221	421.190
April	(23.517)	170.602	42.270	95.520	284.875
May	(3.607)	162.758	42.606	10.568	212.325
June	(18.602)	227.212	43.105	95.736	347.451
July	55.383	224.261	43.493	58.282	381.419
August	33.089	218.555	43.910	40.074	335.628
September	2.971	209.228	44.372	46.374	302.945
October	(26.004)	257.359	44.866	47.378	323.599
November	135.811	235.933	45.315	137.465	554.524
December (estimate)	81.374	215.476	46.201	425.808	768.859

⁽¹⁾ Balances include proceeds from the sale of the RANs and subsequent principal payment.

⁽²⁾ Agency Funds includes Milwaukee Public Schools.

This schedule excludes Cash & Investment balances for Housing Authority, Redevelopment Authority, Milwaukee Economic Development Corp., and the Neighborhood Improvement Development Corp.

CITY OF MILWAUKEE

Projected Schedule of Cash and Investment

Balances - All Funds

2012

(Millions of Dollars)

	General Fund ⁽¹⁾	Other Governmental Funds	Enterprise Funds	Trust and Agency Funds ⁽²⁾	Total
January	\$118.797	\$220.975	\$43.080	\$148.072	\$530.924
February	21.050	207.381	53.858	99.887	382.176
March	(16.657)	200.944	54.183	189.090	427.560
April	5.872	211.513	55.729	87.572	360.686
May	82.196	194.319	55.415	8.381	340.311
June	16.041	196.103	66.941	89.786	368.871
July	39.470	197.283	73.891	55.994	366.638
August	9.133	181.864	73.549	37.707	302.253
September	10.852	150.006	71.826	43.631	276.315
October	(0.470)	176.555	65.039	44.578	285.702
November	136.679	169.426	55.195	129.630	490.930
December	88.400	182.420	50.034	414.060	734.914

⁽¹⁾ Balances include proceeds from the sale of the RANs and subsequent principal payment.

⁽²⁾ Agency Funds includes Milwaukee Public Schools.

This schedule excludes Cash & Investment balances for Housing Authority, Redevelopment Authority, Milwaukee Economic Development Corp., and the Neighborhood Improvement Development Corp.

Budgetary Comparison Schedule - General Fund
For The Years Ending December 31, 2006 Through 2010
(Thousands of Dollars)

<u>Revenues:</u>	<u>2006</u>	<u>2007</u> ⁽¹⁾	<u>2008</u>	<u>2009</u>	<u>2010</u>
Property Taxes	\$141,102	\$137,253	\$141,573	\$156,410	\$168,031
Other Taxes	5,202	5,311	4,839	3,504	5,097
Licenses and Permits	13,729	13,704	12,918	12,186	12,948
Intergovernmental	272,417	272,539	271,100	272,337	270,939
Charges for Services	73,528	76,496	86,410	91,057	97,146
Fines and Forfeitures	5,541	5,800	5,277	4,802	5,422
Other	<u>17,353</u>	<u>18,883</u>	<u>12,864</u>	<u>19,967</u>	<u>20,323</u>
TOTAL GENERAL FUND REVENUES	<u>528,872</u>	<u>529,986</u>	<u>534,981</u>	<u>560,263</u>	<u>579,906</u>
Tax Stabilization Fund Withdrawals	16,328	23,175	29,457	22,379	13,070
Other Financing Sources and Equity					
Transfers (Net)	<u>37,761</u>	<u>43,224</u>	<u>40,234</u>	<u>46,896</u>	<u>49,640</u>
TOTAL GENERAL FUND REVENUES TAX STABILIZATION FUND WITHDRAWALS AND OTHER FINANCING SOURCES	<u>582,961</u>	<u>596,385</u>	<u>604,672</u>	<u>629,538</u>	<u>642,616</u>
<u>Expenditures:</u>					
General Government	178,004	201,021	199,004	202,066	253,328
Public Safety	250,672	257,137	266,370	276,060	264,067
Public Works	86,482	93,956	103,149	97,093	94,482
Health	10,428	10,359	10,118	10,446	9,996
Culture and Recreation	17,882	17,548	16,782	17,329	15,656
Conservation and Development	<u>3,217</u>	<u>3,279</u>	<u>3,456</u>	<u>4,230</u>	<u>3,747</u>
TOTAL EXPENDITURES	<u>546,685</u>	<u>583,300</u>	<u>598,879</u>	<u>607,224</u>	<u>641,276</u>
SOURCES OVER (UNDER) EXPENDITURES	36,276	13,085	5,793	22,314	1,340
Fund Balance - January 1 (excludes reserved for use during the year)	68,899	82,000	65,628	49,042	58,286
Fund Balance - December 31	<u>105,175</u>	<u>95,085</u>	<u>71,421</u>	<u>71,356</u>	<u>59,626</u>
Fund Balance Components:					
Reserved for Encumbrances & Carryovers	15,616	21,376	22,865	21,919	8,144
Reserved for Inventory	6,886	6,252	7,248	6,827	7,220
Reserved for Mortgage Trust	280	218	173	141	135
Reserved for Environmental Remediation	303	303	303	303	303
Reserved for Next Year's Budget	23,175	29,457	22,379	13,070	14,600
Reserved for Subsequent Years' Budget	<u>58,915</u>	<u>37,479</u>	<u>18,453</u>	<u>29,096</u>	<u>29,224</u>
TOTAL FUND BALANCE	<u>\$105,175</u>	<u>\$95,085</u>	<u>\$71,421</u>	<u>\$71,356</u>	<u>\$59,626</u>

