

PRELIMINARY OFFICIAL STATEMENT DATED MAY 11, 2010

**DRAFT
05/10/2010**

**NEW ISSUE
BOOK ENTRY ONLY**

RATINGS: Fitch Moody's Standard & Poor's
(See "Ratings" herein) "AA+" "Aa1" "AA"

Interest on the Bonds is not exempt from present Wisconsin income taxes and IS subject to federal taxation. See "TAX MATTERS" herein for a more complete discussion.



\$38,000,000*
CITY OF MILWAUKEE
Milwaukee County, Wisconsin
Taxable General Obligation Corporate Purpose Bonds, Series 2010 M6
(Qualified School Construction Bonds-Direct Payment)

Dated: June 15, 2010 (Expected Date of Delivery)

Due: February 15, 2027 As Shown Below

The Taxable General Obligation Corporate Purpose Bonds, Series 2010 M6 (Qualified School Construction Bonds-Direct Payment) (the "Bonds") are being issued by the City of Milwaukee, Wisconsin (the "City" and the "State", respectively), as "qualified school construction bonds" as defined in Section 54F of the Internal Revenue Code of 1986 (the "Code").

The Bonds will be dated June 15, 2010 and will mature on February 15, 2027. The Bonds are being issued pursuant to Chapter 67 of the Wisconsin Statutes and are direct general obligations of the City, payable from taxes levied on all taxable property within the City, subject to taxation by the City, without limitation as to rate or amount. The proceeds from the sale of the Bonds will be used to provide financing for various school construction projects.

The Fiscal Agency Agreement will be dated June 15, 2010 (the "Fiscal Agency Agreement"). The Fiscal Agency Agreement will be between the City and Deutsche Bank National Trust Company, Chicago, Illinois (the "Fiscal Agent").

MATURITY SCHEDULE

Maturing February 15 2027	Amount*	Interest Rate	Yield	CUSIP ⁽¹⁾ Base (602366)
	\$38,000,000			

Interest on the Bonds will be payable semi-annually on February 15 and August 15 of each year, commencing on August 15, 2010 to the registered owners of the Bonds appearing of record in the bond register as of the close of business on the first day (whether or not a business day) of the calendar month.

The Bonds are not subject to optional redemption prior to maturity, however, the Bonds are subject to extraordinary optional redemption prior to maturity. See "THE BONDS – Redemption" herein.

The Bonds have been offered for sale by competitive bid in accordance with the Official Notice of Sale, dated May 11, 2010 and are being issued subject to the legal opinions of Katten Muchin Rosenman LLP, Chicago, Illinois, and of Hurtado, S.C., Wauwatosa, Wisconsin, Bond Counsel to the City, and other conditions specified in the Official Notice of Sale. Delivery of the Bonds will be on or about June 15, 2010 (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 BONDS. 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

**ELECTRONIC BIDS FOR THE BONDS WILL BE RECEIVED UNTIL
10:00 A.M. (CENTRAL TIME) ON WEDNESDAY, MAY 26, 2010**

**Preliminary, Subject to Change.*

⁽¹⁾The above-referenced CUSIP numbers have been assigned by an independent company not affiliated with the City and are included solely for the convenience of the holders of the Bonds and Strips. The City is not responsible for the selection or uses of such CUSIP numbers, and no representation is made as to their correctness on the Bonds, the Strips, or as indicated above. The CUSIP number for a specific maturity is subject to change after the issuance of the Bonds.

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.

REGARDING THE USE OF THIS OFFICIAL STATEMENT

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.

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and Section 27A of the United States Securities Act. Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "budget" or other similar words. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The City does not plan to issue any updates or revisions to those forward-looking statements if or when its expectations, events, conditions, or circumstances on which such statements are based occur.

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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:

\$38,000,000* Taxable General Obligation Corporate Purpose Bonds, Series 2010 M6
(Qualified School Construction Bonds-Direct Payment)

The following summary statement is furnished solely to provide limited introductory information regarding the City's Bonds, 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

Issuer:	City of Milwaukee, Wisconsin.
Issue:	Taxable General Obligation Corporate Purpose Bonds, Series 2010 M6, (Qualified School Construction Bonds-Direct Payment)
Dated Date:	The Expected Date of Delivery, which is anticipated to be June 15, 2010.
Maturity:	February 15, 2027
Principal:	\$38,000,000*
Interest Payment Dates:	Interest on the Bonds, will be payable semi-annually on February 15 and August 15 of each year, commencing on August 15, 2010 to the registered owners of the Bonds appearing of record in the bond register as of the close of business on the first day (whether or not a business day) of the calendar month.
Denominations:	\$5,000 or integral multiples thereof.
Purpose:	The Bonds are being issued for the purpose of financing various public school facility construction, rehabilitation, and repair projects.
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. The City has also pledged to make periodic payments into a sinking fund for the Bonds in order to accumulate sufficient funds to pay the Bonds at maturity. (See "THE BONDS - SECURITY FOR THE BONDS" herein).
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, including particularly Section 67.05(5) of the Wisconsin Statutes.
Form of Issuance:	The Bonds will be issued only as fully registered Bonds and will be registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as the securities depository of the Bonds. Individual purchases will be made in book-entry form only in denominations of \$5,000 principal amount or any integral multiple thereof. Purchasers will not receive certificates representing their interests. Payments on the Bonds will be made by the Fiscal Agent, to DTC for subsequent disbursement to DTC Participants who will remit such payments to the beneficial owners. (See "BOOK-ENTRY-ONLY SYSTEM" herein.)

**Preliminary, subject to change.*

Tax Status: Under existing law, interest on the Bonds is not exempt from present Wisconsin income taxes and IS subject to federal taxation. See “**TAX MATTERS**” herein for a more complete discussion.

Redemption Feature: The Bonds are not subject to optional redemption prior to maturity; however, the Bonds are subject to extraordinary optional redemption prior to maturity. (See “**THE BONDS – REDEMPTION**” herein).

Official Statement: The City will provide the original purchaser of the 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
Fiscal Agent/Trustee:	Deutsche Bank National Trust Company Chicago, Illinois

Record Date: February 1 and August 1.

Delivery: Delivery of the Bonds will be on or about June 15, 2010 at the expense of the City, through the facilities of The Depository Trust Company, New York, New York.

Reoffering: The public reoffering price or yield of the Bonds will be set forth on the 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 (the “Rule”) 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 “**CONTINUING DISCLOSURE**” herein).

(The remainder of this page has been intentionally left blank)

DESCRIPTION OF THE BONDS

AUTHORITY AND PURPOSE

The Common Council of the City has authorized the issuance and sale of the Bonds for various school construction projects, by the adoption of resolutions on October 13, 2009, March 2, 2010 and May 4, 2010 in accordance with the provisions of Chapters 67 of the Wisconsin Statutes.

The Bonds will be general obligations of the City for which its full faith and credit and taxing powers are pledged, which taxes may, under current law, be levied without limitation as to rate or amount. Deutsche Bank National Trust Company, Chicago, Illinois will act as fiscal agent, registrar and transfer agent for the Bonds (the "Fiscal Agent"). The Bonds will be issued in fully registered form only, without coupons, coming due as a single maturity on February 15, 2027.

The City has designated the Bonds as "qualified school construction bonds" within the meaning of Section 54F of the Code. Interest on the Bonds, will be payable semiannually on February 15 and August 15 of each year, commencing on August 15, 2010 to the registered owners of the Bonds appearing of record in the bond register as of the close of business on the first day (whether or not a business day) of the calendar month.

SECURITY FOR THE BONDS

The 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 Bonds.

Under and by virtue of Section 67.05(10), 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 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 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.

In order to provide for the maturing principal, the City has covenanted to make annual deposits into the Sinking Fund for the Bonds. The Sinking Fund will be held by the Fiscal Agent for the benefit of the Bonds. (See "Mandatory Sinking Fund Deposits" herein).

STATUTORY BORROWING LIMITATION

Wisconsin Statutes limit direct general obligation debt the City may issue. The Bonds are within these limitations. (See "DEBT STRUCTURE" herein).

MATURITY AND INTEREST PAYMENTS

The principal amount of the Bonds matures on February 15, 2027. Principal of the Bonds is payable when due upon surrender of the Bonds at the office of the Fiscal Agent, who is acting under authority of a Fiscal Agency Agreement, dated as of June 15, 2010 (the "Fiscal Agency Agreement"), by and between the City and the Deutsche Bank National Trust Company, Chicago, Illinois. Interest on the Bonds, will be payable semi-annually on February 15 and August 15 of each year, commencing on August 15, 2010 to the registered owners of the Bonds appearing of record in the bond register as of the close of business on the first day (whether or not a business day) of the calendar month. Interest will be computed upon the basis of a 360-day year of twelve 30-day months. The registered owner of the bond will initially be Cede & Co., as nominee of The Depository Trust Company, New York, New York. (See "BOOK ENTRY ONLY SYSTEM", herein).

REDEMPTION PROVISIONS

The Bonds are not subject to optional redemption prior to their stated maturity; however, the Bonds are subject to extraordinary optional redemption.

Extraordinary Mandatory Redemption. The Bonds are subject to extraordinary mandatory redemption, as a whole, or in part by lot, at the redemption price for each Bond to be redeemed equal to the principal amount thereof to be redeemed, on June 15, 2013 and on any date thereafter, in accordance with the requirements of Section 54A(d)(2)(B) of the Internal Revenue Code of 1986 (the "Code") regarding the required expenditure of the available project proceeds of the Bonds within the three year period (or permitted extended period) following the date of issuance of the Bonds.

The Bonds are subject to extraordinary mandatory redemption within 90 days after the Expenditure Termination Date, in whole or in part, in Authorized Denominations, at a Redemption Price of par, in a principal amount equal to the sum of (i) the unexpended Available Project Proceeds as of the Expenditure Termination Date and (ii) such additional amount so that the aggregate principal amount of the Bonds to be redeemed is \$5,000 or an integral multiple of \$5,000. The Fiscal Agent shall select the date of redemption, which date shall be within 90 days after the Expenditure Termination Date.

Extraordinary Optional Redemption. The Bonds are subject to extraordinary redemption at the option of the City, in whole or in part, at the redemption price for each Bond to be redeemed equal to the principal amount thereof to be redeemed, on any date on or after the date that (i) a change has occurred to Section 54A, Section 54F or Section 6431 of the Code, or to any guidance published by the Internal Revenue Service or the United States Treasury with respect to such sections or any other determination by the Internal Revenue Service or the United States Treasury, pursuant to which the City's cash subsidy payment from the United States Treasury with respect to interest paid on the Bonds is reduced or eliminated or (ii) the United States Treasury fails to make such a cash subsidy payment to which the City is entitled and such failure is not caused by any action by or failure to act by the City.

REDEMPTION AND NOTICE OF REDEMPTION

Pro-rata redemption and notification procedures are provided for in the Fiscal Agency Agreement. While the City will select Bonds for redemption on a pro-rata basis, and will inform DTC of the pro-rata selection method, the City cannot provide any assurance that DTC's method of allocating redemptions among Direct Participants, Direct Participants allocation of redemptions among Indirect Participants, and Direct and Indirect Participants' allocation of redemptions among Beneficial Owners will be pro-rata.

