

PRELIMINARY OFFICIAL STATEMENT DATED MARCH 8, 2006

**NEW ISSUES
BOOK ENTRY ONLY**

RATINGS:

G.O. Notes & G.O. Bonds

G.O. CFNs

(See "RATINGS" herein)

Fitch Moody's Standard & Poor's

"Applied For" "Applied For" "Applied For"

"Applied For" "Applied For" "Applied For"

In the opinion of Katten Muchin Rosenman LLP, Bond Counsel, under existing law, if there is continuing compliance with certain requirements of the Internal Revenue Code of 1986, interest on the G.O. Notes, G.O. Bonds and the G.O. CFNs (the "Offered Obligations") will not be includable in gross income for federal income tax purposes. The Offered Obligations are not "private activity bonds" and the interest thereon is not required to be included as an item of tax preference for purposes of computing individual or corporate "alternative minimum taxable income." However, interest on the Offered Obligations 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 Offered Obligations is not exempt from Wisconsin income taxes.

CITY OF MILWAUKEE, WISCONSIN

\$61,515,000 GENERAL OBLIGATION PROMISSORY NOTES, SERIES 2006 N1

**\$13,485,000 GENERAL OBLIGATION
CORPORATE PURPOSE BONDS, SERIES 2006 B2**

**\$66,000,000* GENERAL OBLIGATION
CASH FLOW PROMISSORY NOTES, SERIES 2006 R3**

The General Obligation Promissory Notes, Series 2006 N1 (the "G.O. Notes" or the "Notes"), the General Obligation Corporate Purpose Bonds, Series 2006 B2 (the "G.O. Bonds" or the "Bonds"), and the General Obligation Cash Flow Promissory Notes, Series 2006 R3 (the "G.O. CFNs" or the "CFNs") are direct general obligations of the City of Milwaukee, Wisconsin (the "City" and the "State", respectively), payable from taxes levied on all taxable property within the City, subject to taxation by the City, without limitation as to rate or amount, and are issued for the purpose of financing various public improvement projects and fiscal requirements of the City.

The G.O. Notes and G.O. Bonds will be dated the Expected Date of Delivery (expected to be April 6, 2006), will bear interest payable semiannually on February 15 and August 15 of each year, commencing August 15, 2006, at the rates, and will mature on February 15 in the years and amounts, as detailed on the inside front cover hereof. The G.O. Bonds are subject to optional redemption on any date on or after February 15, 2016, as provided herein. The G.O. Notes are not subject to optional redemption.

The G.O. CFNs will be dated the Expected Date of Delivery, and will be payable on April 5 2007. The CFNs are being issued for the public purpose of financing the City's operating budget on an interim basis in anticipation of the receipt of State shared revenue payments, and of financing various public improvement projects. Interest on the CFNs shall be payable at maturity. The CFNs are not subject to optional redemption.

The Offered Obligations have been offered for sale by competitive bid in accordance with the Official Notices of Sale dated March 8, 2006 and are being issued subject to the legal opinions of Katten Muchin Rosenman LLP, Chicago, Illinois, and Hurtado, S.C., Wauwatosa, WI, Bond Counsel to the City, and other conditions specified in the Official Notices of Sale. Delivery of the Offered Obligations will be on or about April 6, 2006 (the "Expected Date of Delivery") in New York, New York.

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

For Further Information Contact:

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

**Subject to change in accordance with the Official Notice of Sale.*

**ELECTRONIC BIDS FOR THE G.O. CFNs WILL BE RECEIVED UNTIL 10:00 A.M. (CENTRAL TIME)
ON THURSDAY, MARCH 16, 2006**

**ELECTRONIC BIDS FOR THE G.O. NOTES AND G.O. BONDS WILL BE RECEIVED UNTIL 10:30 A.M.
(CENTRAL TIME) ON THURSDAY, MARCH 16, 2006**

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

MATURITY SCHEDULES

\$61,515,000 GENERAL OBLIGATION PROMISSORY NOTES, SERIES 2006 N1

The G.O. Notes will be dated the Expected Date of Delivery, will bear interest at the rates shown below, payable semiannually on February 15 and August 15 of such year, commencing August 15, 2006, and will mature on February 15 in the years and in the amounts shown below. The G.O. Notes are not subject to optional redemption.

Maturing (February 15)	Amount	Interest Rate	Yield	Maturing (February 15)	Amount	Interest Rate	Yield
2007	\$12,735,000	%	%	2012	\$5,240,000	%	%
2008	8,170,000			2013	4,715,000		
2009	5,680,000			2014	4,725,000		
2010	5,465,000			2015	4,735,000		
2011	5,310,000			2016	4,740,000		

\$13,485,000 GENERAL OBLIGATION CORPORATE PURPOSE BONDS, SERIES 2006 B2

The G.O. Bonds will be dated the Expected Date of Delivery, will bear interest at the rates shown below, payable semiannually on February 15 and August 15 of each year, commencing August 15, 2006, and will mature on February 15 in the years and in the amounts shown below. The G.O. Bonds are subject to optional redemption on any date on or after February 15, 2016, as provided herein.

Maturing (February 15)	Amount	Interest Rate	Yield	Maturing (February 15)	Amount	Interest Rate	Yield
2017	\$2,565,000	%	%	2021	\$2,605,000	%	%
2018	2,575,000			2022	275,000		
2019	2,585,000			2023	285,000		
2020	2,595,000						

\$66,000,000* GENERAL OBLIGATION CASH FLOW PROMISSORY NOTES, SERIES 2006 R3

The G.O. Cash Flow Promissory Notes, Series 2006 R3 will be dated the Expected Date of Delivery, and will mature on April 5, 2007 without the option of prior redemption. Interest will be payable at maturity, at the rate or rates shown below.

Amount	Interest Rate	Yield
\$66,000,000*	%	%

**Subject to change in accordance with the Official Notice of Sale.*

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

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INTRODUCTION TO THE OFFICIAL STATEMENT

The purpose of this Official Statement, including the cover page and appendices, is to set forth certain information concerning the City of Milwaukee (the “City”), located in Milwaukee County, Wisconsin, and to set forth information concerning the following securities issued by the City:

\$61,515,000 General Obligation Promissory Notes, Series 2006 N1 (the “G.O. Notes” or the “Notes”)

\$13,485,000 General Obligation Corporate Purpose Bonds, Series 2006 B2 (the “G.O. Bonds” or the “Bonds”)

\$66,000,000* General Obligation Cash Flow Promissory Notes, Series 2006 R3 (the “CFNs”)

The G.O. Notes, G.O. Bonds, and the G.O. CFNs shall be collectively referred to herein as the “Offered Obligations.”

**Subject to change in accordance with the Official Notice of Sale.*

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

SUMMARY STATEMENT-THE G.O. NOTES

The following material is supported, where required, by the detailed information and financial statements appearing in this Official Statement, including the Appendices hereto.

Issuer: City of Milwaukee, Wisconsin.

Issue: \$61,515,000 General Obligation Promissory Notes, Series 2006 N1.

Dated Date: The Expected Date of Delivery, which is anticipated to be April 6, 2006.

Amounts and Maturities:

G.O. Notes

<u>February 15</u>	<u>Amount</u>	<u>February 15</u>	<u>Amount</u>
2007	\$12,735,000	2012	\$5,240,000
2008	8,170,000	2013	4,715,000
2009	5,680,000	2014	4,725,000
2010	5,465,000	2015	4,735,000
2011	5,310,000	2016	4,740,000

Interest Payment Dates: Each February 15 and August 15 commencing August 15, 2006.

Denominations: \$5,000 or integral multiples thereof.

Purpose: The Notes are being issued pursuant to Chapter 67 of the Wisconsin Statutes for the public purpose of financing various public improvement projects and fiscal requirements of the City.

Security: Principal and interest on the Notes will be payable out of receipts from an irrevocable ad-valorem tax levied on all taxable property within the City.

Authority for Issuance: The Common Council of the City has authorized the issuance and sale of the Notes in accordance with the provisions of Chapters 65 and 67 of the Wisconsin Statutes.

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

Tax Status of Interest: Bond Counsel is of the opinion that under existing law, interest on the Offered Obligations 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 Offered Obligations 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 Offered Obligations are not "private activity bonds" within the meaning of Section 141(a) of the Code. Accordingly, interest on the Offered Obligations is not an item of tax preference for purposes of computing individual or corporate alternative minimum taxable income. However, interest on the Offered Obligations 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 Offered Obligations is not exempt from Wisconsin income taxes. (See "TAX MATTERS" herein).

Redemption Feature: The Notes are not subject to redemption prior to maturity. (See "REDEMPTION PROVISIONS" herein.)

Official Statement: The City will provide the original purchaser of the Notes and Bonds with up to 100 copies, of this Official Statement, within seven business days following the award of the Notes.

Professionals:

Bond Counsel:	Katten Muchin Rosenman LLP Chicago, Illinois
	Hurtado, S.C. Wauwatosa, Wisconsin
Financial Advisor	Robert W. Baird & Co. Milwaukee, Wisconsin

Delivery: Delivery of the Notes will be on or about April 6, 2006 at the expense of the City of Milwaukee, through the facilities of The Depository Trust Company, New York, New York.

Reoffering: The public reoffering prices(s) or yield(s) of the Notes will be set forth on the inside front cover page of the Final Official Statement.

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

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SUMMARY STATEMENT-THE G.O. BONDS

The following material is supported, where required, by the detailed information and financial statements appearing in this Official Statement, including the Appendices hereto.

Issuer: City of Milwaukee, Wisconsin.
Issue: \$13,485,000 General Obligation Corporate Purpose Bonds, Series 2006 B2.
Dated Date: Expected Date of Delivery, which is anticipated to be April 6, 2006.

Amounts and Maturities:

G.O. Bonds

<u>February 15</u>	<u>Amount</u>	<u>February 15</u>	<u>Amount</u>
2017	\$2,565,000	2021	\$2,605,000
2018	2,575,000	2022	275,000
2019	2,585,000	2023	285,000
2020	2,595,000		

Interest Payment Dates: Each February 15 and August 15 commencing August 15, 2006.

Denominations: \$5,000 or integral multiples thereof.

Purpose: The Bonds are being issued pursuant to Chapters 65 and 67, of the Wisconsin Statutes for the purpose of financing various public improvement projects and fiscal requirements of the City.

Security: Principal and interest on the Bonds will be payable out of receipts from an irrevocable ad-valorem tax levied on all taxable property within the City.

Authority for Issuance: The Common Council of the City has authorized the issuance and sale of the Bonds in accordance with the provisions of Chapters 65 and 67 of the Wisconsin Statutes.

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

Tax Status of Interest: Bond Counsel is of the opinion that under existing law, interest on the Offered Obligations 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 Offered Obligations 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 Offered Obligations are not "private activity bonds" within the meaning of Section 141(a) of the Code. Accordingly, interest on the Offered Obligations is not an item of tax preference for purposes of computing individual or corporate alternative minimum taxable income. However, interest on the Offered Obligations 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 Offered Obligations is not exempt from Wisconsin income taxes. (See "TAX MATERS" herein).

Redemption Feature: The Bonds are subject to redemption prior to maturity. (See "REDEMPTION PROVISIONS" herein.)

Official Statement: The City will provide the original purchaser of the Notes and Bonds with up to 100 copies, of this Official Statement within seven business days following the award of the Bonds.