⁽¹⁾ In 2007, balances presented on a Budget Basis do not match balances presented on a Generally Accepted Accounting Principles ("GAAP") basis due to borrowing for certain expenditures authorized in the current fiscal year but not completed until the subsequent fiscal year. Budget Basis recognizes the revenues and expenditures in the same fiscal year, whereas GAAP does not recognize the revenues until the year the borrowing actually occurs. On a GAAP basis, the balances for "Reserve for Subsequent Years' Budget" and "Total Fund Balance" in 2007 were \$33,247 and \$90,853, respectively.

CITY OF MILWAUKEE
Assessed and Equalized Valuations

	Year 2007 For 2008 Purposes	Year 2008 For 2009 Purposes	Year 2009 For 2010 Purposes	Year 2010 For 2011 Purposes	Year 2011 For 2012 Purposes
Real Property					
Residential	\$18,753,914,925	\$19,173,232,823	\$17,743,825,065	\$17,156,626,561	\$17,069,535,250
Industrial (Manufacturing)	726,692,200	772,959,900	732,007,800	732,279,700	746,955,100
Mercantile (Commercial)	8,950,205,395	9,483,547,328	9,485,580,238	9,202,213,459	9,191,348,932
Total Real Property	<u>\$28,430,812,520</u>	<u>\$29,429,740,051</u>	<u>\$27,961,413,103</u>	<u>\$27,091,119,720</u>	<u>\$27,007,839,282</u>
Personal Property	943,560,442	1,001,936,153	983,160,269	957,344,628	909,803,701
Total Assessed Valuations	<u>\$29,374,372,962</u>	<u>\$30,431,676,204</u>	<u>\$28,944,573,372</u>	<u>\$28,048,464,348</u>	<u>\$27,917,642,983</u>
Equalized Valuation as determined by the State Department of Taxation is the basis used in computing the 7% statutory debt limitation of the City of Milwaukee	\$31,887,192,100	\$32,257,525,000	\$31,266,329,200	\$29,520,783,200	\$27,954,669,900
Ratio of Assessed to Equalized Valuation	92.12%	94.34%	92.57%	95.01%	99.87%

The 2012 Assessed Valuation of the City is anticipated to decline approximately 9% from the prior year. Equalized Values are prepared by the State, and the City will not know the 2012 Equalized Value until August, 2012. The City has no estimate of the 2012 Equalized Value. For the past 10 years, the ratio of Assessed Value to Equalized Value has ranged from 90.1% to 99.9%, with an average of 95.1%. The most recent ratio was 99.9%. A decline of Equalized Value that is less than the decline of Assessed Value would be consistent with the historical range of the ratio.

City of Milwaukee
Assessed Tax Rates
(Per \$1,000 of Assessed Valuation)

Levy Year	2007	2008	2009	2010	2011
Collection Year	2008	2009	2010	2011	2012
Unit of Government					
City Government	\$7.99	\$8.01	\$8.09	\$9.12	\$9.25
Milwaukee Public Schools	8.04	8.84	9.82	10.85	11.11
Milwaukee County	4.37	4.41	4.38	4.87	4.89
Milwaukee Area Technical College	1.89	1.92	1.94	2.02	1.95
Milwaukee Metropolitan Sewerage District	1.39	1.39	1.37	1.52	1.51
Gross Tax Rate Per \$1,000	23.68	\$24.57	\$25.60	\$28.38	\$28.71
Less: State Tax Credit	(\$1.27)	(\$1.43)	(\$1.57)	(\$1.81)	(\$1.81)
Net Tax Rate	\$22.41	\$23.14	\$24.03	\$26.57	\$26.90