MANDATORY SINKING FUND DEPOSITS

The City has covenanted to set aside deposits in the following annual amounts, by February 15 of each of the following years, into a sinking fund account to be held by the Fiscal Agent and applied to the payment of the principal amount of the Bonds at maturity.

<u>February 15</u>	<u>Mandatory Sinking Fund Deposit</u>
2014	\$
2015	
2016	
2017	
2018	
2019	
2020	
2021	
2022	
2023	
2024	
2025	
2026	

The Fiscal Agent may invest the Sinking Fund in any security authorized by Section 67.11 of the Wisconsin Statutes that mature no later than necessary to provide moneys for redemption payments. The City shall not be required to make a sinking fund deposit on any date where the sum of the maturing value of the investments held in the Sinking Fund on deposit is sufficient to pay in full, the principal amount of Bonds outstanding.

INVESTMENT POLICIES OF THE CITY

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

The LGIP is a local option City depository. The City utilizes the LGIP in a manner similar to a "money market" account. When other investment options provide more favorable results, such options are utilized. As of December 31, 2009, the City had approximately 29.860% (\$178,137,105) of its and MPS's investments deposited in the LGIP.

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

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

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

THE CITY

LOCATION, ORGANIZATION AND GOVERNMENT

GENERAL

The City is located on the western shore of Lake Michigan in southeastern Wisconsin. The City is the hub of the metropolitan area and a thriving place to live and work. The City is Wisconsin's largest city with a population of approximately 584,000 and is the principal trade, service and financial center of southeastern Wisconsin. The surrounding Metropolitan Statistical Area ("MSA") includes the principal cities of Milwaukee, Waukesha and West Allis, in the counties of Milwaukee, Ozaukee, Waukesha and Washington, and has a population of nearly 1.5 million.

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

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

ELECTED OFFICIALS

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

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

CITY OFFICIALS

As of April 15, 2010

(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)
Nik Kovac	(2008)	Joseph A. Dudzik	(2002)
Robert J. Bauman	(2004)	James N. Witkowiak	(2004)
James A. Bohl, Jr.	(2000)	Terry L. Witkowski	(2003)
Milele A. Coggs	(2008)	T. Anthony Zielinski	(2004)
Willie C. Wade	(2003)	Willie L. Hines, Jr.	(1996)
Robert G. Donovan	(2000)		

The terms of all the above elected positions expire in April, 2012.

PUBLIC SERVICES AND FACILITIES

The City, employing approximately 7,307 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 borrow directly and issue revenue backed financings.

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

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

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

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

May 4, 2001 marked the unveiling of Milwaukee Art Museum's new expansion and renovation, which combines art, dramatic architecture and landscape design. The Quadracci Pavilion, the first Santiago Calatrava-designed building in the United States, features a 90-foot high glass-walled reception hall enclosed by the Burke Brise Soleil, a sunscreen that can be raised or lowered creating a unique moving sculpture.

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

EMPLOYEE RELATIONS

Approximately 6,070 of the City's full-time employees are members of nineteen different bargaining units represented by unions. One labor agreement covering approximately 200 employees expired on December 31, 2006, and two labor agreements covering approximately 1,650 police and firefighters expired on December 31, 2009. The remaining sixteen agreements are in place through December 31, 2011.

GENERAL, DEMOGRAPHIC AND ECONOMIC INFORMATION

GENERAL

The City, with a 2009 population of 584,000 (preliminary estimate), represents approximately 40% of the population of the greater metropolitan area. Based on the last U.S. Census, population in the four county retail trade area surrounding the City is 1,512,400 and represents 28% of the population of the State of Wisconsin. Over 74% of metropolitan Milwaukee's population is comprised of residents within the working ages of 18 and older.

CITY OF MILWAUKEE SELECTED ECONOMIC DATA

Year	Population	Adjusted Gross Income Per Return
2009	584,000	N/A
2008	590,870	\$33,144
2007	590,190	33,225
2006	590,370	32,370
2005	592,765	30,988

Sources: Wisconsin Department of Administration, Demographic Service Center and the Wisconsin Department of Revenue, Division of Research and Analysis.

BUILDING PERMITS

Another indicator of economic growth is the activity in the building industry. The following table indicates building permit activity during the period 2004 through December 2009.

General Total

<u>Year</u>	<u>Value</u>	<u>Permits Issued</u>
2004	\$294,811,125	2,784
2005	529,251,733	2,599
2006	424,763,947	2,655
2007	336,748,300	2,405
2008	249,992,533	2,067
2009	290,326,431	1,723

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>	
2004	\$29,896,986	194	\$48,346,002	553	\$78,242,988	747	244
2005	33,751,976	193	113,713,239	500	147,465,215	693	231
2006	25,146,380	162	95,804,142	519	120,950,522	681	189
2007	24,940,117	160	123,505,408	677	148,445,525	837	187
2008	15,632,811	90	63,975,007	509	79,607,818	599	104
2009	7,269,207	59	37,354,152	409	44,623,359	468	72

Commercial Building

<u>Year</u>	<u>Value</u>	<u>Permits Issued</u>
2004	\$63,485,441	89
2005	166,425,515	106
2006	134,084,138	113
2007	82,501,318	105
2008	59,502,236	74
2009	127,122,466	37

Public Building

<u>Year</u>	<u>Value</u>	<u>Permits Issued</u>
2004	\$34,176,914	95
2005	51,889,921	49
2006	38,009,733	243
2007	19,791,921	140
2008	9,107,611	85
2009	10,808,648	107

Alterations and Additions

<u>Year</u>	<u>Value</u>	<u>Permits Issued</u>
2004	\$118,905,782	2,356
2005	163,471,082	2,213
2006	131,719,554	2,110
2007	86,009,536	1,973
2008	101,774,868	1,804
2009	107,771,958	1,506

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

LEADING BUSINESS AND INDUSTRIAL FIRMS
LOCATED WITHIN MILWAUKEE COUNTY

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

Employer	2009 Employment Estimates	Type of Business or Service
Aurora Health Care	21,570	Healthcare
U.S. Government (Includes Zablocki V.A. Medical Center)	11,100	Government
Milwaukee Public Schools	10,943	Education
Wheaton Franciscan Healthcare	9,371	Healthcare
Wal-Mart Stores	7,682	Discount retail stores and warehouse clubs
City of Milwaukee	7,307	Government
Roundy's Supermarket	6,800	Retail grocer
Quad Graphics	6,600	Commercial printing
GE Healthcare Technologies	6,000	Medical imaging, healthcare services
Kohl's Corporation	5,920	Specialty department stores
Milwaukee County	5,708	Government
Columbia-St. Mary's	5,371	Healthcare provider
Northwestern Mutual Life	5,000	Insurance
Medical College of Wisconsin	4,833	Medical school/academic/health care
Froedtert Memorial Lutheran Hospital and Community Health	4,446	Healthcare
M&I Marshall & Ilsley	4,230	Holding company banking/finance and data services
AT & T Wisconsin	4,200	Communications
WE Energies	4,150	Electric/natural gas utility
Harley-Davidson Motor Company	3,819	Manufacturer, motorcycles
Pro Healthcare, Inc.	3,619	Healthcare provider
University of Wisconsin-Milwaukee	3,531	Education
Children's Hospital of Wisconsin	3,385	Healthcare
Target Corporation	3,318	Discount department store chain
Rockwell Automation (formerly Allen-Bradley)	3,300	Manufacturer, electrical/electronic products
U. S. Bank	3,281	Finance, banking
Walgreens Co.	3,010	Retail drugstore chain

Source: The 2010 Business Journal Book of Lists. Employer contacts July 2009, April 2010.

EMPLOYMENT AND INDUSTRY

During 2009, the City's unemployment rate averaged approximately 11.1%. Presented below are unemployment rates for the City, as compared to the State of Wisconsin and the United States for the period 2005 through December 2009. The information below reflects revisions, corrections, and new inputs from the 2000 census, including the application of the changes to the prior years shown. For further information on the changes, please contact the U.S. Bureau of Labor Statistics, or visit their website at <http://www.bls.gov>.

ANNUAL UNEMPLOYMENT RATES (Not Seasonally Adjusted)

<u>Year</u>	<u>City of Milwaukee</u>	<u>Milwaukee - Waukesha-West Allis Metropolitan Statistical Area</u>	<u>State of Wisconsin</u>	<u>United States</u>
2009	11.1% ⁽¹⁾	8.7% ⁽¹⁾	8.5%	9.3%
2008	6.6	4.8	4.7	5.8
2007	7.2	5.1	4.9	4.6
2006	7.0	4.9	4.7	4.6
2005	7.2	5.0	4.8	5.1

⁽¹⁾ Estimate.

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

RECENT MONTHLY UNEMPLOYMENT RATES (Not Seasonally Adjusted)

<u>Month</u>	<u>City of Milwaukee</u>	<u>Milwaukee - Waukesha-West Allis Metropolitan Statistical Area</u>	<u>State of Wisconsin</u>	<u>United States</u>
December 2009	11.0% ⁽¹⁾	8.6% ⁽¹⁾	8.3% ⁽¹⁾	9.7%

⁽¹⁾ Preliminary.

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

The City's economic structure reveals a diversified economy with strong service and manufacturing sectors. The service sector (service, finance, insurance, real estate and retail trade) employs over 69% of the workforce. Manufacturing firms employ 17% of the workforce. The area is not dominated by any large employers. Less than two percent of the manufacturers have employment levels greater than 500. Less than one percent of the employers in finance, insurance and services have more than 500 employees.

TEN LARGEST TAXPAYERS WITH 2009 ASSESSED VALUATIONS

US Bank Corporation	\$ 263,926,353
Northwestern Mutual Life Ins.	213,000,793
Marcus Corp/Milw City Center/Pfister	120,185,927
Metropolitan Associates	111,511,122
NNN 411 East Wisconsin LLC	97,266,997
Crichton-Hauck/Shoreline/Juneau Village	96,441,024
Towne Realty	92,659,346
M & I Marshall & Ilsley Bank	88,383,582
100 E. Wisconsin Ave Joint Venture	77,769,874
Renaissant LaFayette Apts	67,129,278

Source: City of Milwaukee, Assessor's Office January 2010.

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DEBT STRUCTURE

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

LEGAL DEBT LIMITATIONS

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

DEBT MARGIN (Includes the Bonds)

Equalized Value of Taxable Property in the City	\$31,266,329,200
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Legal Debt Limitation for City Borrowing

5% of Equalized Value	1,563,316,460
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General Obligation Debt Outstanding subject to 5% Limit	
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as of May 15, 2010	\$975,210,000
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Plus: 2010 M6	38,000,000 ⁽¹⁾
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Less: Provision for current year maturities	<u>(40,250,000)</u>
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Net General Obligation Debt Outstanding subject to the 5% Limit as of May 15, 2010	972,960,000
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Total Debt Margin for City Borrowing (in Dollars)	590,356,460
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(As a percentage)	37.8%
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(As a percentage excluding Cash Flow Notes)	47.2%
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Legal Debt Limitation for School Purpose Borrowing

2% of Equalized Value	625,326,584
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General Obligation Debt Outstanding subject to 2% Limit	
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as of May 15, 2010	14,774,150
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Less: Provision for current year maturities	—
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Net General Obligation Debt Outstanding subject to the 2% Limit as of May 15, 2010	14,774,150
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Total Debt Margin for School Purpose Borrowing (in Dollars)	610,552,434
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(As a percentage)	97.6%
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⁽¹⁾ Preliminary, subject to change.