Professionals: Bond Counsel: Katten Muchin Rosenman LLP
Chicago, Illinois

Hurtado, S.C.
Wauwatosa, Wisconsin

Financial Advisor Robert W. Baird & Co.
Milwaukee, Wisconsin

Delivery: Delivery of the Bonds will be on or about April 6, 2006 at the expense of the City of Milwaukee, through the facilities of The Depository Trust Company, New York, New York.

Reoffering: The public reoffering prices(s) or yield(s) of the Bonds are set forth on the inside front cover page of the Final Official Statement.

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

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SUMMARY STATEMENT-THE G.O. CFNS

Issuer:	City of Milwaukee, Wisconsin.
Issue:	\$66,000,000* General Obligation Cash Flow Promissory Notes, Series 2006 R3.
Dated Date:	The Expected Date of Delivery, which is anticipated to be April 6, 2006.
Maturity:	April 5, 2007.
Principal:	\$67,000,000*
Interest Payment Dates:	Payable at maturity; calculated on the basis of 30-day months and a 360-day year (term of 359 days assuming a April 6, 2006 delivery date).
Denominations:	\$5,000 or integral multiples thereof.
Purpose:	The CFNs are issued for the purpose of financing the City's operating budget on an interim basis in anticipation of the receipt of State shared revenue payments ("State Aid Payments").
Security:	Principal and interest on the CFNs will be payable out of receipts from an irrevocable ad-valorem tax levied on all taxable property within the City. The City has also pledged and will irrevocably segregate upon receipt, State Aid Payments in an amount sufficient, with interest thereon, to pay, when due, the principal of and interest on the CFNs. The City has also pledged all other general fund revenues included in the budget for the current calendar year which are due the City, which have not been received as of the date of delivery of the CFNs and which are not otherwise pledged or assigned. (See "The CFNs - SECURITY FOR THE CFNs" herein).
Authority for Issuance:	The Common Council of the City has authorized the issuance and sale of the CFNs in accordance with the provisions of Chapters 65 and 67, including particularly Section 67.12(12) of the Wisconsin Statutes.
Form of Issuance:	The CFNs will be issued in Book-Entry-Only form, fully registered in the name of Cede & Co., as nominee of The Depository Trust Company of New York, New York, which will act as security depository for the CFNs. (See "BOOK-ENTRY-ONLY SYSTEM" herein).
Tax Status of Interest:	Bond Counsel is of the opinion that under existing law, interest on the Offered Obligations 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 Offered Obligations 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 Offered Obligations are not "private activity bonds" within the meaning of Section 141(a) of the Code. Accordingly, interest on the Offered Obligations is not an item of tax preference for purposes of computing individual or corporate alternative minimum taxable income. However, interest on the Offered Obligations 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 Offered Obligations is not exempt from Wisconsin income taxes. (See "TAX MATTERS" herein).
Redemption Feature:	The CFNs are not subject to redemption prior to maturity.

Official Statement: The City will provide the original purchaser of the CFNs with up to 100 copies of this Official Statement within seven business days following the award of the CFNs.

Professionals: Bond Counsel: Katten Muchin Rosenman LLP
Chicago, Illinois

Hurtado, S.C.
Wauwatosa, Wisconsin

Financial Advisor: Robert W. Baird & Co.
Milwaukee, Wisconsin

Fiscal Agent: J.P. Morgan Chase
New York, New York

Delivery: Delivery of the CFNs will be on or about April 6, 2006 at the expense of the City, through the facilities of The Depository Trust Company, New York, New York.

Reoffering: The public reoffering price(s) or yield(s) of the CFNs will be set forth on the inside front cover page of the Final Official Statement.

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

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THE G.O. NOTES AND G.O. BONDS

AUTHORITY AND PURPOSE

The G.O. Notes and G.O. Bonds are being issued pursuant to Chapters 65 and 67, of the Wisconsin Statutes for various public improvement projects and fiscal requirements of the City, and to pay the associated financing costs. The Common Council of the City adopted resolutions on December 13, 2005, and January 18, 2006 which authorize the issuance of the G.O. Notes and G.O. Bonds.

Proceeds of the G.O. Notes and G.O. Bonds are anticipated to be used for various public improvements as follows:

Public Buildings	Buildings for the housing of machinery and equipment	\$24,396,022
Harbor	Harbor Improvements	642,062
Parking Facilities	Parking Lots and and other parking facilities	411,416
Police	Construction of and improvements to Police facilities	1,348,232
Street Improvements	Laying out, opening and widening of streets, and to provide street and sidewalk improvements	0
Parks & Public Grounds	Construction of and improvements to park facilities	0
Library	Construction of and improvements to library facilities	450,000
Schools	Construction of and improvements to school facilities	8,240,442
Tax Incremental Districts	Redevelopment and Urban Renewal programs and projects	<u>3,265,347</u>
TOTAL		<u><u>\$38,753,521</u></u>

In addition, the G.O. Notes are also anticipated to be used for various additional public purposes:

Grant and Aid Projects	Financing of grants and aid	\$192,000
Public Buildings	Construction of and improvements to public buildings	15,017,139
Receivables and Other Fiscal Needs	Financing receivables and other fiscal needs	14,735,000
Harbor	Construction of and improvements to the harbor	0
Parking Facilities	Construction of and improvement to parking facilities	99,000
Fire Stations & Improvements	Construction of and improvements to fire facilities	6,146,342
Street Improvements	Laying out, opening and widening of streets, and to provide street and sidewalk improvements	0
Parks & Public Grounds	Construction of and improvements to park facilities	56,998
Tax Incremental Districts	Construction of and improvements to tax incremental districts	<u>0</u>
TOTAL		<u><u>\$36,246,479</u></u>

SECURITY FOR THE G.O. NOTES AND G.O. BONDS

The G.O. Notes and G.O. Bonds shall be general obligations of the City, and payment thereof is secured by a pledge of the full faith and credit of the City. The City is authorized and required to levy on all taxable property in the City such ad-valorem taxes, without limitation as to rate or amount, as may be necessary to meet the debt service requirements on the G.O. Notes and G.O. Bonds.

Under and by virtue of Sections 67.05(10) and 67.12(12), Wisconsin Statutes, the City is obligated to levy a direct annual tax sufficient in amount to pay and for the express purpose of paying the interest on such Notes and Bonds as it falls due, and also to pay and discharge the principal thereof at maturity. The City is, and shall be, without power to repeal such levy or obstruct the collection of such tax until all such payments have been made or provided for.

Under Section 67.035, Wisconsin Statutes, all taxes levied for paying principal and interest on valid notes or bonds are declared to be without limitation. Under Section 65.06(18), Wisconsin Statutes, the omission from the budget of the payment of interest on or the principal of any bonded debt of the City when due shall not prevent the placing of the same on the tax roll for the levy and the collection of the tax and the payment of the money therefor.

MATURITY AND INTEREST RATES

The G.O. Notes and G.O. Bonds are to be dated the Expected Date of Delivery, and will bear interest from that date at the rates, and shall mature each February 15 in the amounts and on the dates as set forth on the inside front cover page of this Official Statement. Interest on the G.O. Notes and G.O. Bonds will be payable on **August 15, 2006** and thereafter semiannually on February 15 and August 15 of each year and is calculated on the basis of 30-day months and a 360-day year.

REDEMPTION PROVISIONS

The G.O. Notes are not subject to redemption prior to their maturity.

The G.O. Bonds will be subject to redemption prior to their maturity, at the option of the City, on any date on or after **February 15, 2016** at a price of par plus accrued interest to the date fixed for their redemption. If less than all outstanding G.O. Bonds are called for redemption, the G.O. Bonds shall be called in such order of maturity as shall be determined by the City. If less than all of the G.O. Bonds of any maturity are called for redemption, the particular G.O. Bonds of such maturity to be redeemed shall be selected by lot. Notice of redemption shall be mailed, postage prepaid, to the owners of any G.O. Bonds to be redeemed in whose name such G.O. Bonds are registered as of a record date, which shall be 45 days prior to the redemption date.

STATUTORY BORROWING LIMITATION

Wisconsin Statutes limit direct general obligation borrowing the City may issue. The G.O. Notes and G.O. Bonds are within these limitations. (See "DEBT STRUCTURE" herein for further details).

THE G.O. CFNs

AUTHORITY AND PURPOSE

The Common Council of the City has authorized the issuance and sale of the Cash Flow Notes for the public purpose of financing the City's operating budget on an interim basis in anticipation of the receipt of State shared revenue payments, by the adoption of an authorizing resolution on February 7, 2006 in accordance with the provisions of Chapters 67.12(12) of the Wisconsin Statutes.

SECURITY FOR THE CFNs

The G.O. CFNs shall be general obligations of the City, and payment thereof is secured by a pledge of the full faith and credit of the City. The City is authorized and required to levy on all taxable property in the City such ad-valorem taxes, without limitation as to rate or amount, as may be necessary to meet the debt service requirements on the G.O. CFNs.

Under and by virtue of Sections 67.05(10) and 67.12(12), Wisconsin Statutes, the City is obligated to levy a direct annual tax sufficient in amount to pay and for the express purpose of paying the interest on the CFNs as it falls due, and also to pay and discharge the principal thereof at maturity. The City is, and shall be, without power to repeal such levy or obstruct the collection of such tax until all such payments have been made or provided for.

Under Section 67.035, Wisconsin Statutes, all taxes levied for paying principal and interest on valid notes or bonds are declared to be without limitation. Under Section 65.06(18), Wisconsin Statutes, the omission from the budget of the payment of interest on or the principal of any bonded debt of the City when due shall not prevent the placing of the same on the tax roll for the levy and the collection of the tax and the payment of the money therefor.

The City also has pledged, and will irrevocably segregate upon receipt, State Aid Payments in an amount sufficient, with interest thereon, to pay, when due, the principal of and interest on the CFNs. The City has also pledged other General Fund Revenues included in the budget for the current calendar year which are due to the City, but which have not been received as of the date of delivery of the CFNs.

The City has also covenanted to deposit by December 31, 2006, with the City's fiscal agent, segregated State Aid Payments in an amount sufficient, with interest thereon, to pay, when due, the principal of and interest on the CFNs. The City intends to use amounts in the Debt Service Fund to make the deposit with respect to the portion of the CFNs issued for public improvement purposes.

INVESTMENT POLICIES

The City may invest any of its funds not immediately needed in accordance with Section 66.0603 of the Wisconsin Statutes. The City, through Common Council Resolution 930358, adopted July 6, 1993, has instructed the City Treasurer to invest City funds, including Milwaukee Public Schools (MPS) funds, in: (a) Certificates of Time Deposit at approved public depositories limited to the equity capital or net worth of the financial institution with collateralization required when total deposits at any institution exceed \$500,000; (b) Repurchase Agreements with public depository institutions; (c) the State of Wisconsin Local Government Investment Pool; (d) U.S. Treasury and Agency instruments and (e) commercial paper which has a rating in the highest or second highest rating category assigned by Standard & Poor's Ratings Group, Moody's Investors Service, Inc., or some other similar nationally recognized rating agency.

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

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

The Local Government Investment Pool is a local option City depository. The City utilizes the Local Government Investment Pool in a manner similar to a "money market" account. When other investment options provide more favorable results, such options are utilized. December 31, 2005, the City had approximately 18.79% (\$111,523,324.86) of its and MPS's investments deposited in the Local Government Investment Pool.