CITY OF MILWAUKEE
Property Tax Levies and Collections
(\$ Amounts in Thousands)

Budget Year	Taxes Levied for the Fiscal Year			Cumulative Collected in Subsequent Years	
	Levy	Collections	% of Levy	Amount	% Collected
2006	\$261,685	\$255,823	97.76%	\$5,566	99.89%
2007	265,319	257,350	97.00	7,433	99.80
2008	286,180	277,119	96.83	7,830	99.57
2009	276,186	265,691	96.20	5,300	98.12
2010	291,943	281,099	96.29	0	96.29

Collection Procedures

If no payment of property taxes is received in January, the taxes become delinquent as of February 1st. If the taxes are not paid when due under the 10-month installment plan, they become delinquent for legal purposes on November 15th.

A letter is mailed to the taxpayer shortly after February 1st, telling of the delinquency and suggesting partial payments if full payment cannot be made. As directed by Chapter 74 of the Wisconsin Statutes interest at the rate of 1 percent per month is charged from the preceding January 1st. Periodic follow-up letters continue to be mailed.

Taxpayers are given every opportunity to pay their delinquent taxes and satisfactory agreements are arranged to bring this about. If a property owner continues to remain delinquent and the Treasurer's Office is unable to reach an arrangement by which the owner will pay the taxes, the Treasurer's Office starts foreclosure proceedings. The City enforces its own delinquent tax collections.

Taxes are foreclosed under Section 75.521 of the Wisconsin Statutes, which permits a legal action to be commenced one year from the date of delinquency. An exception to this provision is that legal action on owner-occupied dwellings may be deferred up to two years if authorized by Common Council action.

The rate of current tax collections continues at an historically high level. Current collections for 2010 were approximately 96.3% percent of the total tax levied.

Insurance

The City has property insurance with the State of Wisconsin Local Government Property Insurance Fund. This insurance is subject to a \$25,000 deductible. The City is uninsured for liability. Under Wisconsin law, the City's exposure in tort liability is limited to \$50,000 in non-automobile cases and \$250,000 in automobile cases. The City maintains a wharfinger's liability policy on its port with coverage up to \$10 million and a deductible of \$500,000. The City follows a policy of requiring contract service providers to provide the City with indemnification and insurance as may be deemed appropriate by the City.

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PENSION SYSTEM SUMMARY

EMPLOYEES' RETIREMENT SYSTEM

The Employees' Retirement System (ERS) of the City is established pursuant to Section 36 of the Milwaukee City Charter. Membership in the ERS includes some classes of part-time employees, all full-time employees, and elected officials.

ERS Membership

As of December 31, 2010

<u>Class</u>	<u>Vested</u>	<u>Non-Vested</u>	<u>Inactive</u>	<u>Retired</u>
General & Elected	6,807	1,572		8,160
Police	1,711	275		2,182
Firefighters	793	89		1,200
Certain pre-1996				<u>26</u>
Total	<u>9,311</u>	<u>1,936</u>	<u>4,158</u>	<u>11,568</u>

Source: Table 5 of the Actuarial Valuation Report as of January 1, 2011.

The primary benefit of the ERS is a defined benefit plan with eligible employees earning a Retirement Allowance for each year of service. Funding for the ERS is derived from Member and actuarially required employer contributions. Current Retirement Allowance accrual rates and Member contributions to the system (expressed as a percentage of compensation) are as follows:

Basic Benefit Accrual Rates and Member Contributions

<u>Class</u>	<u>Retirement Allowance</u>	<u>Maximum Allowance</u>	<u>Member * Contribution</u>
General, and Mayor	2.0%	70%	5.5%
Elected Officials, excluding the Mayor	2.5%	None	7.0%
Police	2.5%	90%	7.0%
Firefighters	2.5%	90%	7.0%

* For employees hired prior to January 1, 2010, in addition to paying the actuarially-required employer contribution, the City makes the Member contribution on behalf of the employee. 2011 Wisconsin Act 10 provides that all state and local public employees make an employee contribution, except as otherwise provided under collective bargaining agreements. The City Attorney and independent outside counsel have advised the City that the City's Home Rule status, a 2000 Global Pension Settlement, and prior state statutes, create contractual pension rights for City employees which supersede the employee contribution requirement of 2011 Wisconsin Act 10. As a result, the City has continued to make the Member contribution on behalf of City employees hired prior to 2010.