DEBT REFUNDED

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

\$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, with Bank of New York 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 MAY 15, 2010

Public Buildings	\$175,567,327
Tax Increment Districts	173,605,646
Streets	105,145,825
Schools (5% City Borrowing)	101,267,516
Schools (2% School Purpose Borrowing)	14,774,150
Sewers	52,214,790
Finance Real & Personal Property Tax Receivables	47,574,537
Police	33,868,586
Bridges	25,976,317
Blight Elimination/Urban Renewal	24,338,662
Fire	18,815,363
Water	15,685,421
Local Improvement Projects/Special Assessments	12,630,232
Parking	12,544,048
Library	9,535,855
Playground/Recreational Facilities	9,189,416
Municipal Expenses	3,573,040
Grant & Aid Improvements City Share	3,445,227
Harbor	3,189,815
Economic Development	19,193
Industrial Land Bank	13,454
Resource Recovery	4,381
Milwaukee Exposition and Convention Center	3,666
Lakefront Development	1,683
	<hr/>
Cash Flow Notes	147,000,000
	<hr/>
Total	<u><u>\$989,984,150</u></u>

GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

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

Year	Total G.O. Debt Service as of 5/15/2010		Series 2010 M6		Total Requirements After Issuance
	Principal ⁽¹⁾	Interest ⁽²⁾	Principal ⁽¹⁾	Interest ⁽³⁾	
2010	\$187,250,000	\$21,695,486		\$348,333	\$209,293,819
2011	108,785,000	36,555,322		2,090,000	147,430,322
2012	88,865,000	32,314,156		2,090,000	123,269,156
2013	82,065,000	28,439,844		2,090,000	112,594,844
2014	74,034,504	25,563,187	\$2,500,000	2,090,000	104,187,691
2015	68,703,467	22,774,593	2,500,000	2,090,000	96,068,060
2016	64,098,434	19,527,291	2,500,000	2,090,000	88,215,725
2017	56,800,239	17,274,756	2,500,000	2,090,000	78,664,995
2018	53,568,544	14,320,364	2,500,000	2,090,000	72,478,909
2019	44,746,727	12,747,862	2,500,000	2,090,000	62,084,589
2020	38,516,322	11,181,603	2,500,000	2,090,000	54,287,925
2021	34,873,148	8,954,214	2,500,000	2,090,000	48,417,362
2022	27,429,005	8,116,630	2,500,000	2,090,000	40,135,634
2023	24,108,761	6,501,377	2,500,000	2,090,000	35,200,138
2024	18,415,000	1,723,290	2,500,000	2,090,000	24,728,290
2025	14,410,000	628,516	2,500,000	2,090,000	19,628,516
2026	1,625,000	131,231	3,500,000	2,090,000	7,346,231
2027	1,690,000	44,538	4,500,000	1,045,000	7,279,538
2028	0	0	0	0	0
2029	0	0	0	0	0
2030	0	0	0	0	0
	<u>\$989,984,150</u>	<u>\$268,494,260</u>	<u>\$38,000,000</u>	<u>\$34,833,333</u>	<u>\$1,331,311,743</u>

⁽¹⁾ Assumes Sinking Fund Deposits in year due

⁽²⁾ Assumes: the maximum interest rate of 12.0% on \$24,600,000 of variable rate debt (the tax levy requirement).

⁽³⁾ Assumes an interest rate of 5.50%

TRENDS OF GENERAL OBLIGATION DEBT
(THOUSANDS OF DOLLARS)

Year 12/31	Total G O Debt	Self-Sustaining G O Debt	Levy Supported G O Debt
2005	\$710,409	\$245,016	\$465,394
2006	797,462	268,901	528,561
2007	747,298	294,952	452,346
2008	788,579	291,317	497,262
2009	804,474	293,039	511,435

TRENDS OF SELF-SUSTAINING GENERAL OBLIGATION DEBT
(THOUSANDS OF DOLLARS)

Year 12/31	TID Program	Parking Program	Special Assessments	Delinquent Taxes ⁽¹⁾	Water	Sewer ⁽²⁾	Total <u>Self-Sustaining</u>
2005	\$118,997	\$13,953	\$20,428	\$26,323	\$27,949	\$37,366	\$245,016
2006	146,232	12,747	18,449	27,070	23,257	41,146	268,901
2007	143,886	11,733	16,458	28,320	19,895	74,661	294,952
2008	165,217	10,743	14,631	34,136	17,049	49,541	291,317
2009	164,106	11,616	12,994	40,508	17,049	46,766	293,039

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

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

⁽²⁾ Amount reflects the portion of GO Sewer Debt paid by the Sewer Utility.

Beginning in 2007, the Sewer Utility paid the full amount of the GO Sewer Debt.

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

Year 12/31	Population ⁽¹⁾	Net Equalized Valuation	AV	Total GO Debt	GO Debt /Net EV	GO Debt /AV	GO Debt /capita
2005	592,765	\$26,256,713,800	\$25,222,149,174	\$710,409,475	2.71%	2.82%	\$1,198
2006	590,370	30,226,985,500	28,354,951,841	797,462,085	2.64	2.81	1,351
2007	590,190	31,887,192,100	29,374,372,962	747,298,112	2.34	2.54	1,266
2008	590,870	32,257,525,000	30,431,675,204	788,579,150	2.44	2.59	1,335
2009	584,000	31,266,329,200	28,994,573,372	804,474,150	2.57	2.77	1,378

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

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

Year 12/31	PDAF Unsegregated Balance	GO Debt /Net EV	GO Debt /capita
2005	\$46,513,313	2.53%	1,120
2006	48,727,784	2.48	1,268
2007	50,824,739	2.18	1,180
2008	50,916,679	2.29	1,248
2009 ⁽¹⁾	50,916,679	2.41	1,290

⁽¹⁾ 12/31/09 balance is unknown at this time. Assumes balance is unchanged for the year.

**COMPUTATION OF NET DIRECT AND OVERLAPPING DEBT
MAY 15, 2010**

<u>Governmental Unit</u>	<u>Debt Outstanding As of May 15, 2010</u>	<u>Approximate Percentage Applicable</u>	<u>Milwaukee's Share of Debt As of May 15, 2010</u>
City of Milwaukee ⁽¹⁾	\$947,134,150	100.00%	\$947,134,150
Area Board of Vocational, Technical and Adult Education, District No. 9 ⁽²⁾	74,775,000	38.49	28,780,898
County of Milwaukee	666,783,652	46.78	311,921,392
Milwaukee Metropolitan Sewerage District ⁽³⁾	858,864,669	50.21	431,235,950
TOTAL NET DIRECT AND OVERLAPPING DEBT	<u><u>\$2,547,557,471</u></u>		<u><u>\$1,719,072,390</u></u>

⁽¹⁾ Includes \$108 million general obligation debt outstanding, which financed Milwaukee Public Schools improvements. Figure includes the new issue and excludes provisions for current year maturities.

⁽²⁾ Includes new issue of \$1.5 million of General Obligation Promissory Notes, Series 2009-10H, dated April 15, 2010.

⁽³⁾ Includes approximately \$625,310,823 of low interest loans from the State of Wisconsin Clean Water Fund, supported by the full faith and credit of the MMSD.

FUTURE FINANCING

As of May 15, 2010, the City had \$607,378,003 authorized unissued general obligation debt, for various corporate and capital improvement purposes, which can be issued at any time. In addition, the City has \$253,000,000 of unissued revenue anticipation borrowing authorized in the 2010 Budget.

The authorized unissued general obligation debt includes \$98 million for sewer purposes. The City intends to borrow as much as possible of that amount from the State of Wisconsin Clean Water Fund Program on a revenue bond basis. The borrowings from the Clean Water Fund program are not general obligation debt, but will be secured by revenues of the City's Sewerage System. The City is considering the use of \$40 million of General Obligation Commercial Paper to provide temporary financing in anticipation of loans from the Clean Water Fund program. The commercial paper can be issued at any time.

See "FINANCIAL INFORMATION — CITY CAPITAL IMPROVEMENTS PLAN" herein for information on potential future capital needs.

COMMERCIAL PAPER PROGRAM

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

The CP Notes may be issued at any time for any purpose, including the purposes described in Future Financing above. The primary purpose of the CP Note program is to provide interim financing for expenditures pending the City’s next long-term financing. As of May 15, 2010, the City had \$2,600,000 of Series T4 Notes outstanding.

AUCTION RATE AND OTHER VARIABLE RATE EXPOSURE

The City has no outstanding Auction Rate securities. The City has no insured debt that has a put option. The City’s CP Notes are additionally secured by liquidity facilities provided by State Street Bank. The \$23,000,000 outstanding Series 2005 V8 is a 7-day variable rate demand bond secured by a Stand-By Bond Purchase agreement that expires on December 1, 2012. The CP Notes are secured by a direct pay letter of credit that expires on December 1, 2012.

In 2003, the Redevelopment Authority of the City of Milwaukee, on behalf of the MPS, issued \$130,850,000 of Taxable Pension Funding Bonds, 2003 Series D in Auction Rate Mode and insured by MBIA. In 2005, the 2003 Series D bonds were converted to Index Bonds (“IB”) whose interest rate is reset monthly to 1-month LIBOR + 25 basis points. The IB bond owners do not have an option to put the bonds. The 2003 Series D bonds also have an interest rate swap that pays MPS 1-month LIBOR + 20 basis points in exchange for a fixed rate of 5.56% paid by MPS, effectively converting the IB to a fixed rate with no basis risk. \$70,850,000 of the interest rate swaps were with Lehman Brothers Special Financing Inc. (“LBSF”), which filed for bankruptcy in September, 2008. As of November 1, 2009, the interest rate swaps with LBSF had a theoretical market value to MPS of \$-14.7 million (a negative dollar amount is the amount MPS would owe in the event of an early termination). The City is working with MPS to replace the interest rate swaps with LBSF.

REVENUE BONDING

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

Water System Revenue Bonds, Series 1998 — In 1998, the City and the State of Wisconsin entered into a loan agreement under the State of Wisconsin Safe Drinking Water Loan Program. Subsidized loans are available for certain projects, are secured by revenues of the Milwaukee Water Works, and are repayable over a period of 20 years. As of December 1, 2009, the outstanding balance was \$9.4 million.

Sewerage System Revenue Bonds — In 2001, the City created the Sewerage System with the issuance of \$29,095,000 of Sewerage System Revenue Bonds, and in 2003, the City issued an additional \$33,885,000 of Sewerage System Revenue Bonds. As of December 31, 2009, total outstanding Sewerage System Revenue Bonds was \$48,115,000 with a final maturity in 2023.