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

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

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

THE CITY

LOCATION, ORGANIZATION AND GOVERNMENT

GENERAL

The City of Milwaukee, Wisconsin (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 592,765 and is the principal trade, service and financial center of southeastern Wisconsin. The surrounding Standard Consolidated Metropolitan Statistical Area (SCMSA) consisting of Milwaukee, Waukesha, Washington, Ozaukee, and Racine Counties, has a population of nearly 1.6 million. This SCMSA is the 24th largest metropolitan area in the United States of America.

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

Elected on April 6, 2004

(initial year in office follows name)

Mayor	Tom Barrett	(2004)
City Attorney	Grant F. Langley	(1984)
City Comptroller	W. Martin Morics	(1992)
City Treasurer	Wayne F. Whittow	(1976)

COMMON COUNCIL

Ashanti Hamilton	(2004)	Robert W. Puente	(2004)
Joe Davis, Sr.	(2003)	Michael J. Murphy	(1989)
Michael S. D'Amato	(1996)	Joseph A. Dudzik	(2002)
Robert J. Bauman	(2004)	James N. Witkowiak	(2004)
James A. Bohl, Jr.	(2000)	Terry L. Witkowski	(2003)
Michael McGee, Jr.	(2004)	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, 2008.

PUBLIC SERVICES AND FACILITIES

The City, employing approximately 7,306 people (some 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 directly borrow using 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 Milwaukee Public School purpose debt to be issued by the City. The remaining governmental units cited each retain the statutory authority to issue general obligation debt.

Two special purpose governmental units exist with the ability to issue debt and tax on a limited revenue basis. The first is the Southeastern Wisconsin Professional Baseball District (the "District"), a public entity created by State legislation encompassing five southeastern Wisconsin counties, 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 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 sold to finance acquisition and installation of facility equipment, scoreboards, etc.

The second special purpose governmental unit is the Wisconsin Center District which oversees construction/operation of the Midwest Airlines Center, Milwaukee's major convention complex. This complex also includes the existing US Cellular Arena and the Milwaukee Auditorium facilities, formerly known as "MECCA". The Midwest Airlines Center was financed by \$185 million of revenue bonds backed by dedicated sales tax revenues from the lodging, restaurant, and vehicle rental areas. Phase one of the Midwest Airlines Center was completed during 1998. Phase two was completed in 1999. In 2001, \$30 million of Bonds were issued to renovate the Milwaukee Auditorium.

In addition to the facilities noted above, Milwaukee is home to a modern 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. Milwaukee also boasts a lakefront Milwaukee Art Museum as well as major symphony, ballet companies, theatre and other performing arts.

May 4, 2001, marked the unveiling of phase one of Milwaukee Art Museum's new expansion and renovation, which combines art, dramatic architecture and landscape design. The new 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

Approximately 6,070 of the City's full-time employees are members of bargaining units represented by unions. Labor agreements are in place through December 31, 2006 with 18 unions representing approximately all but 300 of the City's represented employees.

GENERAL, DEMOGRAPHIC AND ECONOMIC INFORMATION

GENERAL

The City, with a population of 592,765, represents approximately 40 percent of the population of the greater metropolitan area. Based on the last U.S. Census, population in the four county retail trade area surrounding Milwaukee is 1,512,400 and represents 28% of the population of the State of Wisconsin. Over 74 percent of metropolitan Milwaukee's population is comprised of residents within the working ages of 18 and older. Forty-eight percent of the Milwaukee SMSA (Milwaukee, Washington, Waukesha and Ozaukee Counties) residents are under the age of 35.

Effective buying income in the City is approximately \$8.4 billion, 30 percent of the total effective buying income in the four county metro Milwaukee area. In Milwaukee, 26.6 percent of City households earn between \$20,000 and \$35,000 per year; 19.8 percent earn between \$35,000 and \$50,000 per year and 23.3 percent earn over \$50,000 per year. The age distribution of the population of the City is 10.7 percent between 18 and 24 years old; 15.2 percent between 25 and 34 years old; 20.5 percent between 35 and 49 years old and 23.3 percent are 50 years or older.

CITY OF MILWAUKEE SELECTED ECONOMIC DATA

	<u>Population</u> ⁽¹⁾	<u>Per Capita Average Income</u> ⁽²⁾	<u>Per Capita Household Income</u> ⁽²⁾	<u>Per Capita Equalized Value</u>
2000	605,572	14,170	36,830	28,641
2001	595,508	14,147	36,339	32,667
2002	595,958	13,420	34,320	34,022
2003	595,245	13,680	35,436	36,507
2004	593,920	13,578	35,287	39,554
2005	592,765	Not Available	Not Available	44,295

Sources: Selected data has been derived from information contained in Sales and Marketing Management magazine as reported for the appropriate year. Other sources include the Bureau of Census; Wisconsin Department of Revenue; Metropolitan Milwaukee Association of Commerce and the City of Milwaukee Division of Economic Development.

⁽¹⁾ The population figures are derived through estimates from the Wisconsin Department of Revenue for use in the distribution of State Shared Revenues.

⁽²⁾ Per Capita Average Income and Per Capita Household Income figures are estimates based on the Sales and Marketing Magazine Estimated Buying Income (EBI). Effective Buying Income is defined by the Sales and Marketing Magazine as money income less personal tax and non-tax payments.

BUILDING PERMITS

Another indicator of economic growth is the activity in the building industry. The following table indicates building permit activity during the period 2000 through December 2004.

General Total

<u>Year</u>	<u>Value</u>	<u>Permits Issued</u>
2000	\$281,978,437	2,448
2001	388,613,133	2,752
2002	337,028,003	2,756
2003	334,954,154	2,884
2004	294,811,125	2,784

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>	
2000	\$13,501,445	113	\$21,682,808	239	\$35,184,253	352	137
2001	17,597,336	141	81,508,896	401	99,106,232	542	168
2002	18,726,773	135	53,525,650	562	72,252,423	697	172
2003	20,069,077	159	91,792,191	666	111,861,268	825	187
2004	29,896,986	194	48,346,002	553	78,242,988	747	244

Commercial Building

<u>Year</u>	<u>Value</u>	<u>Permits Issued</u>
2000	\$99,967,923	88
2001	106,537,251	99
2002	87,778,047	89
2003	61,824,799	96
2004	63,485,441	89

Public Building

<u>Year</u>	<u>Value</u>	<u>Permits Issued</u>
2000	\$43,153,279	181
2001	64,534,354	406
2002	24,122,613	159
2003	54,241,508	202
2004	34,176,914	95

Alterations And Additions

<u>Year</u>	<u>Value</u>	<u>Permits Issued</u>
2000	\$103,672,982	2,042
2001	118,435,296	2,079
2002	152,874,920	2,336
2003	107,026,579	2,399
2004	118,905,782	2,356

Note: Miller Park, the City's new major league baseball venue, was completed in March 2001. This \$350 + million project is not incorporated within the above schedules.

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.

BANK DEPOSITS

	2000	2001	2002	2003	2004 ⁽⁷⁾
Bank One, Milwaukee, N.A. ^{(1) (2)}	\$4,397,409	\$4,398,040	—	—	—
M & I Marshall & Ilsley Bank	8,623,224	18,244,031	\$18,523,783	\$20,932,473	\$24,071,245
Wells Fargo Bank Wisconsin, N.A.	1,803,846	1,992,708	2,200,491	2,277,301	⁽⁸⁾
Bank Mutual ⁽³⁾	1,343,013	1,479,372	1,477,209	2,270,649	2,032,698
Associated Bank Milwaukee ⁽⁴⁾	1,918,455	5,840,463	5,648,495	—	—
Guaranty Bank	918,287	1,475,151	1,784,272	1,541,942	1,359,925
Johnson Bank	1,105,687	1,165,488	1,468,019	1,872,594	⁽⁹⁾
St. Francis Bank, FSB ⁽⁵⁾	1,480,471	1,431,840	140,024	1,349,686	⁽⁹⁾
State Financial Bank, N.A. ⁽⁶⁾	859,769	955,237	991,701	—	—
Park Bank	455,397	466,454	472,664	510,814	568,412

⁽¹⁾ Total deposits for Bank One, Wisconsin. As of December 7, 1996, all 14 of the Bank One charters in Wisconsin merged into one charter. Bank deposits for all Bank One offices in the State are combined and reported as one amount under the name Bank One, Wisconsin. As a result, bank deposits for Bank One offices in the City of Milwaukee are not available for year-end 1996 and later.

⁽²⁾ Title change to Bank One, National Association due to a merger with Bank One, National Association of Chicago, Illinois effective August 2002. As a result, bank deposits for Bank One offices in the City of Milwaukee are not available for year-end 2002.

⁽³⁾ Changed title to Bank Mutual March, 2003.

⁽⁴⁾ Changed title to Associated Bank, National Association, due to merger with Associated Bank Green Bay, National Association on April 20, 2001.

⁽⁵⁾ St. Francis Bank merged into Mid America Bank, FSB, Clarendon Hills, Illinois on 12/01/2003.

⁽⁶⁾ State Financial Bank, N.A. formed by merger in 2000.

⁽⁷⁾ As of March 2005.

⁽⁸⁾ Changed title to Wells Fargo Bank, National Association due to merger with Wells Fargo, National Association of San Francisco, CA, effective February 2004.

⁽⁹⁾ No data available as of March 2005.

Source: Wisconsin Department of Financial Institutions, March 2005 and The American Financial Directory (Wisconsin) July-December 2005.

Note: Other banks that have a significant presence in the Milwaukee area include TCF National Bank and U.S. Bank. These banks are not chartered in Wisconsin and information on these banks is not available through the Wisconsin Department of Financial Institutions.

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**LEADING BUSINESS AND INDUSTRIAL FIRMS
LOCATED WITHIN MILWAUKEE COUNTY**

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

<u>Employer</u>	2004 ⁽¹⁾ <u>Employment</u>	<u>Type of Business or Service</u>
Aurora Health Care	13,275	Health Care
U.S. Government (Includes Zablocki V.A. Medical Center)	10,700	Government
Covenant Health Care	9,300	Health Care
City of Milwaukee	7,401	Government
M&I Marshall & Ilsley	7,176	Holding company banking/finance & data services
Milwaukee Public Schools	7,137	Education
Columbia-St. Mary's	5,749	Health Care
Milwaukee County	5,577	Government
University of Wisconsin-Milwaukee	4,307	Education
Medical College of Wisconsin	4,430	Medical school/academic/health care
Northwestern Mutual Life	4,039	Insurance
Rockwell Automation (formerly Allen-Bradley)	3,800	Manufacturer, electrical/electronic products
Harley-Davidson Motor Company	3,599	Manufacturer, motorcycles
Froedert Memorial Lutheran Hospital	3,400	Health Care
US Bank (formerly Firststar Corporation)	3,350	Finance, banking
WE Energies	2,791	Electric/natural gas utility
SBC Communications (Ameritech Corporation)	2,766	Communications
Johnson Controls, Inc.	2,500	Manufacturer, of electronic control systems & automobile interior modules
Children's Hospital of Wisconsin	2,500	Health care
Marquette University	2,019	Higher Education
Briggs and Stratton	2,000	Manufacturer, small engines, automotive locks & keys
Fortis	1,863	Health care
Journal Communications	1,800	Publishing, printing and broadcasting
Miller Brewing Company	1,700	Manufacturer of beer and aluminum containers
Delphi Automotive Systems (General Motors)	1,600	Manufacturer, automotive electronic engine control modules, catalytic converters, and automotive parts

⁽¹⁾ Reflects full-time equivalent employees (FTEs).