Schedule of Funding Progress

(\$ amounts in thousands)

Valuation	Actuarial	Actuarial	Unfunded	Funded	Covered	UAAL as a
As of	Value of	Accrued	AAL	Ratio	Payroll	Percentage
<u>Dec 31</u>	<u>Assets</u>	<u>(AAL)</u>	<u>(UAAL)</u>			<u>of Covered</u>
2010	\$4,641,425	\$4,447,548	\$ -	104.4%	\$538,218	0.0%
2009	4,814,402	4,269,324	-	112.8	553,846	0.0
2008	4,076,297	4,113,089	36,792	99.1	536,558	6.9
2007	5,192,000	3,958,061	-	131.2	532,412	0.0
2006	4,899,721	3,846,481	-	127.4	528,854	0.0

Schedule of Employer Contributions
(\$ amounts in thousands)

Year Ended <u>Dec 31</u>	Annual Actuarially <u>Required Contribution</u>	Percentage <u>Contributed</u>
2010	\$1,450	0%
2009	60,098	100%
2008	-	n/a
2007	-	n/a
2006	-	n/a

Source: Tables 11a and 11b of the Actuarial Valuation Report as of January 1, 2011.

Actuarial Assumptions and Methods include:

Actuarial Cost Method: Projected Unit Credit

Amortization Method: Closed; Level Percent of Pay; Pay assumed to grow 3% per year

Remaining Amortization Period: 23 years

Asset Valuation Method: 5-year smoothed market, 20% corridor

Investment Rate of Return: 8.5% average

Projected Salary Increases: General: 3.5-8.5%; Police and Fire: 4.0-15.4%

Inflation Assumption: 3.0%

Cost of Living Adjustments: Varies by Employee Class

For more information about the ERS, details on plan benefits, and for copies of their financial and actuarial reports, see <http://www.cmers.com>

FIREMEN'S ANNUITY AND BENEFIT FUND

The Firemen's Annuity and Benefit Fund was established in 1923 pursuant to Chapter 423 of the 1923 Laws of Wisconsin. In 1947, the Firemen's Annuity and Benefit Fund was closed to new entrants. The final pre-1947 member retired in 1989. There are approximately 60 members or their spouses currently receiving benefits under the Fund program.

The Principal Mutual Life Insurance Company made a proposal to provide annuities guaranteeing benefit payments to members and spouses, exclusive of duty disability benefits, beginning in February 1990 in consideration of a single premium payment on January 31, 1990 in the amount of \$20,419,207. The Retirement Board of the Firemen's Annuity and Benefit Fund and the Common Council authorized acceptance of the proposal and payment of the required premium on December 19, 1989. The Retirement Board ceased its activities and the Firemen's Annuity and Benefits Fund was dissolved. The City will be liable to pay retirement benefits if the insurance company defaults on its obligations under the annuity policy. The estimated value of those benefits is under \$3,000,000.

POLICEMEN'S ANNUITY AND BENEFIT FUND

Membership in the Policemen's Annuity and Benefit Fund consists of all Police Department employees whose service commenced prior to July 29, 1947. As of December 31, 2010, there were 25 members and 56 spouses receiving benefits under the fund program.

Current funding is derived from employer contributions. Chapter 35 of the City Charter provides that annual contributions consist of: 1) an amount sufficient to amortize the unfunded actuarial liability over a ten-year period with a series of level dollar payments; and 2) budgeted administrative expenses for the year.

Schedule of Funding and Contributions

<u>Dec 31</u>	Actuarial Value of <u>Assets</u>	Actuarial Accrued <u>Liability</u>	Unfunded AAL <u>(UAAL)</u>	Funded <u>Ratio</u>	Annual Required <u>Contribution</u>	Percent <u>Contributed</u>
2010	\$1,584,173	\$2,945,917	\$1,361,744	53.8%	\$268,667	100%
2009	1,935,745	3,686,621	1,750,876	52.5	329,672	100
2008	2,147,172	4,295,606	2,148,434	50.0	41,423	100
2007	4,779,417	5,049,363	269,946	94.7	56,972	100
2006	5,585,697	5,956,676	371,279	93.8	307,582	100

Source: Table 2 of the Actuarial Valuation Report as of January 1, 2011, and as of January 1, 2010.

OTHER POST-EMPLOYMENT BENEFITS

The City provides other post-employment benefits (OPEB) to its retirees for health and life insurance. A single-employer defined benefit healthcare plan and life insurance plan are sponsored by the City and administered by the Employees' Retirement System (ERS). The City provides medical insurance benefits for substantially all retirees. Retiree coverage begins at age 55 with at least 15 years of service for General City employees, at any age with at least 25 years of service for Police employees, and at age 49 with at least 22 years of service for Fire employees. In addition, the City allows employees to continue life insurance coverage under the Group Life Insurance Plan offered to active employees.