In 2006, the City created the Sewerage System Second Lien Revenue Bonds for the purpose of borrowing from the State of Wisconsin Clean Water Fund Program. As of December 31, 2009, the City had \$48.0 million outstanding under the Program. The City hopes to satisfy as much as possible of its Sewerage System capital needs with borrowings under the Program. (See “FUTURE FINANCING”).

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

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

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

Between the period 1983 and December 1, 2009 the Housing Authority issued revenue bonds of approximately \$149 million of which approximately \$9.5 million are still outstanding.

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

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

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

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

As of December 31, 2009, the Redevelopment Authority had outstanding: one bond issue with \$12,380,000 outstanding that have a Moral Obligation Pledge of the City; and \$276,324,122 in seven bond issues for MPS, one secured by a lease, and six secured by loan agreement, with the Milwaukee Board of School Directors (“MBSD”). These bonds do not constitute general obligations of the City, or of MBSD, and shall not constitute or give rise to a charge against the City’s, or MBSD’s, taxing powers. These pledges create only financial obligations of the City, or MBSD, which are subject to annual appropriation. The loan agreement with MBSD includes a pledge of certain state aid payable to MBSD.

The Redevelopment Authority has also issued debt payable from tax increment revenues. See (“TAX INCREMENT DISTRICT FINANCING” herein.)

Milwaukee Economic Development Corporation—As of December 31, 2009, the Milwaukee Economic Development Corporation, or through a related entity, funded loans for 1,012 small businesses and redevelopment projects utilizing \$227 million to leverage a total of \$1,152 million in investment. 937 loans have been enrolled in the Capital Access Program with covered loan amounts totaling \$52 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 \$10 million as of December 31, 2009.

TAX INCREMENT DISTRICT FINANCING

Five issues of the Redevelopment Authority and Housing Authority involving over \$60 million in bonds have financed projects located within tax increment districts (“TID”) of the City. The City has also financed public improvements and provided grants to the Redevelopment Authority for redevelopment purposes within such districts through the issuance of its general obligation bonds. As of December 31, 2009, \$164 million general obligation bonds for TID purposes was outstanding. Under current law, tax increments received by the City have been calculated based upon the assessed valuation and the applicable tax levy in the TID. The applicable tax levy includes the public school tax levy rate for Milwaukee Public Schools.

The Redevelopment Authority of the City has approximately \$42 million of debt secured by tax increment revenues. One of those issues, in the approximate amount of \$20 million, has the Moral Obligation Pledge of the City. That bond issue is in variable rate mode secured by a Letter of Credit (“LOC”). The LOC expires in May, 2010, and the bank has indicated that it will not be renewing the LOC. RACM and the City are working on alternatives for the financing. 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 2010 Assessed Tax Rate for Milwaukee Public Schools is \$10.66 per thousand dollars of assessed value, down from \$15.70 in 1995 (amounts are net of the school state tax credit). As a result, tax increment revenues for certain TIDs received by the City have been, and are expected to continue to be, reduced and therefore have the impact of either increasing the time needed to recover incurred project costs, including future debt service requirements; reducing the funding of active and proposed TIDs; or may require the City to fund TID cash flow deficiencies with other City revenues. In connection with the change in the School Aid formula, the State Legislature extended the allowable life of all TIDs established before October 1, 1995 from a maximum 23 years to a maximum 27 years to accommodate the lower school property tax rate. Pursuant to 2003 Wisconsin Acts 126, 127, 194 and 231 (enacted in February through April 2004), the allowable life of TIDs created between September 30, 1995 and October 1, 2004 for blight elimination and rehabilitation purposes is 27 years. The maximum lives for TIDs created after September 30, 2004 is 27 years for blighted and rehabilitation TIDs, and 20 years for mixed-use TIDs and industrial TIDs, which, for industrial TIDs represents a reduction from 23 years, though the new law also makes them eligible for a three-year extension. 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 City’s general property tax levy.

FINANCIAL INFORMATION

BUDGETING

Each department and agency prepares its own detailed estimate of needs for the ensuing fiscal year that 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 limits with respect to its General, Capital or Debt Service Funds.

CITY CAPITAL IMPROVEMENTS PLAN

The City's 2009-2014 Capital Improvements Plan ("CIP") describes planned capital improvement projects and programs, together with proposed financing. Some 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 \$1,352 million. About \$867 million or 64% of planned spending is intended to preserve the City's existing infrastructure facilities (streets, sewers, alleys, bridges, etc.). The remaining 36% is for expansion purposes.

Surface transportation accounts for approximately 30% of the CIP, (or about \$406 million). 31% (\$423 million) is planned for environmental projects including sewer and water improvements plus forestry and subsurface remediation projects. \$266 million of capital spending (20%) is planned for economic development projects. These projects are mainly Tax Incremental District related or Port of Milwaukee capital improvements. The remaining 19% (\$257 million) is planned for general governmental, health and safety, grant and aid, culture and recreation purposes.

The portion of the six-year CIP to be financed by the property tax levy totals about \$385 million (28%). This, in turn, is composed of direct tax levy funding of \$12 million (1%) and tax levy supported debt financing of \$373 million (27%). Cash revenues including Federal and State grants, developer financing and other sources, total \$358 million (27%) of planned CIP spending. An additional \$201 million (15%) is to be financed by City debt to be repaid with tax increment district revenues. The remaining \$407 million (30%) of the municipal purpose CIP is to be financed by self-supported debt issued for special assessments, water, sewer and parking purposes.

The Adopted 2010 Capital Improvements Budget totals \$178 million compared to a 2009 Budget of \$224 million and a 2010 CIP projection of \$228 million. Major categories include \$63 million of public works projects (streets, buildings, etc.), \$44 million of water and sewer projects, and \$39 million of economic development projects.

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ADOPTED BUDGET - COMBINED REVENUES - 2010

	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Total
Taxes						
Property Tax - General	\$89,998,860	—	\$69,118,480	\$793,000	—	\$159,910,340
Provision for Empl Retirement ⁽¹⁾	81,844,193	—	—	—	—	81,844,193
Common Council Cont	5,000,000	—	—	—	—	5,000,000
Total Taxes	176,843,053	—	69,118,480	793,000	—	246,754,533
Revenues						
Taxes	15,248,500	—	—	—	—	15,248,500
Licenses and Permits	12,754,420	—	—	—	—	12,754,420
Intergovernmental Revenues	271,915,149	76,117,944	—	—	—	348,033,093
Charges for Service	129,545,943	—	—	—	—	129,545,943
Fines and Forfeitures	5,255,000	—	—	—	—	5,255,000
Miscellaneous Revenues	3,864,700	15,000,000	—	—	—	18,864,700
Fringe benefits ⁽²⁾	23,000,000	—	—	—	—	23,000,000
Parking	22,287,000	—	3,600,000	—	19,105,745	44,992,745
Water Works	3,000,000	—	4,725,049	—	83,136,951	90,862,000
Sewer Maintenance Fund	12,190,000	—	9,165,000	—	31,096,500	52,451,500
Retained Earnings	—	—	—	—	37,322,530	37,322,530
Sinking Fund	—	—	193,527,790	—	—	193,527,790
Special Assessments	—	9,072,755	—	770,000	—	9,842,755
Capital Revenue	—	—	—	22,429,125	—	22,429,125
Total Revenues	499,060,712	100,190,699	211,017,839	23,199,125	170,661,726	1,004,130,101
Tax Stabilization						
Transfer from Reserves	13,070,000	—	—	—	—	13,070,000
Sale of Bonds and Notes						
Bonds and Notes	—	—	—	97,351,903	22,287,000	119,638,903
Grand Total	\$688,973,765	\$100,190,699	\$280,136,319	\$121,344,028	\$192,948,726	\$1,383,593,537

⁽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 – 2010

	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Total
Administration, Dept of	\$8,426,553	—	—	\$949,400	—	\$9,375,953
Assessor's Office	4,278,246	—	—	—	—	4,278,246
City Attorney	6,783,737	—	—	—	—	6,783,737
City Treasurer	2,951,830	—	—	—	—	2,951,830
Common Council - Clerk	7,858,707	—	—	—	—	7,858,707
Municipal Court	3,379,436	—	—	334,000	—	3,713,436
Comptroller	5,066,065	—	—	—	—	5,066,065
Dept of City Development	3,946,428	—	—	39,402,543	—	43,348,971
Election Commission	2,064,779	—	—	—	—	2,064,779
Employee Relations, Dept of	4,647,890	—	—	—	—	4,647,890
Fire and Police Commission	970,473	—	—	—	—	970,473
Fire Department	99,820,902	—	—	4,056,000	—	103,876,902
Health Department	12,228,339	—	—	100,000	—	12,328,339
Library Board	20,133,502	—	—	4,075,000	—	24,208,502
Mayor's Office	1,099,265	—	—	—	—	1,099,265
Neighborhood Services	14,117,724	—	—	76,141	—	14,193,865
Police Department	216,874,086	—	—	4,188,000	—	221,062,086
Port of Milwaukee	4,890,227	—	—	—	—	4,890,227
DPW-Administration	4,634,569	—	—	500,000	—	5,134,569
DPW-Infrastructure	33,656,488	—	—	36,107,500	—	69,763,988
DPW-Operations	70,533,610	—	—	15,220,444	—	85,754,054
Water Works	—	—	4,725,049	—	114,737,755	119,462,804
Sewer Maintenance Fund	—	—	9,165,000	—	52,455,755	61,620,755
Special Purpose Accounts	156,465,931	—	—	—	—	156,465,931
Pension Funds	116,371,933	—	—	—	—	116,371,933
Debt Service - City	—	—	245,052,341	—	—	245,052,341
Debt Service - Schools	—	—	17,593,929	—	—	17,593,929
Contingency	5,000,000	—	—	—	—	5,000,000
Delinquent Tax Fund	—	15,000,000	—	—	—	15,000,000
Parking	—	—	3,600,000	—	25,755,216	29,355,216
Grant & Aid Fund	—	76,117,944	—	—	—	76,117,944
Special Capital Projects	—	—	—	16,335,000	—	16,335,000
Economic Development	—	9,072,755	—	—	—	9,072,755
Fringe Benefit Offset ⁽¹⁾	(117,226,955)	—	—	—	—	(117,226,955)
Grand Total	<u>\$688,973,765</u>	<u>\$100,190,699</u>	<u>\$280,136,319</u>	<u>\$121,344,028</u>	<u>\$192,948,726</u>	<u>\$1,383,593,537</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, 2004 THROUGH 2008
(Thousands of Dollars)