Source: The 2005 Business Journal, 2005 Wisconsin Manufacturers and Business Service Directories and employer surveys August 2004 and February 2005.

EMPLOYMENT AND INDUSTRY

During 2005, the City's unemployment rate averaged approximately 6.5%. Presented below are annual unadjusted unemployment rates for the City of Milwaukee, as compared to the State of Wisconsin and the United States for the period 2001 through December 2005.

<u>Year</u>	<u>City of Milwaukee</u>	<u>Milwaukee - Waukesha Metropolitan Area</u>	<u>State of Wisconsin</u>	<u>United States</u>
2005	6.8% ⁽¹⁾	4.5% ⁽¹⁾⁽²⁾	4.5% ⁽¹⁾	5.1%
2004	9.3	5.8	4.9	5.5
2003	9.7	6.1	5.6	6.0
2002	9.6	6.0	5.5	5.8
2001	7.7	4.7	4.5	4.7

Source: U.S. Bureau of Labor Statistics.

⁽¹⁾ Preliminary.

⁽²⁾ Includes the City of West-Allis.

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 percent of the workforce. Manufacturing firms employ 17 percent of the work force. The area is not dominated by any large employers. Less than two percent of the manufacturers have employment levels greater than 500. Less than one percent of the employers in finance, insurance and services have more than 500 employees.

TEN LARGEST TAXPAYERS WITH 2005 ASSESSED VALUATIONS

US Bank (fna First Security Bank)	\$222,499,980
Northwestern Mutual Life Ins.	165,460,560
NNN 411 East Wisconsin LLC	91,034,000
Towne Realty	87,902,400
M & I Marshall & Ilsley Bank/Metavante Corp	77,442,920
Metropolitan Associates	87,804,700
Marcus Corp/Milw City Center/Pfister	99,579,010
Miller Brewing	66,293,140
100 E. Wisconsin Ave Joint Venture	58,183,120
Great Lakes REIT/GLR Milw Center	56,420,380

Source: City of Milwaukee, Assessor's Office February 2006.

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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. Such debt margins, as of November 15, 2005, are calculated upon the 2005 City equalized valuation for 2006 purposes of \$26,256,713,800. After issuance of the Bonds, the available five percent debt margin for City borrowing is \$662,125,690 or 50.4% remaining for future debt issuance. The available two percent debt margin for school purpose borrowing is \$503,940,067, or 96.0% remaining for future debt issuance.

DEBT MARGIN (Includes the Offered Obligations)

	<u>\$26,256,713,800</u>
5% of Equalized Value	\$1,312,835,690
General Obligation Debt Outstanding subject to 5% Limit	
As of March 1, 2006	\$660,360,000
Plus: G. O. Notes	61,515,000
Plus: G. O. Bonds	13,485,000
Plus: G.O. CFNs	67,000,000*
Less: Provision for current year maturities	<u>(52,645,000)</u>
Net General Obligation Debt Outstanding subject to the 5% Limit	<u>\$748,715,000*</u>
As of March 1, 2006	
Total Debt Margin for City Borrowing (in Dollars)	<u>\$564,120,690*</u>
(As a percentage)	43.0%*
2% of Equalized Value	\$525,134,276
General Obligation Debt Outstanding subject to 2% Limit	
As of March 1, 2006	\$20,699,475
Less: Provision for current year maturities	(0)
Net General Obligation Debt Outstanding subject to the 5% Limit	\$20,699,475
As of March 1, 2006	
Total Debt Margin for School Purpose Borrowing (in Dollars)	\$504,434,801
(As a percentage)	96.1%

* Subject to adjustment.

DEBT REFUNDED

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

\$30,725,000 General Obligation Refunding Bonds, Series of 2001-A, dated July 1, 2001, for the purpose of refunding additional portions of five general obligation bond issues, with a final escrow payment in 2009, and Associated Trust Company, National Association as escrow trustee.

\$159,985,000, General Obligation Refunding Bonds, Series of 2002-A, dated October 15, 2002, for the purpose of refunding portions of seventeen general obligation issues, with a final escrow payment in 2011, and Marshall & Ilsley Trust Company, National Association as escrow trustee.

\$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.

None of the refunded debt is reflected in the "Debt Margin" presentation above.

ANALYSIS OF GENERAL OBLIGATION DEBT OUTSTANDING AS OF MARCH 1, 2006

Schools (5% City Borrowing)	\$104,880,441
Schools (2% School Purpose Borrowing)	20,699,475
Tax Increment Districts	117,288,818
Public Buildings	101,581,020
Streets	81,782,297
Sewers	58,712,467
Police	44,851,621
Water	27,230,858
Blight Elimination/Urban Renewal	21,507,334
Local Improvement Projects/Special Ass	19,422,785
Finance Real & Personal Property Tax Rec	13,879,812
Bridges	13,453,840
Parking	13,430,774
Fire	13,101,670
Library	8,283,450
Playground/Rec Facilities	7,525,897
FMIS Replacement	6,739,000
Harbor	4,115,566
Municipal Expenses	1,750,000
Grant & Aid Improvements City Share	418,922
Economic Development	174,561
Industrial Land Bank	122,370
Milwaukee Exposition and Conv Center	51,403
Resource Recovery	39,793
Lakefront Development	15,301
Total	<u>\$681,059,475</u>

GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

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

	Total G.O. Debt Service as of 03/01/2006	Series 2006 N1, B2 and R3			Total Requirements After Issuance
		N1 & B2	R3	Interest ⁽¹⁾	
2006	\$72,510,909			\$1,875,000	\$74,385,909
2007	103,877,008	\$12,735,000	\$66,000,000	6,731,625	189,343,633
2008	97,397,737	8,170,000		2,909,000	108,476,737
2009	86,471,277	5,680,000		2,562,750	94,714,027
2010	80,230,904	5,465,000		2,284,125	87,980,029
2011	72,183,350	5,310,000		2,014,750	79,508,100
2012	65,596,629	5,240,000		1,751,000	72,587,629
2013	59,468,731	4,715,000		1,502,125	65,685,856
2014	52,321,379	4,725,000		1,266,125	58,312,504
2015	45,732,735	4,735,000		1,029,625	51,497,360
2016	40,197,065	4,740,000		792,750	45,729,815
2017	35,248,358	2,565,000		610,125	38,423,483
2018	29,206,765	2,575,000		481,625	32,263,390
2019	22,693,381	2,585,000		352,625	25,631,006
2020	18,149,836	2,595,000		223,125	20,967,961
2021	17,623,775	2,605,000		93,125	20,321,900
2022	14,820,418	275,000		21,125	15,116,543
2023	11,256,918	285,000		7,125	11,549,043
2024	5,702,196				5,702,196
2025	5,101,639				5,101,639
	<u>\$935,791,010</u>	<u>\$75,000,000</u>	<u>\$66,000,000</u>	<u>\$0</u>	<u>\$1,103,298,760</u>

⁽¹⁾ Assumes an interest rate of 5.00%.

TRENDS OF GENERAL OBLIGATION DEBT

The following table indicates the general obligation debt of the City outstanding on December 31st of the year shown.

<u>Dec. 31</u>	<u>General Obligation Debt Outstanding⁽²⁾</u>	<u>Debt Service Fund Balance ⁽¹⁾</u>		<u>Debt Less Debt Service Fund Balance</u>
		<u>Allocated To Specific Issues⁽³⁾</u>	<u>Unallocated⁽⁴⁾</u>	
2000	\$605,239,921	\$9,623,007	\$20,812,993	\$574,803,921
2001	643,382,647	13,391,189	28,745,811	601,245,647
2002 ⁽⁵⁾	659,548,890	14,526,317	3,021,809	642,000,763
2003 ⁽⁵⁾	660,081,448	22,503,385	12,192,196	625,385,866
2004 ⁽⁵⁾	672,642,303	23,707,300	10,625,595	638,259,408
2005 ⁽⁵⁾				

- (1) The allocation of the Debt Service Fund balances to specific issues is based upon the debt service due for Tax Incremental Districts, Parking, Special Assessment, Water and Delinquent Tax borrowings as a portion of total debt service. (For further information regarding debt service due for Tax Increment Districts, please see "TAX INCREMENT DISTRICT FINANCING.")
- (2) Includes amounts borrowed for Tax Incremental District Program, Parking Program, financing of special assessments, delinquent taxes and water purposes. See "TRENDS OF SELF SUSTAINING GENERAL OBLIGATION DEBT" on the following page for additional information.
- (3) From Provision for Future Maturities - Principal and Interest.
- (4) From Debt Service Fund Revenues.
- (5) Beginning with 2002, the portion of the Debt Service Fund needed to pay interest on certain self supporting debt has been excluded from the balance.

TRENDS OF SELF-SUSTAINING GENERAL OBLIGATION DEBT

Self-Sustaining General Obligation Debt⁽¹⁾

<u>Date</u>	General Obligation	Self-Sustaining General Obligation Debt ⁽¹⁾					Total Self	Net General Obligation
	Debt Less Debt <u>Service Balance</u> ⁽²⁾	TID <u>Program</u> ⁽³⁾	Parking <u>Program</u>	Special <u>Assessments</u> ⁽⁴⁾	Delinquent <u>Taxes</u> ⁽⁵⁾	Water	Sustaining <u>Debt</u>	Debt Less Self- <u>Sustaining Debt</u> ⁽⁶⁾
12/31/2000	\$584,426,928	\$66,078,454	\$26,981,616	\$26,299,555	\$21,225,000	\$52,611,050	\$193,195,675	\$391,231,253
12/31/2001	614,636,836	85,095,889	25,557,046	23,882,153	22,430,000	47,857,943	204,823,031	409,813,805
12/31/2002	656,527,080	92,727,110	22,588,922	21,291,451	22,645,000	42,488,920	201,741,403	454,785,677
12/31/2003	647,889,251	88,436,381	19,635,246	24,837,384	24,190,000	37,808,589	194,907,600	452,981,651
12/31/2004	661,966,708	98,051,013	16,612,840	22,824,289	26,260,000	32,800,701	196,548,843	465,417,865
12/31/2005		118,997,028	13,952,627	20,427,697	26,323,406	27,949,288	207,650,046	

- (1) The City defines “Self-Sustaining General Obligation Debt” to include any general obligation debt previously issued whose debt service requirements is currently met with current non-Citywide property tax revenues.
- (2) Unallocated portion only. Allocated Debt Service Fund Balance relates to “Self-Sustaining” Debt categories detailed above.
- (3) See “TAX INCREMENT DISTRICT FINANCING” herein for additional information.
- (4) The Public Debt Commission, as one of its statutory mandates, oversees the portion of the Public Debt Amortization Fund used annually to prepay outstanding debt. The Commissioners of the Public Debt have reserved a portion of this Fund sufficient to make principal and interest payments for all outstanding special assessments purpose debt service to maturity.
- (5) Debt service on securities used to fund delinquent tax is offset completely by remitted delinquent tax payments.
- (6) General Obligation Debt less unallocated Debt Service Balance and less Self-Sustaining Debt on a per capita basis is as follows:

<u>Date</u>	<u>Debt Per Capita</u>
12/31/2001	\$688.17
12/31/2002	763.12
12/31/2003	762.70
12/31/2004	783.64
12/31/2005	