Until age 65, for retirees with at least 15 years of creditable service, the majority of the cost of the health benefit plan is paid by the City. After attaining the age of 65, and having completed a minimum of 15 years of creditable service, the City pays 25% of the applicable HMO premium, or 25% of the base rate (0% of the major medical rate) of the City's Basic Plan.

Eligible retirees are able to continue coverage under the City's Group Life Insurance Plan, and pay the same rate as active employees. The rates established are group rates applied consistently to all employees, without regard to age or health. Upon reaching age 65, their coverage will be reduced in accordance with a reduction schedule, with the City assuming all future premiums.

The required contribution for medical and life insurance for retirees is based upon pay-as-you-go financing. Medical benefits provided through the basic health care plan are self-insured. For 2010, the City paid approximately \$32.9 million and \$1.2 million, respectively, towards medical and life insurance for retirees.

The actuarial cost of health benefits and life insurance for retirees exceeds the average amount paid by retirees, therefore, the additional cost is paid by the City and is the basis for the OPEB obligation account for under GASB 45.

Funding Status and Funding Progress

Annual Required Contribution (ARC)	\$80,498,000
Interest on Net OPEB	5,373,000
Adjustment to ARC	<u>(4,560,000)</u>
Annual OPEB Cost	81,311,000
Contributions Made	<u>34,025,000</u>
Increase in net OPEB Obligation	47,286,000
Net OPEB Obligation – beginning of year	<u>127,074,000</u>
Net OPEB Obligation – end of year	<u>\$174,360,000</u>

Source: City's 2010 CAFR

Annual Cost and Net OPEB Liability

Year Ended <u>Dec 31</u>	Annual <u>OPEB Cost</u>	Percentage of Annual OPEB <u>Cost Contributed</u>	Net OPEB <u>Obligation</u>
2010	\$81,311,000	45.0%	\$174,360,000
2009	77,389,000	37.1	127,074,000
2008	73,100,000	45.0	78,400,000
2007	67,600,000	43.5	38,200,000

Source: City's 2010 and 2009 CAFRs

Schedule of Funding Progress

(\$ amounts in thousands)

Valuation <u>As of</u>	Actuarial Value of <u>Assets</u>	Actuarial Accrued Liability <u>(AAL)</u>	Unfunded AAL <u>(UAAL)</u>	Funded <u>Ratio</u>	Covered <u>Payroll</u>	UAAL as a Percentage of Covered <u>Payroll</u>
Jan 1, 2010	\$ 0	\$1,007,573	\$1,007,573	0.0%	\$413,648	244%
Jan 1, 2009	0	959,562	959,562	0.0	419,811	229
July 1, 2008	0	880,700	880,700	0.0	425,400	207
July 1, 2007	0	806,300	806,300	0.0	412,700	195

Source: City's 2010, 2009, 2008, and 2007 CAFRs

Actuarial Assumptions and Methods include:

The retiree healthcare valuation was based on the projected unit credit (PUC) cost method. The PUC method produces an explicit normal cost and actuarial accrued liability. The normal cost and actuarial accrued liability are directly proportional to the employee's service. That is, the normal cost equals the present value of future benefits divided by projected service at retirement, and the actuarial accrued liability equals the present value of benefits multiplied by the ratio of service at valuation date to projected service at retirement. Depending on the demographic characteristics of the current group and new entrants in the future, this method could produce stable annual costs, in the aggregate, when expressed as a percentage of pay.

The OPEB valuation uses a discount rate assumption of 4.5% based on the City's projected short-term investment rate of return. The healthcare cost trends rate is 9% initially, and reduced by decrements to the ultimate rate of 4.5% after 10 years. The actuarial assumption for wage inflation is 3.5%. The amortization of the unfunded actuarial accrued liability is based on a level percentage of pay over a 30-year open amortization period.

APPENDIX B

**Audited Annual Financial Report of
the City of Milwaukee, Wisconsin
for the Year Ended December 31, 2010**

Selected Sections of the Comprehensive Annual Financial Report

**The complete Comprehensive Annual Financial Report
can be downloaded at the City Comptroller's web page at:**

www.milwaukee.gov

APPENDIX C
SUMMARY OF LEGAL DOCUMENTS
[TO BE PROVIDED]

APPENDIX D
PROPOSED FORM OF OPINION OF CO-BOND COUNSEL
[TO BE PROVIDED]

APPENDIX E

MASTER CONTINUING DISCLOSURE CERTIFICATE