Revenues:	2004	2005	2006	2007 ⁽¹⁾	2008
Property Taxes	129,120	135,610	141,102	137,253	141,573
Other Taxes	3,563	3,709	5,202	5,311	4,839
Licenses and Permits	11,530	13,374	13,729	13,704	12,918
Intergovernmental	273,865	272,875	272,417	272,539	271,100
Charges for Services	60,825	63,410	73,528	76,496	86,410
Fines and Forfeitures	5,647	5,893	5,541	5,800	5,277
Other	8,108	12,179	17,353	18,883	12,864
TOTAL GENERAL FUND REVENUES	492,658	507,050	528,872	529,986	534,981
Tax Stabilization Fund Withdrawals	16,870	16,621	16,328	23,175	29,457
Other Financing Sources and Equity					
Transfers (Net)	34,913	39,444	37,761	43,224	44,466
TOTAL GENERAL FUND REVENUES TAX STABILIZATION FUND WITHDRAWALS AND OTHER FINANCING SOURCES	544,441	563,115	582,961	596,385	608,904
Expenditures:					
General Government	179,542	180,590	178,004	201,021	199,004
Public Safety	231,371	248,366	250,672	257,137	266,370
Public Works	89,562	89,180	86,482	93,956	103,149
Health	10,724	10,656	10,428	10,359	10,118
Culture and Recreation	17,822	16,744	17,882	17,548	16,782
Conservation and Development	3,495	2,767	3,217	3,279	3,456
TOTAL EXPENDITURES	532,516	548,303	546,685	583,300	598,879
SOURCES OVER (UNDER) EXPENDITURES	11,925	14,812	36,276	13,085	10,025
Fund Balance - January 1 (excludes reserved for use during the year)	75,111	70,415	68,899	82,000	61,396
Fund Balance - December 31	87,036	85,227	105,175	95,085	71,421
Fund Balance Components:					
Reserved for Encumbrances & Carryovers	30,288	16,382	15,616	21,376	22,865
Reserved for Inventory	5,684	5,095	6,886	6,252	7,248
Reserved for Mortgage Trust	282	297	280	218	173
Reserved for Environmental Remediation	303	303	303	303	303
Reserved for Next Year's Budget	16,621	16,328	23,175	29,457	22,379
Reserved for Subsequent Years' Budget	33,858	46,822	58,915	37,479	18,453
TOTAL FUND BALANCE	87,036	85,227	105,175	95,085	71,421

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

CITY OF MILWAUKEE
ASSESSED AND EQUALIZED VALUATIONS

	Year 2005 For 2006 Purposes	Year 2006 For 2007 Purposes	Year 2007 For 2008 Purposes	Year 2008 For 2009 Purposes	Year 2009 For 2010 Purposes
Real Property					
Residential	\$16,093,549,640	\$18,211,503,605	\$18,753,914,925	\$19,173,232,823	\$17,743,825,065
Industrial (Manufacturing)	721,966,100	740,265,100	726,692,200	772,959,900	732,007,800
Mercantile (Commercial)	7,566,086,684	8,498,282,646	8,950,205,395	9,483,547,328	9,485,580,238
Total Real Property	<u>\$24,381,602,424</u>	<u>\$27,450,051,351</u>	<u>\$28,430,812,520</u>	<u>\$29,429,740,051</u>	<u>\$27,961,413,103</u>
Personal Property	830,118,862	904,900,490	943,560,442	1,001,936,153	983,160,269
Total Assessed Valuations	<u>\$25,211,721,286</u>	<u>\$28,354,951,841</u>	<u>\$29,374,372,962</u>	<u>\$30,431,676,204</u>	<u>\$28,944,573,372</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	\$26,256,713,800	\$30,226,985,500	\$31,887,192,100	\$32,257,525,000	\$31,266,329,200
Ratio of Assessed to Equalized Valuation	96.02%	93.81%	92.12%	94.34%	92.57%

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

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Unit of Government					
City Government	\$8.75	\$7.99	\$8.01	\$8.09	\$8.89
Milwaukee Public Schools	8.79	8.04	8.84	9.82	10.66
Milwaukee County	4.63	4.37	4.41	4.38	4.66
Milwaukee Area Technical College	1.96	1.89	1.92	1.94	2.06
Milwaukee Metropolitan Sewerage District	1.48	1.39	1.39	1.37	1.43
Gross Tax Rate Per \$1,000	25.61	23.68	24.57	25.60	27.70
Less: State Tax Credit	(\$1.11)	(\$1.27)	(\$1.43)	(\$1.57)	(\$1.72)
Net Tax Rate	<u>\$24.50</u>	<u>\$22.41</u>	<u>\$23.14</u>	<u>\$24.03</u>	<u>\$25.98</u>

CITY OF MILWAUKEE
PROPERTY TAX LEVIES AND COLLECTIONS
(\$ Amounts in Thousands)

Budget <u>Year</u>	<u>Taxes Levied for the Fiscal Year</u>			<u>Cumulative Collected in Subsequent Years</u>	
	<u>Levy</u>	<u>Collections</u>	<u>% of Levy</u>	<u>Amount</u>	<u>% Collected</u>
2004	\$240,643	\$235,012	97.66%	\$5,319	99.87%
2005	248,267	242,587	97.71	5,111	99.77
2006	261,685	255,818	97.76	5,184	99.74
2007	265,319	257,350	97.00	5,709	99.15
2008	286,180	277,119	96.83	0	96.83

COLLECTION PROCEDURES

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

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

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

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

The rate of current tax collections continues at an historically high level. Current collections for 2008 were approximately 96.8 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 11,581 active, 11,082 retirees and beneficiaries, and 4,134 vested inactive members at December 31, 2008.

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 District 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. Beginning in 2010, certain new employees will be responsible for the employee's share of the pension contributions. 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, 2008, required member contributions totaled \$33.9 million and required employer contributions totaled zero dollars. As of December 31, 2008, Net Assets Held in Trust for Pension Benefits totaled \$3.4 billion, compared to \$5.2 billion on December 31, 2007. This decrease is primarily due to relatively unfavorable conditions in most of the financial markets during 2008. Total Assets Under Management as of December 31, 2009 were \$4.0 billion.

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, 2002 to December 31, 2006.

The latest actuarial valuation was as of January 1, 2009 and showed an Accrued Liability of \$4.113 billion, Market Value of Assets of \$3.400 billion, and a Funded Ratio Based on Market Value of Assets of 82.7%. On January 1, 2008, the amounts were \$3.958 billion, \$5.232 billion, and 132.2%, respectively.

The Governmental Accounting Standards Board ("GASB") Statement No. 25 Disclosure of "Schedule of Funding Progress" indicates an Actuarial Value of Assets of \$5.192 billion as of January 1, 2008 and an Actuarial Accrued Liability of \$3.958 billion as of that date. This results in a Funded Ratio of 131.2%.

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 the policy.

POLICEMEN’S ANNUITY AND BENEFIT FUND

As of January 3, 2006, the Policemen’s Annuity and Benefit Fund board has been dissolved and the Fund is being administered by the Employees’ Retirement System.

OTHER POST-EMPLOYMENT BENEFITS

According to the City’s Comprehensive Annual Financial Report (“CAFR”), the Governmental Accounting Standards Board (“GASB”) issued Statement No. 45, Accounting and Financial Reporting by Employers for Post-employment Benefits Other than Pensions effective for fiscal year 2007. This Statement requires the City to account for and report the value of its future other post-employment benefits (“OPEB”) obligation currently rather than on a pay-as-you-go basis. The actuarially required contribution (“ARC”) is \$73.1 million. The City’s total annual OPEB pay-as-you-go obligation is \$32.9 million, which increases the net OPEB obligation for 2008 at \$340.2 million. Please see the CAFR at www.milwaukee.gov for more information.

MILWAUKEE PUBLIC SCHOOLS

GENERAL

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

BORROWING – GENERAL OBLIGATION DEBT

MPS does not have authority to issue debt. The City has the authority (under Chapters 67, 119, and 120 Wisconsin Statutes) to issue municipal obligations for specific school purposes including the acquisition of sites and constructing, enlarging and remodeling of school buildings for the purpose of providing additional classroom space to accommodate anticipated school enrollments. Such municipal obligations require the adoption of a resolution by the City and the levying by the City of required debt service. The table below shows the City’s outstanding general obligation debt for school purposes of \$96,220,138. The City also has authorized but unissued general obligation debt for school purposes. (See “MILWAUKEE PUBLIC SCHOOLS - Borrowing - Future Financing” herein.)

CITY OF MILWAUKEE
 OUTSTANDING GENERAL OBLIGATION DEBT
 FOR SCHOOL PURPOSES
 AS OF MAY 1, 2010

Period Ending	Principal ⁽¹⁾	Interest ⁽²⁾	Total
12/31/2010	\$7,048,744	\$2,220,223	\$9,268,967
12/31/2011	13,327,425	3,753,162	17,080,587
12/31/2012	12,315,443	3,222,771	15,538,214
12/31/2013	12,682,139	2,700,372	15,382,511
12/31/2014	9,838,336	3,061,548	12,899,884
12/31/2015	8,990,878	3,272,579	12,263,456
12/31/2016	10,705,430	2,838,340	13,543,770
12/31/2017	8,788,391	3,104,410	11,892,801
12/31/2018	7,638,637	2,686,222	10,324,860
12/31/2019	7,297,344	3,180,497	10,477,841
12/31/2020	6,437,988	3,309,611	9,747,599
12/31/2021	2,854,814	2,982,935	5,837,749
12/31/2022	3,105,671	3,820,154	6,925,824
12/31/2023	2,890,427	3,653,189	6,543,616
12/31/2024	1,195,000	148,350	1,343,350
12/31/2025	925,000	141,600	1,066,600
	\$116,041,666	\$44,095,965	\$160,137,631

⁽¹⁾ Assumes Sinking Fund Deposits in year due.

⁽²⁾ Compound interest is included in year paid.

BORROWING-REVENUE BONDS

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

Neighborhood Schools Initiative

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

In February 2007, RACM issued \$31,865,000 of Refunding Revenue Bonds, Series 2007A, which advance refunded a portion of the 2003A Bonds.

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

**CITY OF MILWAUKEE
REDEVELOPMENT AUTHORITY REVENUE BONDS
ANNUAL DEBT SERVICE PAYMENTS AS OF MAY 1, 2010**

Year ending June 30	Debt Service Payments	Year ending June 30	Debt Service Payments	Year ending June 30	Debt Service Payments
2010	\$8,189,253	2015	\$9,144,649	2020	\$10,343,094
2011	8,266,676	2016	9,376,675	2021	10,126,549
2012	8,474,868	2017	9,606,995	2022	10,391,138
2013	8,705,504	2018	9,848,206	2023	10,650,500
2014	8,922,258	2019	10,094,129	2024	11,097,600

Lease Revenue Bonds

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

In November 2005, RACM issued \$12,415,000 Redevelopment Lease Revenue Bonds, Series 2005A (the "Series 2005A Bonds") on behalf of MPS to pay certain costs in connection with constructing additions and making improvements to three public schools of the City of Milwaukee: Congress Extended Year-Round Elementary School, Craig Montessori School and La Escuela Fratney. The schedule of lease payments is as follows:

Fiscal Year	Principal	Interest	Total
2010	\$495,000	\$492,923	\$987,923
2011	515,000	475,366	990,366
2012	530,000	456,420	986,420
2013	550,000	436,028	986,028
2014	575,000	413,940	988,940
2015	595,000	390,243	985,243
2016	620,000	365,180	985,180
2017	645,000	338,609	983,609
2018	675,000	310,221	985,221
2019	705,000	280,030	985,030
2020	735,000	248,166	983,166
2021	770,000	214,488	984,488
2022	805,000	178,648	983,648
2023	845,000	140,698	985,698
2024	880,000	101,683	981,683
2025	925,000	61,521	986,521
2026	920,000	20,470	940,470
	<u>\$11,785,000</u>	<u>\$4,924,634</u>	<u>\$16,709,634</u>