**RATIO OF GENERAL OBLIGATION DEBT
To Equalized And Assessed Values And To Per Capita
And Per Capita Incomes**

<u>Date</u>	<u>Population</u> ⁽¹⁾	<u>Net Equalized Valuation</u> ⁽²⁾	<u>Assessed Valuation</u>	<u>Net General Obligation Debt</u> ⁽³⁾	<u>Net General Obligation Debt/Equalized Valuation</u> ⁽⁴⁾	<u>Net General Obligation Debt/Assessed Valuation</u>	<u>Net General Obligation Debt Per Capita</u> ⁽⁴⁾	<u>Per Capita Income</u>	<u>Net G.O. Debt Per Capita/ Per Capita Income</u>
12/31/2001	595,508	\$19,453,830,200	\$17,699,784,394	\$601,245,647	3.09	3.40	\$1,009.63	\$14,147	7.14%
12/31/2002	595,958	20,298,387,000	19,866,255,215	642,000,763	3.16	3.23	1,077.26	13,420	8.03
12/31/2003	595,245	21,730,754,000	21,009,517,241	625,385,866	2.88	2.98	1,050.64	13,680	7.68
12/31/2004	593,920	23,491,773,700	22,772,419,500	638,259,408	2.72	2.80	1,074.66	13,578	8.41
12/31/2005	592,765	26,256,713,800	25,222,149,174		2.			N/A	N/A

- (1) The population figures are derived through estimates from the Wisconsin Department of Revenue population used in the distribution of State Shared Revenues.
- (2) Per Wisconsin Department of Revenue, Bureau of Property and Utility Tax.
- (3) See - "TRENDS OF GENERAL OBLIGATION DEBT" herein.
- (4) The Public Debt Amortization Fund may be used to acquire debt prior to maturity. Assuming the year-end unsegregated fund balance had been applied in this manner to debt in 2000 through 2004, the following results would have occurred:

<u>Date</u>	<u>Debt Percentage Of Equalized Value</u>	<u>Direct Debt Per Capita</u>
12/31/2001	2.86%	\$936.33
12/31/2002	2.94	1,002.87
12/31/2003	2.67	976.44
12/31/2004	2.52	998.71
12/31/2005 (est)		

**COMPUTATION OF NET DIRECT AND OVERLAPPING DEBT
FEBRUARY 1, 2006**

<u>Governmental Unit</u>	<u>Debt Outstanding As of February 1, 2006 (Net of 2006 Principal Payments)</u>	<u>Approximate Percentage Applicable</u>	<u>Milwaukee's Share of Debt As of February 1, 2006</u>
City of Milwaukee ⁽¹⁾	\$628,414,475	100.00%	\$628,414,475
Area Board of Vocational, Technical and Adult Education, District No. 9	53,035,000	37.91	20,105,569
County of Milwaukee	453,432,711	46.32	210,030,032
Milwaukee Metropolitan Sewerage District ⁽³⁾	678,620,338	48.93	332,048,931
TOTAL NET DIRECT AND OVERLAPPING DEBT	\$1,813,502,524		\$1,190,599,007

⁽¹⁾ Includes \$126,402,556 general obligation debt outstanding, which financed Milwaukee Public Schools improvements.

⁽²⁾ Includes approximately \$375,708,784 of low interest loans from the State of Wisconsin Clean Water Fund, supported by the full faith and credit of the District.

FUTURE FINANCING

Prior to the issuance of the Offered Obligations, the City has \$420,872,710 authorized unissued general obligation debt for various corporate and capital improvement purposes, of which \$59,909,500 may be issued as Sewerage Revenue bonds. The debt can be issued at any time. The 2006 Budget also provides for up to \$300,000,000 of general obligation and/or revenue anticipation borrowings. The remaining balance of revenue anticipation borrowings can be issued at any time, with approximately \$190,000,000 anticipated to be sold in August for Milwaukee Public School purposes. See "FINANCIAL INFORMATION — CITY CAPITAL IMPROVEMENTS PLAN" herein for information on potential future capital needs.

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REVENUE BONDING

The City and City agencies have issued revenue bonds directly and indirectly. Entities which have issued revenue bonds include the Redevelopment Authority and the Housing Authority. Collectively, the bond programs of the Housing and Redevelopment Authorities 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 31, 2004, the outstanding balance was \$13,745,000.

Sewerage System Revenue Bonds — In 2001, the City created the Sewerage System with the issuance of \$29,095,000 of Sewerage System Revenue Bonds. As of December 31, 2005, total outstanding Sewerage System Revenue Bonds was \$58,555,000 with a final maturity in 2023.

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 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 not 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 the period 1983 and December 1, 2005 the Housing Authority issued revenue bonds of approximately \$149 million of which approximately \$12 million are still outstanding.

Redevelopment Authority of the City of Milwaukee — The Redevelopment Authority of the City (the “Redevelopment Authority” or the “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 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 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 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 Authority, and do not constitute an indebtedness of the City or a charge against the City’s general credit or taxing power. As of December 31, 2005, the Authority has sold 99 separate issues in the total principal amount of approximately \$935 million. As December 31, 2005 there remained approximately \$___ million outstanding.

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 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 Authority and/or the City.

As of December 31, 2005, the Authority had outstanding: one bond issue with \$1,715,000 outstanding secured by a lease with the City; two bond issues with \$41,740,000 outstanding that have a Moral Obligation Pledge of the City; and \$291,684,122 in five bond issues for MPS, one secured by a lease, and four secured by loan agreements, 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 Authority has also issued debt payable from tax increment revenues. See "TAX INCREMENT DISTRICT FINANCING" herein.

Milwaukee Economic Development Corporation — As of December 31, 2005, the Milwaukee Economic Development Corporation funded loans for 899 small businesses and redevelopment projects utilizing \$163 million to leverage a total of \$807.3 million in investment. 603 loans have been enrolled in the Capital Access Program with covered loan amounts totaling \$19.2 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 \$11.9 million as of December 31, 2004.

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"). 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 March 1, 2006, \$117,288,818** general obligation bonds for TID purposes was outstanding. Under current laws, tax increments received by the City have been calculated based upon the assessed valuation and the applicable tax levy in the tax increment district. 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 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 2005 Assessed Tax Rate for Milwaukee Public Schools is \$8.17 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 TIDs 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). Extensions are available 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 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 his 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 limit strictures with respect to its General, Capital or Debt Service Funds.

CITY CAPITAL IMPROVEMENTS PLAN

The City's 2004-2009 Capital Improvements Plan (CIP) describes planned capital improvement projects and programs, together with proposed financing. School purpose improvements are financed by the City for the Milwaukee Public Schools, but are not included in the CIP.

The six-year City CIP municipal spending plan totals \$1,153 million. About \$986 million or 85 percent of planned municipal and school purpose spending is intended to preserve the City's existing infrastructure facilities (streets, sewers, alleys, bridges, etc.). The remaining 15 percent is for expansion purposes. In addition, the City has historically provided \$12 million per year towards capital improvements for the Milwaukee Public Schools (school purpose borrowing) for a six-year total CIP of \$1,225 million.

Surface transportation accounts for approximately 26% of the CIP, or about \$294 million. 26% (\$300 million) is planned for environmental projects including sewer and water improvements plus forestry and subsurface remediation projects. \$141 million of capital spending (12%) is planned for economic development projects. These projects are mainly Tax Incremental District related or Port of Milwaukee capital improvements. The remaining 36 percent (\$418 million) is planned for general governmental, health & safety, grant and aid, culture and recreation purposes. All \$12 million of annual school spending is dedicated to deferred maintenance, repairs and remodeling projects, including \$2 million per year of Americans with Disabilities Act (ADA) accessibility projects.

The portion of the \$1,153 million six-year CIP to be financed by the property tax levy totals about \$539 million (47%). This in turn is composed of direct tax levy funding of \$104 million (9%) and tax levy supported debt financing of \$435 million (38%). Cash revenues including Federal and State grants, developer financing and other sources, total \$235 million (20%) of planned CIP spending. An additional \$78 million (7%) is to be financed by City debt to be repaid with tax increment and other revenues. The remaining \$301 million (26%) of the municipal purpose CIP is to be financed by self-supported debt issued for special assessments, water, sewer and parking purposes. Of the \$12 million per year of school purpose borrowing, \$10 million is typically tax levy supported debt, and \$2 million is ADA reimbursable debt.

The Adopted 2006 Capital Improvements Budget totals \$253 million compared to a 2005 Budget of \$193 million. Major categories include \$124 million of public works projects (streets, buildings, etc.), \$44 million of water and sewer projects, \$66 million of economic development projects, and \$11 million for schools.

ADOPTED BUDGET - COMBINED REVENUES - 2006

	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Total
Taxes						
Property Tax - General	\$98,808,600	\$1,000,000	\$58,725,236	\$8,629,053	—	\$167,162,889
Provision for Empl Retirement Common Council Contingent Fund	40,387,713	—	—	—	—	40,387,713
	5,500,000	—	—	—	—	5,550,000
Total Taxes	<u>\$144,696,313</u>	<u>\$1,000,000</u>	<u>\$58,725,236</u>	<u>\$8,629,053</u>	<u>\$0</u>	<u>\$213,050,602</u>
Revenues						
Taxes	\$14,061,000	—	—	—	—	\$14,061,000
Licenses and Permits	11,018,822	—	—	—	—	11,018,822
Intergovernmental Revenues	272,233,000	\$79,020,376	—	—	—	351,253,376
Charges for Service	96,898,907	—	—	—	—	96,898,907
Fines and Forfeitures	5,206,000	—	—	—	—	5,206,000
Miscellaneous Revenues	8,160,799	9,000,000	—	—	—	17,160,799
Fringe benefits	17,250,000	—	—	—	—	17,250,000
Parking	15,200,000	—	\$4,397,241	—	\$17,435,616	37,032,857
Water Works	—	—	6,463,794	—	69,637,939	76,101,733
Sewer Maintenance Fund	4,610,000	—	7,000,000	—	23,059,298	34,669,298
Retained Earnings	—	—	—	—	42,179,409	42,179,409
Sinking Fund	—	—	48,955,556	—	—	48,955,556
Special Assessments	—	10,534,254	—	\$2,804,799	—	13,339,053
Capital Revenue	—	—	—	12,900,000	—	12,900,000
Total Revenues	<u>\$444,638,528</u>	<u>\$98,554,630</u>	<u>\$66,816,591</u>	<u>\$15,704,799</u>	<u>\$152,312,262</u>	<u>\$778,026,810</u>
Tax Stabilization						
Transfer from Reserves	\$16,328,000	—	—	—	—	\$16,328,000
Sale of Bonds and Notes						
Bonds and Notes	—	—	—	\$140,530,072	\$25,580,000	166,110,072
Grand Total	<u>\$605,662,841</u>	<u>\$99,554,630</u>	<u>\$125,541,827</u>	<u>\$164,863,924</u>	<u>\$177,892,262</u>	<u>\$1,173,515,484</u>

(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 – 2006

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Enterprise</u>	<u>Total</u>
Administration, Dept of	\$7,723,828	—	—	\$521,000	—	\$8,244,828
Assessor's Office	4,654,643	—	—	—	—	4,654,643
City Attorney	6,833,434	—	—	—	—	6,833,434
City Treasurer	2,885,733	—	—	—	—	2,885,733
Common Council - Clerk	7,829,176	—	—	175,000	—	8,004,179
Municipal Court	3,370,945	—	—	—	—	3,370,945
Comptroller	6,428,104	—	—	—	—	6,428,104
Dept of City Development	3,535,712	—	—	65,550,000	—	69,085,712
Election Commission	1,815,237	—	—	—	—	1,815,237
Employee Relations, Dept of	5,603,394	—	—	—	—	5,603,394
Fire Department	88,705,238	—	—	3,381,000	—	92,086,238
Fire and Police Commission	—	—	—	—	—	—
Health Department	13,808,572	—	—	550,000	—	14,358,572
Library Board	23,952,284	—	—	1,060,000	—	25,012,284
Mayor's Office	1,165,922	—	—	—	—	1,165,922
Neighborhood Services	14,125,791	—	—	—	—	14,125,791
Police Department	206,999,935	—	—	1,179,000	—	208,178,935
Port of Milwaukee	3,882,471	—	—	1,025,000	—	4,907,471
Public Debt Commission	—	—	—	—	—	—
DPW-Administration	4,811,231	—	—	235,000	—	5,046,231
DPW-Infrastructure	23,131,188	—	—	27,514,699	—	50,645,887
DPW-Operations	75,172,017	—	—	55,258,225	—	130,430,242
Water Works	—	—	\$6,463,794	—	\$100,907,180	107,370,974
Sewer Maintenance Fund	4,610,000	—	7,000,000	—	47,310,730	58,920,730
Special Purpose Accounts	143,859,472	—	—	—	—	143,859,472
Pension Funds	63,713,789	—	—	—	—	63,713,789
Debt Service - City	—	—	91,318,950	—	—	91,318,950
Debt Service - Schools	—	—	16,361,842	—	—	16,361,842
Contingency	5,500,000	—	—	—	—	5,500,000
Delinquent Tax Fund	—	\$10,000,000	—	—	—	10,000,000
Parking	—	—	4,397,241	—	29,674,352	34,071,593
Grant & Aid Fund	—	79,020,376	—	—	—	79,020,376
Special Capital Projects	—	—	—	8,415,000	—	8,415,000
Economic Development	—	10,534,254	—	—	—	10,534,254
Fringe Benefit Offset	(118,455,278)	—	—	—	—	(118,455,278)
Grand Total	<u>\$605,662,841</u>	<u>\$99,554,630</u>	<u>\$125,541,827</u>	<u>\$164,863,924</u>	<u>\$177,892,262</u>	<u>\$1,173,515,484</u>

⁽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

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEARS ENDING DECEMBER 31, 2000 THROUGH 2004
(Thousands of Dollars)

<u>Revenues:</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
Property Taxes	\$98,456	\$118,804	\$114,096	\$126,749	\$129,120
Other Taxes	12,808	12,688	2,944	4,318	3,563
Licenses and Permits	10,154	10,485	10,814	10,883	11,530
Intergovernmental	278,434	278,969	283,068	284,565	273,865
Charges for Services	45,383	54,594	57,749	55,714	60,825
Fines and Forfeitures	18,036	4,408	5,210	6,115	5,647
Other	<u>14,358</u>	<u>12,408</u>	<u>8,706</u>	<u>7,814</u>	<u>8,108</u>
TOTAL GENERAL FUND REVENUES	<u>\$477,629</u>	<u>\$492,356</u>	<u>\$482,587</u>	<u>\$496,158</u>	<u>\$492,658</u>
Tax Stabilization Fund Withdrawals	11,250	5,500	11,000	9,300	16,870
Other Financing Sources and Equity					
Transfers (Net)	<u>18,647</u>	<u>24,324</u>	<u>29,681</u>	<u>32,791</u>	<u>34,913</u>
TOTAL GENERAL FUND REVENUES TAX STABILIZATION FUND WITHDRAWALS AND OTHER FINANCING SOURCES	<u>\$507,526</u>	<u>\$522,180</u>	<u>\$523,268</u>	<u>\$538,249</u>	<u>\$544,441</u>
<u>Expenditures:</u>					
General Government	157,615	162,628	158,645	165,270	179,542
Public Safety	220,879	209,521	211,163	239,698	231,371
Public Works	100,696	87,453	88,094	86,335	89,562
Health	11,363	11,237	10,552	10,677	10,724
Culture and Recreation	17,584	16,948	18,791	17,165	17,822
Conservation and Development	<u>7,502</u>	<u>7,922</u>	<u>7,857</u>	<u>3,833</u>	<u>3,495</u>
TOTAL EXPENDITURES	<u>\$515,639</u>	<u>\$495,709</u>	<u>\$495,102</u>	<u>\$522,978</u>	<u>\$532,516</u>
SOURCES OVER (UNDER) EXPENDITURES	(8,113)	26,471	28,166	15,271	11,925
Fund Balance - January 1 (excludes reserved for use during the year)	55,085	40,465	57,844	76,710	75,111
Net Residual Equity Transfers	<u>(7)</u>	<u>1,908</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance - December 31	<u>\$46,965</u>	<u>\$68,844</u>	<u>\$86,010</u>	<u>\$91,981</u>	<u>\$87,036</u>
Fund Balance Components:					
Reserved for Encumbrances & Carryovers	8,886	22,460	36,585	33,000	30,288
Reserved for Inventory	6,014	5,678	5,801	5,190	5,684
Reserved for Mortgage Trust	281	281	276	276	282
Reserved for Environmental Remediation	304	303	303	303	303
Reserved for Next Year's Budget	5,500	11,000	9,300	16,870	16,621
Reserved for Subsequent Years' Budget	<u>25,980</u>	<u>29,122</u>	<u>33,745</u>	<u>36,342</u>	<u>33,858</u>
TOTAL FUND BALANCE	<u>\$46,965</u>	<u>\$68,844</u>	<u>\$86,010</u>	<u>\$91,981</u>	<u>\$87,036</u>

YEAR 2004 GENERAL FUND RESULTS (BUDGET BASIS)

Please see the appendices for audited financial statements for the General Fund. The City General Fund balance of Tax Stabilization reserves, on a budget basis, totaled \$50.5 million at the end of 2004, or about 8.7 percent of 2005 General Fund expenditures. This compares to \$53.2 million (9.3% of expenditures) at December 31, 2003. Total Fund balance at December 31, 2004 is \$87.0 million compared to \$92.0 million at December 31, 2003.

Overall, General Fund Revenues and Other Sources for 2004 exceeded expenditures by \$11.9 million, or 2.2 percent.

Total Revenues and Other Sources increased by \$6.2 million (1.2%) in 2004. Increases include: \$7.6 million in tax stabilization fund withdrawals, \$5.1 million in charges for service, \$2.4 million in property taxes, \$2.1 million in other financing sources and net equity transfers, \$0.6 in licenses and permits, and \$0.3 million in other revenues. Decreases in revenues include: \$10.7 million in intergovernmental revenues, \$0.8 million in other taxes, and \$0.5 million in fines and forfeitures.

Total General Fund Expenditures increased by \$9.5 million (1.8%) in 2004. The major increase was \$14.3 million in general government. The primary causes of the increase were healthcare costs and reimbursed pension fund contributions. Other increases were \$3.2 million for public works, and \$0.7 million for culture and recreation. Expenditures declined for public safety by \$8.3 million, and conservation and development by \$0.4 million.

Regarding the components of General Fund Balance, the major changes were a \$2.7 million decline in reserved for encumbrances & carryovers, and a \$2.5 million decline in reserved for subsequent year's budget. Other changes were a \$0.5 million increase in inventory, and a \$0.3 million decrease in reserved for next year's budget.

Since 2000, General Fund Revenues and Other Sources have grown at an average of about 1.8 percent annually. Intergovernmental Aids remain the major funding source for the General Fund providing 50 percent of total sources. This compares to 55 percent in 2000. Property taxes comprised about 24 percent of total sources in 2005 versus 19 percent in 2000.

General Fund expenditures have grown at an average 0.8 percent annually since 2000. Because of large retroactive wage settlements every 2 years (see "The City – Employee Relations") it is difficult to make year-over-year comparisons. Over the past 5 years, the two largest categories, General Government and Public Safety have grown an average of 3.3% and 1.2% per year respectively. General Government has grown from 31% of General fund expenditures in 2000 to 34% in 2004. Public Safety has fluctuated, but remains about 43% of General Fund expenditures in 2000 and 2004.

Regarding changes in General Fund Equity, the amount reserved for subsequent years' budget has grown from \$26.0 million in 2000 to \$33.9 million in 2004.

For information regarding City debt levels and related debt factors, see "DEBT STRUCTURE".

**CITY OF MILWAUKEE
ASSESSED AND EQUALIZED VALUATIONS**

	Year 2001 For 2002 Purposes	Year 2002 For 2003 Purposes	Year 2003 For 2004 Purposes	Year 2004 For 2005 Purposes	Year 2005 For 2006 Purposes
Real Property					
Residential	\$10,358,670,619	\$12,027,394,755	\$12,938,633,380	\$14,301,661,916	\$16,093,549,640
Industrial (Manufacturing)	717,830,700	765,130,300	729,858,200	733,599,500	721,966,100
Mercantile (Commercial)	5,716,180,475	6,176,332,500	6,493,804,441	6,903,490,064	7,566,086,684
Total Real Property	<u>\$16,792,681,794</u>	<u>\$18,968,857,555</u>	<u>\$20,162,296,021</u>	<u>\$21,938,751,480</u>	<u>\$24,381,602,424</u>
Personal Property	907,102,600	897,397,660	847,221,220	833,668,020	830,118,862
Total Assessed Valuations	<u><u>\$17,699,784,394</u></u>	<u><u>\$19,866,255,215</u></u>	<u><u>\$21,009,517,241</u></u>	<u><u>\$22,772,419,500</u></u>	<u><u>\$25,211,721,286</u></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	\$19,453,830,200	\$20,275,936,700	\$21,730,754,000	\$23,491,773,700	\$26,656,713,800
Ratio of Assessed to Equalized Valuation	91.00%	98.00%	96.68%	96.94%	94.58%

**CITY OF MILWAUKEE
ASSESSED TAX RATES
(PER \$1,000 OF ASSESSED VALUATION)**

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Unit of Government					
City Government ⁽¹⁾	\$10.49	\$10.87	\$10.15	\$9.73	\$9.19
Milwaukee Public Schools	9.87	10.12	9.34	8.96	9.40
Milwaukee County	5.66	6.13	5.40	5.15	4.91
Milwaukee Area Technical College	2.00	2.23	2.05	2.04	2.00
Milwaukee Metropolitan Sewerage District	1.68	1.87	1.74	1.64	1.59
Gross Tax Rate Per \$1,000	<u>\$29.70</u>	<u>\$31.22</u>	<u>\$28.68</u>	<u>\$27.52</u>	<u>\$27.09</u>
Less: State Tax Credit	1.69	1.66	1.43	1.35	1.23
Net Tax Rate	<u><u>\$28.01</u></u>	<u><u>\$29.56</u></u>	<u><u>\$27.25</u></u>	<u><u>\$26.17</u></u>	<u><u>\$25.86</u></u>

(1) Includes School Debt Service (\$0.59 in 2005).

**CITY OF MILWAUKEE
PROPERTY TAX LEVIES AND COLLECTIONS⁽¹⁾**

Collection Year	Total Tax Levy	Current Tax Collection		Delinquent Tax Collections ⁽²⁾	Total Tax Collections		Outstanding Delinquent Taxes
		Amount	% of Levy		Amount	% of Levy	
2001	\$522,236,846	\$509,440,570	97.55%	\$14,805,255	\$524,245,825	100.38%	\$22,043,238
2002	552,490,450	538,742,161	97.51	13,926,347	552,668,508	100.03	21,865,180
2003	569,696,984	554,540,917	97.34	12,400,491	566,941,408	99.52	24,620,756
2004	578,190,855	564,236,091	97.59	14,381,083	578,617,174	100.07	23,897,799
2005	\$_____	\$_____	____	\$_____	\$_____	____	\$_____

⁽¹⁾ Includes overlapping portion from all taxing bodies. City portion is approximately 35% of the dollar amounts shown.