Pension Obligation Bonds

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

The 2003 Series D Pension Bonds were issued as variable rate securities. In 2005, the 2003 Series D Pension Bonds were converted to index linked at a fixed spread of 0.25% over 1-Month LIBOR for the life of the bonds. The City, on behalf of MPS, entered into Interest Rate Exchange Agreements to synthetically fix the interest rate payable for the entire term of the Pension Bonds. Under the Interest Rate Exchange Agreement, MPS receives a fixed spread of 0.20% over 1-Month LIBOR for the life of the bonds. Interest Rate Exchange Agreements covering \$70,850,000 of 2003 Series D Pension Bonds (the "Agreements") are with Lehman Brothers Special Financing Inc, which filed for bankruptcy in October, 2008. At the time of the bankruptcy filing, the Agreements had a negative value of approximately \$8,000,000 to MPS (MPS would have to pay Lehman to terminate the Agreements). On November 1, 2009, the Agreements had a negative value of approximately \$14.7 million. No payments have been due from Lehman since the bankruptcy filing. MPS and the City are working to replace the Agreements with a new counterparty at no net cost to the MPS or the City. The schedule of loan payments, after taking into account the Interest Rate Exchange Agreements, is as follows:

**REDEVELOPMENT AUTHORITY OF THE CITY OF MILWAUKEE
TAXABLE PENSION FUNDING BONDS
(Milwaukee Public Schools)
ANNUAL LOAN PAYMENTS AS OF MAY 1, 2010**

<u>Year Ending June 30</u>	<u>Loan Payments</u>	<u>Year Ending June 30</u>	<u>Loan Payments</u>	<u>Year Ending June 30</u>	<u>Loan Payments</u>
2010	\$7,340,685	2022	\$7,340,685	2034	\$17,890,228
2011	7,340,685	2023	7,340,685	2035	18,804,603
2012	7,340,685	2024	13,590,685	2036	19,353,978
2013	7,340,685	2025	13,315,060	2037	19,673,353
2014	7,340,685	2026	14,420,228	2038	20,530,533
2015	7,340,685	2027	14,239,603	2039	20,957,713
2016	7,340,685	2028	15,298,978	2040	21,784,893
2017	7,340,685	2029	15,743,353	2041	8,787,073
2018	7,340,685	2030	15,707,728	2042	7,239,253
2019	7,340,685	2031	16,707,103	2043	6,891,433
2020	7,340,685	2032	16,766,478	2044	6,296,806
2021	7,340,685	2033	17,725,853		

Borrowing – Qualified Zone Academy Projects

In December, 2001, MPS entered into a \$8,590,000 Lease Purchase Agreement (2001 QZAB Project) for the purpose of purchasing and installing certain equipment for use at the Lynde and Harry Bradley Technology and Trade School. In November, 2002 and in August, 2003, respectively, MPS entered into a \$4,979,000 Lease and Deferred Payment Agreement (2002 QZAB Project), and \$2,650,000 Lease and Deferred Payment Agreement (2003 QZAB Project). In December, 2005, MPS entered into a \$2,021,000 Lease and Deferred Payment Agreement (2005 QZAB Project) and in December, 2006, entered into a \$1,078,100 Lease and Deferred Payment Agreement (2006 QZAB Project) for the purpose of constructing certain improvements to, and purchasing and installing certain equipment for use at, various MPS schools. MPS entered into QZAB Agreements with each Investor, under which MPS makes annual impoundment payments which are subject to annual appropriation by MPS. The schedule of total remaining impoundment payments is as follows:

December 1	Payment Amount
2010	\$593,441
2011	329,625
2012	329,625
2013	103,298

BORROWING – FUTURE FINANCING

After issuance of the Bonds, the City has \$7,950,000 of authorized, but unissued, general obligation borrowing authority for school purposes.

BOARD OF SCHOOL DIRECTORS

MPS is governed by a nine member Board of Directors (“MBSD”). Eight Directors represent and are elected by Districts from within a total population of approximately 584,000. One member is elected at-large. Directors serve staggered four year terms which expire in April, and annually, at its organizational meeting, elect a president. The current members and the years in which their terms of office expire are as follows:

Michael Bonds, President	(2011)	Tim Petersons	(2011)
Peter Thomas Blewett, Vice President	(2013)	Jeff Spence	(2011)
Terrence Falk	(2011)	Annie Woodward	(2013)
Larry Miller	(2013)	David Voeltner	(2013)
Bruce Thompson, Member At-Large	(2011)		

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

W. Martin Morics	Comptroller	(2012)
Grant F. Langley	Attorney	(2012)
Wayne F. Whittow	Treasurer	(2012)

PUBLIC SERVICES AND FACILITIES

In the 2009-2010 school year, MPS has approximately 82,444 full-time students and 5,766 teachers, attending 198 school programs within approximately 157 school buildings. The average age of the MPS buildings is just over 50 years, however, significant investment was made in upgrading many of these buildings in the 1970's and 1980's.

The purpose and responsibility of MPS is to provide an efficient educational system for children enrolled in the public schools, whereby each child has access to programs and services that are appropriate to his or her educational needs. In addition to the regular educational programs, MPS offers comprehensive programs in the areas of vocational education, special education, and bilingual education. Through its specialty school programs, MPS offers advanced educational programs in such areas as fine arts, computer science, health professions, business, and technical trades. In addition, MPS provides community recreation and education services through its parks and centers for the elderly.

The following schools closed effective June, 2009:

- Metropolitan High School (Facility will be occupied by Alliance)
- Carleton Elementary
- Milwaukee Academy of Aviation, Science, and Technology. The aviation program will be moved to Lynde & Harry Bradley Technology and Trade School in the 2009-2010 school year.
- Truth Institute (Instrumentality charter contract terminated).
- Lee School's facility is closing and Lee is merging with Wheatley for the 2009-2010 school year.
- The MEC Campus facility is closing (227 W. Pleasant St.). The middle school program of MEC, the Milwaukee Education Center, will relocate to the Andrew Douglas Campus at 3620 N. 18th St. The Downtown Institute of Arts and Letters (DIAL High School), which was also located at that building for the school year 2008-09, will also relocate to the Andrew Douglas Campus.
- Sarah Scott School closed in June, 2008. The Milwaukee Business High School occupied the building at 1017 N. 12th St. for school year 2008-09. The instrumentality charter for Milwaukee Business High School has been terminated. The business program will be added to Vincent High School in the 2009-2010 school year. The building at 1017 N. 12th St. closed in June, 2009. Community High School and Work Institute, which were also located in that building for school year 2008-09, will be relocated to the Juneau High School campus and the Andrew Douglas Campus, respectively.

The non-instrumentality charter contacts between MPS and the following non-instrumentality charters ended June, 2009:

- Preparatory School for Global Leadership
- CITIES Project High School
- Bruce Guadalupe Community School
- Milwaukee Leadership Training Center
- V. E. Carter School of Excellence

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

ENROLLMENT

<u>School Year</u>	Average School Daily <u>Membership</u> ⁽¹⁾	<u>School Year</u>	Average School Daily <u>Membership</u> ⁽¹⁾
1997-1998	102,914	2004-2005	96,874
1998-1999	102,097	2005-2006	94,975
1999-2000	100,682	2006-2007	92,226
2000-2001	99,332	2007-2008	89,113
2001-2002	99,025	2008-2009	87,140
2002-2003	99,054	2009-2010	85,221
2003-2004	98,323		

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

EMPLOYEE RELATIONS

In September 2007 the MBSD and the Milwaukee Teacher's Education Association reached agreement on the teacher contract for the period July 1, 2007 through June 30, 2009.

In December 2008, the MBSD and the Administrators and Supervisors Council reached agreement on their contract for the period July 1, 2007 thru June 30, 2009.

In March 2009, the MBSD and the Milwaukee Teacher's Education Association reached agreement on the substitute teacher contract for the period July 1, 2007 thru June 30, 2009.

In May 2009, the MBSD and the Milwaukee Teacher's Education Association reached agreement on the educational assistant contract for the period January 1, 2007 thru December 31, 2008.

In September 2008, the MBSD and the Milwaukee Teacher's Education Association reached agreement on the school accountant/bookkeeper contract for the period January 1, 2007 thru December 31, 2008.

On June 30, 2009, the MBSD and Local 1053 reached an agreement on the clerical contract for the period July 1, 2006 thru June 30, 2008.

Psychologists' Association in the Milwaukee Public Schools – Current Term 07/01/07 to 06/30/09.

Local 150 – Current Term 07/01/06 to 06/30/08

Local 950 – Current Term 01/01/07 to 12/31/08

Local 1053 – Current Term 07/01/06 to 06/30/08

Local 1616 – Current Term 07/01/06 to 06/30/08

All expired contracts are currently in negotiations.

FINANCIAL INFORMATION

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

INSURANCE

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

MPS is self-insured for health, dental, and workers' compensation benefits and certain other general liability exposures. The accrued liability for estimated self-insured claims of \$42,066,569 recorded in the School Operations Fund and \$5,162,684 represents an estimate of the amount of claims incurred, but not paid or reported, as of June 30, 2009.

LEGAL MATTERS

LITIGATION STATEMENT-CITY OF MILWAUKEE

The City, its boards, officers and employees, have been defendants in numerous lawsuits over the years. Experience has shown that a relatively small number of suits commenced are reduced to judgment. The City does not carry a blanket policy of insurance against tort liability. In addition, Section 893.80 of the Wisconsin Statutes limits the amount recoverable against a political corporation, its officers, officials or employees for acts done in their official capacity to \$50,000 in tort liability for non-automobile cases and \$250,000 in automobile cases.

The City Attorney's office has reviewed the status of pending or threatened litigation, claims and assessments to which the office has devoted substantive attention in the form of legal consultation or representation and which individually represent maximum potential loss exposure in excess of \$1 million, existing on May 1, 2010.

Milwaukee Police Supervisors Organization (MPSO) v. City of Milwaukee and the Milwaukee Employes' 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 estimated 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 in 2005. The MPSO has filed this lawsuit making the same allegations. Another union, the Association of Law Enforcement Allied Services Personnel (ALEASP) has joined this lawsuit as a plaintiff. Both the City and the ERS view the allegations as without merit and are vigorously defending the lawsuit. Discovery continues. On November 11, 2009, each defendant filed its motion for summary judgment. At the April 14, 2010 motion hearing, the judge recused himself. We are awaiting assignment of a new judge.

Frank Jude, Jr., et al. v. City of Milwaukee, et al. On October 24, 2004, Frank Jude, Jr. attended a party hosted by a Milwaukee police officer and attended by a number of other off-duty police officers. At some point, a number of the off-duty officers became involved in an altercation with Mr. Jude. Jude claims that he was beaten for no reason. He suffered severe injuries. The officers claim that they became involved with Jude only after they suspected that he had stolen a badge from one of them. They also claim that Jude resisted their efforts to obtain physical control of him. On-duty police officers were also called to the scene and Jude claims that they, too, used excessive force on him and failed to stop the use of excessive force by those off-duty officers who were striking Mr. Jude. In addition to issues concerning the cause of the altercation, its actual participants, and its course, there is a substantial question of whether the off-duty and on-duty officers involved in the matter were acting within the scope of their employment. Mr. Jude's complaint also alleges that the City is directly liable under a theory that the City violated his constitutional rights by, among other things, condoning a culture where officers were cavalier in their conduct.