⁽²⁾ Includes amounts from any prior year collected in that year.

COLLECTION PROCEDURES

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

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 State of Wisconsin Statutes, Chapter 74, 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 State of Wisconsin Statutes Section 75.521, 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 this historically high level. Current collections for 2004 were approximately 97.59 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 does carry 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

EMPLOYEES' RETIREMENT SYSTEM

The Employees' Retirement System ("System") of the City is established pursuant to Section 36 of the Milwaukee City Charter.

Membership in the System consists of specified classes of part-time and all full-time municipal employees including elected officials. Persons employed as teachers are specifically excluded from membership. Membership in the System totals approximately 12,200 active and 3,550 vested, inactive members at December 31, 2004. There were approximately 10,700 retirees and beneficiaries receiving benefits as of December 31, 2004.

Funding of the System, a defined benefit plan, is derived from employee and employer contributions. Current employee contributions to the System are based on a percentage of compensation as follows:

General Municipal ⁽¹⁾	5.5%
Elected Officials	7.0%
Police	7.0%
Fire	7.0%

⁽¹⁾ Including non-certified School Board, Milwaukee Area Technical College, and all Milwaukee Metropolitan Sewerage District and Wisconsin Center employees.

The City pays the employee's share of the pension contributions as well as the employer's share of pension contributions which are actuarially determined based upon normal cost and amortization of past service liability. The actuarial cost method for determining these items was changed from the "aggregate cost method" to the "projected unit credit method" as of January 1, 1995.

For the year ended December 31, 2004, the latest year for which audited figures are available, required member contributions totaled \$31 million and required employer contributions totaled \$46,000. Approximately 73% of these contributions were for requirements of the City of Milwaukee employees. The original cost of fund investments totaled \$3.275 billion with a corresponding market value of \$4.345 billion or 133% of the original cost at December 31, 2004.

The Milwaukee City Charter requires that an actuarial study of the System be performed at least once every five (5) years for the purpose of reviewing assumptions. The last actuarial study was completed by Buck Consultants covering experience from January 1, 1997 to December 31, 2001.

3 The latest actuarial valuation was as of January 1, 2005. The valuation reveals the System continues to remain actuarially sound.

The Governmental Accounting Standards Board (GASB) Statement No. 25 Disclosure of "Schedule of Funding Progress" indicates an Actuarial Value of Assets of \$4.113 billion as of January 1, 2005 and an Actuarial Accrued Liability of \$3.523 billion as of that date. This results in a Funded Ratio of 116.7%.

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.

The Principal Mutual Life Insurance Company made a proposal to provide annuities guaranteeing benefit payments to entrants and widows, 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 and the Firemen's Annuity and Benefits Fund ceased to exist. The City will be liable to pay retirement benefits if the insurance company defaults on its obligations under then policy.

POLICEMEN'S ANNUITY AND BENEFIT FUND

The Policemen's Annuity and Benefit Fund is established pursuant to section 35 of the Milwaukee City Charter.

Membership in the Policemen's Annuity and Benefit Fund consists of all Police Department employees whose service commenced prior to July 29, 1947. At January 31, 2005 there were no active members and approximately 193 retired members or survivors receiving payment.

Current funding is derived from employer contributions. There is an unfunded past service liability for the Policemen's Annuity and Benefit fund at year-end 2004 in the amount of \$1,930,535 per the Policemen's Annuity and Benefit Fund's Annual Actuarial Statement dated December 31, 2004.

Assets of the Policemen's Annuity and Benefit Fund at December 31, 2004, totaled \$5,281,524 per Actuary Gucciardi Benefit Resources report of December 31, 2004.

In May 2005, the Board of the Policemen's Annuity benefit Fund approved an increase in benefits effective January 2006. The proposal has been sent to the Common Council for approval. If approved as proposed, the increase in benefits will increase the unfunded past service liability by an estimated \$600,000. The proposed also includes provisions to extend the amortization period of unfunded past service liability from 5 years to 10 years.

BOOK-ENTRY ONLY SYSTEM

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

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the Offered Obligations. The Offered Obligations will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Offered Obligations, in the aggregate principal amount of such 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. DTC holds and provides asset servicing for over 2.2 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, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Income Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, FICC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has Standard & Poor’s 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 Offered Obligations under the DTC system must be made by or through Direct Participants, which will receive a credit for the Offered Obligations on DTC’s records. The ownership interest of each actual purchaser of each Bond (“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 Offered Obligations 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 Offered Obligations, except in the event that use of the book-entry system for the Offered Obligations is discontinued.

To facilitate subsequent transfers, all Offered Obligations deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Offered Obligations 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 Offered Obligations; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Offered Obligations 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 securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

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

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

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

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

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

9 NEITHER THE CITY, THE PAYING AGENT NOR THE UNDERWRITERS WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO PARTICIPANTS, TO INDIRECT PARTICIPANTS OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DTC PARTICIPANT OR ANY INDIRECT PARTICIPANT; (2) THE PAYMENT BY DTC, ANY DTC PARTICIPANT OR ANY INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE OFFERED OBLIGATIONS; (3) ANY NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN TO HOLDERS OF THE OFFERED OBLIGATIONS; (4) ANY CONSENT GIVEN BY DTC OR OTHER ACTION TAKEN BY DTC AS THE HOLDER OF THE OFFERED OBLIGATIONS; OR (5) THE SELECTION BY DTC, ANY DTC PARTICIPANT OR ANY INDIRECT PARTICIPANT OF ANY BENEFICIAL OWNER TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF OFFERED OBLIGATIONS.

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LEGAL MATTERS

LITIGATION STATEMENT

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 of Milwaukee does not carry a blanket policy of insurance against tort liability. In addition, Wis. Stat. § 893.80 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 March 1, 2006.

U.S. Department of Justice Investigation of Firefighter Selection Procedures (Brotherhood of Firefighters v. Fire and Police Commission). The City has completed payment of monetary relief under the Supplemental Order of the United States District Court dated November 30, 2001, under Civil Action Case No. 74-C-480, settling allegations of discrimination in the entry level hiring examinations for firefighter. One additional priority appointment remains to be made, having been delayed by the candidate's military service. Thereafter, the City's only remaining obligations under the Supplemental Order will be to settle and adjust claims for the payment of pension expenses associated with the settlement. The pension costs are unknown. They were originally anticipated to exceed \$615,000 and since that estimate is several years old, the current amount could exceed \$1 million.

Alexander, et al v. City of Milwaukee, et al. Seventeen white male lieutenants in the Milwaukee Police Department have been plaintiffs in this litigation in United States District Court for the Eastern District of Wisconsin, case number 03-CV00611. Suit was filed on July 27, 2003. The defendants are the City, the Commissioners on the Board of the Fire and Police Commission, and former Chief of Police Arthur Jones. The suit claims race and gender discrimination in the promotions from lieutenant to captain of police. The case was tried in March, 2005, and decided in plaintiffs' favor. The jury awarded \$2,198,500 in compensatory and punitive damages. In addition, the court awarded \$1,540,483 in economic damages. On August, 29, 2005 the Court entered judgments totaling \$3,738,983. On February 3, 2006, the Court awarded attorney fees and costs to plaintiffs in the sum of \$427,701. The total of all damages awards, attorney fees and costs is \$4,167,684. On February 13, 2006, defendants filed a notice of appeal to the Seventh Circuit Court of Appeals.

Ketchman, et al v. City of Milwaukee, et al; and Baur, et al v. City of Milwaukee, et al. These two lawsuits have been consolidated and are pending before Magistrate Judge Patricia Gorence at the United States District Court for the Eastern District of Wisconsin. The combined suits have eleven plaintiffs who are, or were, white male lieutenants in the Milwaukee Police Department, alleging the same discrimination in promotions to captain as the plaintiffs in the *Alexander* suit. The same defendants are named as in *Alexander*. Discovery is in progress and no trial date has been set. Defendants have raised further defenses, such as laches, which may be the subject of motions to dismiss. If the matter proceeds, damages could exceed one million dollars.

Estate of Justin Fields, et al. v. City of Milwaukee, et al. This case involves a fatal police shooting, which occurred on March 2, 2003. At bar time on Water Street, two Officers observed a car that failed to yield to an emergency vehicle. One Officer approached the vehicle, and its driver, Mr. Fields, exchanged words with the officer and fled the scene. A vehicular pursuit ensued, and came to a stop on North Martin Luther King Drive, after the Fields vehicle collided with another car. Believing that the car was unable to move and that its occupants might be injured, the officers approached the Fields vehicle. The vehicle then accelerated towards one of the Officers. The Officer, believing that his life and that of others were in danger, fired his weapon at the driver, Mr. Fields. Mr. Fields died at the scene. The case is in the initial stages of litigation. The City anticipate a full discovery process, dispositive motions, and ultimately, if motions fail, a trial.

Jenkins v. Bartlett, et al, This case involves a fatal police shooting, which occurred on September 19, 2002. On that date Officer Bartlett was on routine police patrol duty with his partner. While conducting a standard traffic stop, a subject fled from the scene. That subject was later identified as the decedent Larry Jenkins. Officer Bartlett pursued Mr. Jenkins on foot to the intersection of 37th Street and Glendale Avenue. When Officer Bartlett came upon the intersection he observed Mr. Jenkins entering a vehicle which was stopped at the intersection. It appeared to the

officer that Mr. Jenkins was attempting to carjack the vehicle in an effort to flee from the officer. As the officer attempted to come to the assistance of the driver of the vehicle he found himself located to the front of the vehicle. He also observed Mr. Jenkins seated behind the steering wheel. The vehicle began to move forward at a high rate of speed ultimately striking Officer Bartlett and throwing him onto the hood. Officer Bartlett feared for his life and fired his service weapon at Mr. Jenkins. Mr. Jenkins died at the scene. Subsequently the estate filed suit. Discovery has been completed in this case. The defendants' summary judgment motion has been decided by the court dismissing all issues except for that involving the reasonableness of the officer's use of force. Given differing testimony from various witnesses the court determined that there were significant questions of fact which could only be resolved by a jury. Therefore, this case will be proceeding to trial on April 24, 2006.

Pundsack, et al. v. City of Milwaukee, et al., Case No. 04-C-1207. This case involves a fatal police shooting which occurred on or about December 23, 2002. Edward Pundsack led police on a chase. An Officer involved in the pursuit emerged from his vehicle and ordered Mr. Pundsack out of his vehicle. At one point, the Officer perceived that Mr. Pundsack was driving his vehicle in reverse and that other officers were located to the rear of the Pundsack vehicle directly in its path. Believing that those fellow officers were in imminent danger of death or great bodily harm the Officer fired his service weapon at Mr. Pundsack. Mr. Pundsack died at the scene. This case is in the initial stages of litigation. The City anticipates a full discovery process, dispositive motions and ultimately, if motions fail, a trial.

Milwaukee Riverwalk Investigation USAO File No. 2003V200280. The City and the private property owners in Business Improvement District No. 15 ("BID-15"), a business improvement district, received an August 6, 2003 communication from the United States Department of Justice ("DOJ"). That communication indicated that the United States Attorney for the Eastern District of Wisconsin had opened an investigation of a complaint made to the DOJ. The complaint alleged that the owners and operators of the Milwaukee Riverwalk are in violation of the Americans with Disabilities Act and the DOJ's regulations implementing that Act. The City and BID-15 retained the services of a consultant to assist in the response to the DOJ's communication. The consultant developed a set of recommendations that would remedy the alleged ADA violations, and concluded that many, but not all, of the alleged violations had merit.

The City and BID-15 are concluding settlement negotiations with the U.S. Attorney, and the parties hope to enter into a settlement agreement resolving the ADA complaint within the next 90 days. Under the settlement agreement, the City and BID-15 would undertake \$1.5 million of Riverwalk upgrades over the next three years. The upgrades will make the Riverwalk more handicap accessible. The City will initially pay for the entire \$1.5 million and then recover back 22% from special assessment to BID-15 owners over the next 15 years.

Kaye v. City of Milwaukee, et al. Kaye, a real estate developer, brought this case against the City of Milwaukee, its Redevelopment Authority, other agencies, City and Redevelopment officials and employees under the Racketeer Influenced Corrupt Organizations Act, 18 U.S.C. § 1961 et. seq., and the Wisconsin Organized Crime Control Act, Wis. Stat. § 946.80, et. seq.

8 Kaye's complaint alleges he attempted to bid on certain real property then owned by the City and located at 1152-1158 Kane Place. His bid was not considered, because the property had been "promised" to Ms. Kohler, who was then Vice Chair of the City Planning Commission. He claims that the City, and specifically the Redevelopment Authority, made special exceptions to bid, sale, zoning and other requirements for Ms. Kohler due to her status as a public official. Specifically, he alleges that Ms. Kohler, in her capacity as Vice Chair of the City Planning Commission, agreed with Mr. Fowler, then a Redevelopment Authority Commissioner, to "swap" the Kane Place property for another parcel of property located at 2951-2965 N. Humboldt Avenue. As a quid pro quo for Mr. Fowler approving the Redevelopment Authority's sale of the Kane Street property to Ms. Kohler, she, through the City Planning Commission, approved the sale of the Humboldt Avenue property to Alterra Coffee Roasters, Inc., a company in which Mr. Fowler is a principal shareholder.

Kaye further alleges that, around this time same, Alderman D'Amato, the East Village Association, Inc. ("EVA"), and certain private citizens, including Ms. Kohler, were seeking enactment of an ordinance that would establish a "Conservation District Overlay" over a portion of the Third Aldermanic District. The conservation district would limit the types of real estate development that could occur therein. The conservation district was opposed by the plaintiff and others. As part of their opposition efforts, Kaye and others became members of the EVA and sought to elect their own slate of directors. He alleges that Alderman D'Amato, Ms. Kohler, and the then-officers of EVA engaged in a fraudulent scheme to manipulate the EVA election in order to retain control of the board from opponents of the conservation district. He alleges that the opposition members were permitted to believe that the

election would be conducted by a simple majority vote. At the time of the election, however, the opposition members were informed for the first time that a new voting method, a variant of cumulative voting that emphasized voting coalitions, would be used. The existing officers and directors of the EVA, along with Alderman D'Amato and Ms. Kohler, were able to organize a voting coalition, including by means of e-mail, which plaintiff alleges to have been an act of wire fraud. The opposition members, surprised by the change in voting method, could not organize in time and were unsuccessful in wresting control of the EVA board.

Kaye also alleges that citizens opposing the conservation district placed yard signs expressing that opposition in various places in the Third Aldermanic District. Plaintiff alleges that Alderman D'Amato (or one of his aides, the complaint conflicts itself on this point) removed such a sign from the property of Jill Bondar, one of the leaders of the opposition group. Kaye further alleges that Alderman D'Amato left Ms. Bondar a voice mail in which he implicitly threatened criminal prosecution for her conduct and that of other members of the opposition group in putting up the yard signs.

According to Kaye, the allegations plead predicate acts of racketeering sufficient to allege that the defendants violated both RICO, the Racketeer Influenced Corrupt Organizations Act, 18 U.S.C. § 1961 et. seq., and the Wisconsin Organized Crime Control Act, Wis. Stat. § 946.80, et. seq. Plaintiff asserts claims under 18 U.S.C. §§ 1962(b), (c) and (d). Section 1962(b) makes it unlawful for any person to acquire or maintain any interest in or control of any "enterprise" through a "pattern of racketeering." Section 1962(c) makes it unlawful to conduct or participate in the affairs of an "enterprise" through a "pattern of racketeering." Section 1962(d) makes it unlawful to conspire to violate RICO. The complaint asks for over \$5,000,000 in compensatory and punitive damages.

The attorneys for the City and the other defendants do not believe that the complaint states a claim under RICO, or the state mini-RICO statute, and, accordingly, have moved to dismiss the complaint for failure to state a claim upon which relief can be granted.

Milwaukee Police Supervisors Organization (MPSO) v. City of Milwaukee and the Milwaukee Employees' Retirement System (ERS). This case is a clone of an earlier case that was filed and subsequently voluntarily dismissed. That case was brought by the Milwaukee Police Association (MPA represents police officers; the MPSO represents police supervisors.) The MPA case alleged that the ERS was prohibited by City Ordinance from spending more than \$3 million to purchase and install a computer information system. The suit alleged that the City was liable to pay any of those expenses in excess of \$3 million. It is estimate that the total cost of the ERS information system is approximately \$25 million. The dispute in the case was over the interpretation of a section of the City ordinance that transferred all administrative, operational, and investment expenses from the City to the ERS. This change was made as a part of a larger settlement of various disputes between the City and the MPA called the Global Pension Settlement. The MPA voluntarily dismissed the lawsuit earlier this year (2005). The MPSO has now filed this lawsuit making the same allegations. Both the City and the ERS view the allegations as without merit and are vigorously defending the lawsuit.

LEGAL OPINIONS

The legal opinions of Katten Muchin Rosenman LLP, Chicago, Illinois, Bond Counsel to the City, will be delivered to the purchasers of the Offered Obligations. Drafts of the legal opinions for the Offered Obligations are included herein as Appendix B.

TAX MATTERS

Summary of Bond Counsel Opinion

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

Offered Obligations Purchased at a Premium or at a Discount

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

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

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

Exclusion from Gross Income: Requirements

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

Limitations on Private Use. The Code includes limitations on the amount of Offered Obligation 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 Offered Obligations 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 Offered Obligations.

Rebate of Arbitrage Profit. Unless the City qualifies for an exemption, earnings from the investment of the “gross proceeds” of the Offered Obligations 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 Offered Obligations 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 Offered Obligations, amounts received as a result of investing such proceeds and amounts to be used to pay debt service on the Offered Obligations.

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 Offered Obligations.

Risks of Non-Compliance

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

Federal Income Tax Consequences

Pursuant to Section 103 of the Code, interest on the Offered Obligations 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 Offered Obligations 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 OFFERED OBLIGATIONS.**

Cost of Carry. Owners of the Offered Obligations 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 Offered Obligations. As discussed below, special allocation rules apply to financial institutions.

Corporate Owners. Interest on the Offered Obligations 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 Offered Obligations 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 Offered Obligations 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 Offered Obligations 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 Offered Obligations may reduce otherwise deductible underwriting losses of a property or casualty insurance company.

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

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

The opinions of Bond Counsel and the descriptions of the tax law contained in this Official Statement are based on

statutes, judicial decisions, regulations, rulings and other official interpretations of law in existence on the date the Offered Obligations are issued. There can be no assurance that such law or the interpretation thereof will not be changed or that new provisions of law will not be enacted or promulgated at any time while the Offered Obligations are outstanding in a manner that would adversely affect the value or the tax treatment of ownership of the Offered Obligations.

STATE TAX MATTERS

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

NO DESIGNATION AS QUALIFIED TAX-EXEMPT OBLIGATIONS

The City will not designate the Offered Obligations as “qualified tax-exempt obligations” for purposes of Section 265 (b)(3) of the Code.

CONTINUING DISCLOSURE

In order to assist the Underwriters in complying with SEC Rule 15c2-12 (the "Rule") promulgated by the Securities and Exchange Commission, pursuant to the Securities Exchange Act of 1934, the City shall covenant pursuant to a resolution adopted by the Common Council to enter into an undertaking (the "Undertaking") for the benefit of holders including beneficial holders of the Offered Obligations to provide certain financial information and operating data relating to the City to certain information repositories annually, and to provide notices of the occurrence of certain events enumerated in the Rule to certain information repositories or the Municipal Securities Rulemaking Board and to any state information depository. 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 Master Continuing Disclosure Certificate and Addendums, which shall be made applicable to the Offered Obligations pursuant to Schedules to be executed and delivered by the City at the time the Offered Obligations are delivered. Such Certificate, Addendums, and Schedules will be in substantially the form attached hereto as Appendix C. The City has never failed to comply in all material respects with any previous undertakings under the Rule to provide annual reports or notices of material events. A failure by the City to comply with the Undertaking will not constitute an event of default on the Offered Obligations (although holders will have the right to obtain specific performance of the obligations under the Undertaking). Nevertheless, such a failure must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Offered Obligations in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Offered Obligations and their market price.

RATINGS

The City has requested ratings on the Offered Obligations from FITCH Ratings, Moody’s Investors Service, Inc. and from Standard & Poor’s Ratings Group. FITCH Ratings has assigned a rating of “___” on the G.O. Notes and G.O. Bonds and a rating of “___” on the CFNs. Moody’s Investors Service, Inc. has assigned a rating of “___” on the G.O. Notes and G.O. Bonds and a rating of “___” on the CFNs. Standard & Poor’s Ratings Group has assigned a rating of “___” on the G.O. Notes and G.O. Bonds and a rating of “___” on the G.O. CFNs.

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 Offered Obligations.

FINANCIAL ADVISOR

Robert W. Baird & Co. has been retained as Financial Advisor to the City in connection with the issuance of the Offered Obligations. The Financial Advisor has requested and the City has consented to the Financial Advisor submitting bids for the Offered Obligations.

LEGISLATION

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

UNDERWRITING

The Offered Obligations have been purchased at competitive bidding conducted on March 16, 2006.

The award of the G.O. Notes and G.O. Bonds was made to _____, its co-managers and associates.

The award of the G.O. CFNs was made to _____, _____, _____, its co-managers and associates.

The public reoffering yields of the Offered Obligations will be detailed on the inside front cover of this Official Statement.

CLOSING DOCUMENTS AND CERTIFICATES

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

- (1) a signature and no litigation certificate;
- (2) a tax certificate;
- (3) a certificate of delivery and payment;
- (4) the opinions as to the legality of the Offered Obligations under Wisconsin law and as to the tax-exempt status of the interest thereon for federal income tax purposes rendered by Katten Muchin Rosenman LLP, Chicago, Illinois, Bond Counsel to the City, in substantially the forms as set forth in Appendix B;
- (5) copies of this Official Statement issued in conjunction with the Offered Obligations within seven business days after the award of the Offered Obligations in accordance with SEC Rule 15c2-12(b)(3);
- (6) a Continuing Disclosure Certificate; and
- (7) a statement to the effect that this Official Statement, to the best of its knowledge and belief as of the date of sale and the date of delivery, is true and correct in all material respects and does not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made herein, in light of the circumstances under which they were made, not misleading.

REPRESENTATIONS OF THE CITY

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

ADDITIONAL INFORMATION

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

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

/s/ _____
Comptroller
City of Milwaukee, Wisconsin

March 8, 2006