The police chief fired most of the officers involved in the incident. The county prosecutor charged three of the off-duty officers with crimes, but in April, 2006, two were found not guilty and the jury could not reach a final verdict as to the battery charge against the third officer. The third officer was subsequently convicted in an unrelated case of making a bomb threat against his former police district station. The District Attorney did not retry the third officer on the battery charge. Federal authorities also reviewed the matter and indicted seven of the off-duty officers and one of the on-duty officers with federal civil rights crimes. The federal authorities entered into plea agreements with one of the on-duty officers and three of the off-duty officers. The officers agreed to plead guilty to civil rights violations and all of them but one to testify against the other officers in the government's case. The four remaining officers went to trial in July, 2007. Three of the officers were found guilty and one was acquitted.

Four lawsuits have been filed relative to this matter. Mr. Jude and his wife sued the City and several individuals relative to his beating. The City has settled with three other individuals who attended the party with Mr. Jude and alleged that they were unlawfully arrested and that excessive force was used. Mr. Jude is seeking more than \$25 million dollars in damages. The City has answered the suit and maintains that none of the individually named defendant officers, both on and off duty, were acting within the scope of their employment with regard to the subject events. The City has also denied all requests by the individual officer defendants for representation. Discovery has not yet begun, but a full discovery and litigation process is anticipated. The court approved a one-year discovery period, with an extra 180 days for expert discovery. Dispositive motions are due December 1, 2009. On August 31, 2009, Mr. Jude filed an amended complaint adding Nicole (Martinez) Belmore as a defendant. Ms. Belmore was an on-duty officer who responded to the scene. Ms. Belmore was acting in the scope of her employment and has been provided outside counsel. No criminal conduct has ever been alleged with respect to her. The current fact discovery deadline is August 1, 2010, expert discovery deadline is March 1, 2011, and the dispositive motion deadline is April 1, 2011.

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

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

Javier v. Glover. In this civil rights action, the plaintiffs claim that an off-duty Milwaukee police officer violated their civil rights when in March 2005 he fatally shot Wilbert Javier Prado. The officer, Alfonzo Glover, subsequently committed suicide after he was charged criminally with Prado's murder. In this ensuing civil litigation, the city has vigorously contested the plaintiffs' claims that Glover was acting within the scope of his employment and under color of law at the time of the shooting. The court recently ruled, however, not only that the issue of action under color of law presented a jury question but also that the plaintiffs could recover punitive damages even though the officer is deceased. The case is set for trial in June 2010.

LITIGATION STATEMENT-MILWAUKEE PUBLIC SCHOOLS

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

The City Attorney's Office has currently reviewed the status of pending or threatened litigation, claims and assessments to which the office has devoted substantive attention in the form of legal consultation or representation. Those which individually represent the maximum potential loss exposure in excess of \$1 million which existed as of the date May 1, 2010 are summarized below.

Jamie S., et al. v. Milwaukee Bd. of Sch. Directors, Case No. 01-C-0298 (E.D. Wis.) (formerly known as Lamont A., et al. v. Milwaukee Bd. of Sch. Directors). This is a federal suit, pending in the U.S. District Court for the Eastern District of Wisconsin. It was filed by Disability Rights Wisconsin (DRW) on behalf of a class of District special education students, alleging violations of the Individuals with Disabilities Education Act (IDEA), the Rehabilitation Act of 1973 (Section 504) and Section 1983 of the Civil Rights Act of 1871 (42 U.S.C. §1983). The Plaintiffs allege that MPS violated the statutory and constitutional rights of the class members as a result of the District's delay in providing and/or failure to provide special education and related services to students protected under the referenced statutes. The Plaintiffs also brought claims against the State of Wisconsin, Department of Public Instruction, (DPI) alleging that the State of Wisconsin failed to properly monitor the District and enforce federal and state laws.

In May, 2003, the Court significantly narrowed the class of plaintiffs, dismissing some named plaintiffs and the unnamed class plaintiffs that had failed to exhaust administrative remedies for "post-determination claims" prior to commencing the federal court action. That decision was appealed to the Seventh Circuit Court of Appeals, which denied the appeal. The Court certified the class which consists of those students eligible for special services who are, have been, or will be denied or delayed entry into the special education process which results in a properly constituted initial IEP meeting between the IEP team and the parents or guardians of the student.

On July 19, 2005, the Court determined that a trial was necessary to resolve the outstanding issues of fact and that only expert testimony would be heard at this trial. The Phase I trial was held and on November 28, 2005, the Court determined that it was necessary to proceed to Phase II, which would consist of the factual presentation upon which the experts formed their respective opinions. The Phase II trial was held and on September 11, 2007, the Court entered its Decision and Order, which found liability on behalf of both the District and DPI. Specifically, the Court concluded that the District committed systemic violations of the Child Find provisions of the IDEA, including failure to refer children with a suspected disability in a timely manner for an initial evaluation; improperly extending the 90 day time requirement; imposing suspensions in a manner that improperly impeded the ability to refer children with suspected disabilities for an initial evaluation; and failure to insure that the child's parents or guardians attend the initial evaluation. The Court concluded also that DPI violated the IDEA and related state statutes by failing to adequately discharge its oversight and supervisory obligations in regard to the compliance by MPS with the IDEA and related state statutes, as that compliance relates to the systemic violations found by the Court.

On October 12, 2007, the Plaintiffs filed a motion for attorneys' fees and costs. The Defendants filed a joint response brief arguing, among other things, that the Plaintiffs had not achieved prevailing party status under the IDEA and, thus, were unable to recover any fees or costs at this time.

On February 27, 2008, the Plaintiffs and DPI agreed to a settlement that would require DPI to enforce outcome standards for MPS regarding parental participation in initial IEP team meetings, timely completion of initial special education evaluations, and referral of regular education students with suspension histories or who have been retained to a system of early intervening services. DPI also agreed to hire an Independent Expert to oversee MPS' compliance with these standards and a parent/staff trainer to assist parents/guardians and District staff in understanding their rights and obligations under the IDEA. Finally, DPI agreed to pay DRW \$475,000 for attorneys' fees and costs.

On May 1, 2008, MPS filed a motion objecting to the Plaintiffs' and DPI's proposed settlement agreement because, among other reasons, it infringed MPS' legal rights. On June 6, 2008, the Court granted preliminary approval of the proposed settlement agreement, finding that the District did not have standing to object to the settlement agreement. On July 28, 2008, the Court approved the settlement agreement after receiving no objections from class members.

Phase III of trial was conducted in November 2008. In response to MPS' proposed remedy, which states that the Department of Public Instruction will share the costs of any compensatory education ordered by the Court, DPI submitted a motion for a declaratory ruling that it is not legally responsible for the cost of any Court-ordered remedy. MPS filed a response, and the Court denied the motion.

On June 9, 2009, U.S. Magistrate Judge Aaron E. Goodstein issued his Decision and Order Following Phase III ("Phase III Order"). His decision ordered and outlined the components of a remedial system. The Phase III Order concluded that the appropriate remedy for the four areas of liability found in its September 11, 2007 Decision and Order requires MPS to conduct an individualized evaluation of current and former students to determine whether compensatory education services are appropriate for those potential class members who may or may not have been denied a free and appropriate education. The Court outlined a procedural framework to accomplish its goals which are briefly addressed below.

Independent Monitor: The Court determined that an independent monitor with broad authority to determine class membership, promote parent participation in the process, and determine the nature of compensatory education was necessary to move the litigation to completion. No specific person is appointed, rather the parties are instructed to attempt to agree on a person prior to July 24, 2009 or, in the alternative, submit up to 2 suggestions for the Court to consider. MPS is responsible for any costs associated with the independent monitor.

Hybrid IEP Team: The Court concluded that the eligibility determinations for compensatory education should be made by a "Hybrid IEP team" made up exclusively of MPS employees. When circumstances require it, "rotating members" may be added to make decisions for a particular student. The permanent members must have diverse educational backgrounds and at least one member must be qualified to provide, or supervise specially designed instruction to meet the unique needs of children with disabilities.

Eligibility: Any person who responds to the class notification and meets the class definition may be eligible for compensatory education.

Notice: The parties are instructed to meet and agree on the contents of an individualized notice to be sent to readily identifiable class members and a general notice to be posted on MPS' website and in District buildings. The parties must also agree on a timeline for responding to the notice.

On July 8, 2009, MPS appealed the district court's decisions on class certification, liability and the remedy. It also appealed the district court's approval of the settlement between the Plaintiffs and DPI. On July 30, Plaintiffs filed a motion to dismiss MPS's appeal, arguing the appeal was premature. On August 14, MPS filed its response to Plaintiffs' motion. On August 20, MPS filed a motion to stay the district court's June 9, 2009 order; which order would have required MPS to begin implementing the class remedy. On August 26, and before Plaintiffs filed their response to MPS's motion, the Seventh Circuit granted the motion to stay the district court's June 9 order. The Court also ordered the parties to address Plaintiffs' arguments concerning the alleged prematurity of MPS's appeal in their briefs on the merits. MPS also moved the district court to stay two orders it issued on August 19. The August 19 orders appointed an independent monitor and outlined the procedures for class notification. Based on the Seventh Circuit's stay of the June 9 order, the district court granted a stay of the August 19 orders on August 27. MPS's opening appeal brief was filed on October 26.

The same day the Seventh Circuit granted MPS's motion to stay the district court's June 9 order, Plaintiffs moved the district court for an extension of time in which to file a cross-appeal in order to contest the class certification decisions. Without hearing from MPS, the court granted Plaintiffs' request. MPS immediately filed a motion for reconsideration, arguing that the Plaintiffs' request to file a late cross-appeal was not timely filed. After ordering the parties to brief the issue, the district court granted MPS' motion for reconsideration and denied Plaintiffs' request to file a late cross-appeal on September 8. Despite this, Plaintiffs filed a notice of appeal on September 11, alleging the court had jurisdiction over its appeal based on the district court's August 19 orders. MPS moved to dismiss Plaintiffs' appeal on September 24, 2009. Briefs have been filed, but no oral argument date has been scheduled.

LEGAL OPINION

The legal opinion of Katten Muchin Rosenman LLP, Chicago, Illinois, and Hurtado, S.C., Wauwatosa, Wisconsin, Bond Counsel to the City, will be delivered to the purchasers of the Bonds. The draft of the legal opinion for the Bonds are included herein as Appendix B. Certain legal matters will be passed upon for the City by its City Attorney.

RATINGS

The City has requested ratings on the Bonds from FITCH Ratings, Moody's Investors Service, Inc. and Standard & Poor's Ratings Group. FITCH Ratings has assigned a rating of "AA+" on the Bonds. Moody's Investors Service, Inc. has assigned a rating of "Aa1" on the Bonds. Standard & Poor's Ratings Group has assigned a rating of "AA" on the Bonds.

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 there from. 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 Bonds.

TAX MATTERS

A general discussion of certain tax matters relating to the Bonds are set forth below.

General

Interest on the Bonds is not excludable from gross income of the owners thereof for federal income tax purposes. In addition, interest on the Bonds is not exempt from State of Wisconsin income taxes. **PROSPECTIVE PURCHASERS SHOULD CONSULT THEIR TAX ADVISORS CONCERNING THE PARTICULAR FEDERAL INCOME TAX CONSEQUENCES OF THEIR OWNERSHIP OF THE BONDS.**

Certain United States Federal Income Tax Consequences

The following is a summary of the principal United States federal income tax consequences of ownership of the Bonds. It deals only with the Bonds held as capital assets by initial purchasers, and not with special classes of holders, such as dealers in securities or currencies, banks, tax-exempt organizations, life insurance companies, persons that hold the Bonds that are a hedge or that are hedged against currency risks or that are part of a straddle or conversion transaction, or persons whose functional currency is not the U.S. dollar. The summary is based on the Code, its legislative history, existing and proposed regulations thereunder, published rulings and court decisions, all as currently in effect and all subject to change at any time, perhaps with retroactive effect.

The Code contains a number of provisions relating to the taxation of the Bonds (including but not limited to the treatment of and accounting for interest, premium, original issue discount and market discount thereon, gain from the disposition thereof and withholding tax on income therefrom) that may affect the taxation of certain owners, depending on their particular tax situations. Prospective purchasers of the Bonds should consult their own tax advisors concerning the consequences, in their particular circumstances, under the Code and the laws of any other taxing jurisdiction, of ownership of the Bonds.

Payments of Interest to United States Holders

Interest on the Bonds will be taxable to a United States Holder (as defined below) as ordinary income at the time it is received or accrued, depending on the holder's method of accounting for tax purposes in accordance with generally applicable principles.

You are a United States Holder for purposes of this discussion if you are a beneficial owner of a Bond for U.S. federal income tax law purposes and you are:

- a citizen or resident of the United States;
- a corporation or partnership that is created or organized in or under the laws of the United States or of any political subdivision thereof;
- an estate the income of which is subject to United States federal income taxation regardless of its source; or
- a trust if (1) a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United States persons have the duty to control all substantial decisions of the trust or (2) the trust was in existence on August 10, 1996 and properly elected to continue to be treated as a U.S. person.

The term "Non-U.S. Holder" refers to any beneficial owner of a Bond who or which is not a United States Holder.

Original Issue Discount

In general, if the excess of a Bond's redemption price at maturity over its issue price is less than one-quarter of one percent (0.25%) of the Bond's stated redemption price at maturity multiplied by the number of complete years to its maturity, then such excess, if any, constitutes de minimis original issue discount. In such case, the Bond is not considered to be a Bond issued with original issue discount that is required to be included in income calculated using a constant-yield method without regard to the receipt of cash attributable to such income. Such excess will be treated as gain recognized upon retirement of the Bond.

Sale and Retirement of the Bonds

United States Holders of the Bonds will recognize gain or loss on the sale, redemption, retirement or other disposition of such Bonds. The gain or loss is measured by the difference between the amount realized on the disposition of the Bond and the United States Holder's adjusted tax basis in the Bond. Such gain or loss will be capital gain or loss, except to the extent of accrued market discount not previously included in income, and will be long term capital gain or loss if at the time of disposition such Bond has been held for more than one year.

United States Federal Income Tax Considerations for Non-U.S. Holders

Withholding Tax on Payments of Principal and Interest on Bonds. Generally, payments of principal and interest on a Bond will not be subject to U.S. federal withholding tax, provided that in the case of an interest payment:

- you are not a bank to whom the Bonds would constitute an extension of credit made pursuant to a loan agreement entered into in the ordinary course of your trade or business; and
- either (A) the beneficial owner of the Bond certifies to the applicable payor or its agent, under penalties of perjury on an IRS Form W-8BEN (or a suitable substitute form), that such owner is not a United States person and provides such owner's name and address or (B) a securities clearing organization, bank or other financial institution, that holds customers' securities in the ordinary course of its trade or business (a "financial institution") and holds the Bond, certifies under penalties of perjury that such an IRS Form W-8BEN (or suitable substitute form) has been received from the beneficial owner by it or by a financial institution between it and the beneficial owner and furnishes the payor with a copy thereof.

Except to the extent otherwise provided under an applicable tax treaty, you generally will be taxed in the same manner as a United States Holder with respect to interest and original issue discount payments on a Bond if such interest and original issue discount is effectively connected with your conduct of a trade or business in the United States. Effectively connected interest and original interest discount received by a corporate Non-U.S. Holder may also, under certain circumstances, be subject to an additional "branch profits tax" at a 30% rate (or, if applicable, a lower treaty rate), subject to certain adjustments. Such effectively connected interest and original issue discount will not be subject to withholding tax if the holder delivers an IRS Form W-8ECI to the payor.

Gain on Disposition of the Bonds. You generally will not be subject to U.S. federal income tax on gain realized on the sale, exchange or redemption of a Bond unless:

- you are an individual present in the United States for 183 days or more in the year of such sale, exchange or redemption and either (A) you have a "tax home" in the United States and certain other requirements are met, or (B) the gain from the disposition is attributable to your office or other fixed place of business in the United States; or
- the gain is effectively connected with your conduct of a trade or business in the United States.

U.S. Federal Estate Tax. A Bond held by an individual who at the time of death is not a citizen or resident of the United States (as specially defined for U.S. federal estate tax purposes) will not be subject to United States federal estate tax if at the time of the individual's death, payments with respect to such Bond would not have been effectively connected with the conduct by such individual of a trade or business in the United States. The United States federal estate tax recently was repealed effective January 1, 2010. In addition, the legislation repealing the estate tax expires in 2011, and thus the estate tax will be reinstated at that time unless future legislation extends the repeal.

Backup Withholding and Information Reporting

United States Holders. Information reporting will apply to payments of interest made by the City, or the proceeds of the sale or other disposition of the Bond with respect to certain non-corporate U.S. holders, and backup withholding may apply unless the recipient of such payment supplies a taxpayer identification number, certified under penalties of perjury, as well as certain other information or otherwise establishes an exemption from backup withholding. Any amounts withheld under the backup withholding rules may be allowed as a refund or a credit against that holder's U.S. federal income tax liability provided the required information is furnished to the IRS.

Non-U.S. Holders. Backup withholding and information reporting on Form 1099 will not apply to payments of principal and interest on the Bonds by the City or its agent to a Non-U.S. Holder provided the Non-U.S. Holder provides the certification described above under "United States Federal Income Tax Considerations for Non-U.S. Holders-Withholding Tax on Payments of Principal and Interest on Bonds" or otherwise establishes an exemption (provided that neither the City nor its agent has actual knowledge that the holder is a United States person or that the conditions of any other exemptions are not in fact satisfied). Interest payments made to a Non-U.S. Holder may, however, be reported to the IRS and to such Non-U.S. Holder on Form 1042-S.

Information reporting and backup withholding generally will not apply to a payment of the proceeds of a sale of Bonds effected outside the United States by a foreign office of a foreign broker. However, information reporting requirements (but not backup withholding) will apply to a payment of the proceeds of a sale of Bonds effected outside the United States by a foreign office of a broker if the broker (i) is a United States person, (ii) derives 50 percent or more of its gross income for certain periods from the conduct of a trade or business in the United States, (iii) is a "controlled foreign corporation" as to the United States, or (iv) is a foreign partnership that, at any time during its taxable year is 50 percent or more (by income or capital interest) owned by United States persons or is engaged in the conduct of a U.S. trade or business, unless in any such case the broker has documentary evidence in its records that the holder is a Non-U.S. holder (and has no actual knowledge to the contrary) and certain conditions are met, or the holder otherwise establishes an exemption. Payment by a United States office of a broker of the proceeds of a sale of Bonds will be subject to both backup withholding and information reporting unless the holder certifies its non-United States status under penalties of perjury or otherwise establishes an exemption.

Any amounts withheld under the backup withholding rules may be allowed as a refund or a credit against that holder's U.S. federal income tax liability provided the required information is furnished to the IRS.

Change of Law

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 Bonds were 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 Bonds are outstanding in a manner that would adversely affect the value or the tax treatment of ownership of the Bonds.

Circular 230 Disclaimer

The description of certain tax matters under the heading "**TAX MATTERS**," above is not intended to be used, and cannot be used by any purchaser of the Bonds, for the purpose of avoiding penalties that may be imposed on such purchaser. This advice is written to support the promotion or marketing of the Bonds.

CONTINUING DISCLOSURE

In order to assist the Underwriters in complying with SEC Rule 15c2-12 promulgated by the Securities and Exchange Commission (the "Commission"), pursuant to the Securities Exchange Act of 1934 (the "Rule"), the City shall covenant pursuant to a Resolution adopted by the Governing Body to enter into an undertaking (the "Undertaking") for the benefit of holders including beneficial holders of the Bonds to provide certain financial information and operating data relating to the City annually to a central repository designated by the Commission, currently the Municipal Securities Rulemaking Board (the "MSRB"), and to provide notices of the occurrence of certain events enumerated in the Rule electronically or in the manner otherwise prescribed by the MSRB to the MSRB. The MSRB has designated its Electronic Municipal Market Access ("EMMA") system as the system to be used for continuing disclosures to investors. The details and terms of the Undertaking, as well as the information to be contained in the annual report or the notices of material events, are set forth in the Continuing Disclosure Certificate to be executed and delivered by the City at the time the Bonds are delivered. Such Certificate 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 Bonds (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 Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Bonds and their market price.

FINANCIAL ADVISOR

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

UNDERWRITING

The Bonds will be purchased at competitive bidding conducted on May 26, 2010.

The award of the Bonds was made to _____, and its co-manager, and associates.

The public reoffering price or yield of the Bonds will be detailed on the front cover of the Final Official Statement.

CLOSING DOCUMENTS AND CERTIFICATES

Simultaneously with the delivery of and payment for the Bonds 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 Bonds under Wisconsin law and as to the status of the Bonds as "qualified school construction bonds" with the meaning of Section 54A of the Code rendered by Katten Muchin Rosenman LLP, Chicago, Illinois, and Hurtado, S.C., Wauwatosa, Wisconsin, Bond Counsel to the City, in substantially the forms as set forth in Appendix B;
- (5) copies of this Official Statement issued in conjunction with the Bonds within seven business days after the award of the Bonds in accordance with SEC Rule 15c2-12(b)(3);
- (6) a Continuing Disclosure Certificate;

- (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/

W. Martin Morics
City Comptroller and Secretary
City of Milwaukee, Wisconsin

___ __, 2010

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APPENDIX A

**Audited Annual Financial Report of
the City of Milwaukee, Wisconsin
for the Year Ended December 31, 2008**

Selected Sections

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

www.milwaukee.gov

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APPENDIX B

Draft Form of Legal Opinion

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APPENDIX C

Master Continuing Disclosure Certificate

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APPENDIX D

Book-Entry-Only System

BOOK-ENTRY-ONLY SYSTEM

The information in this section concerning The Depository Trust Company ("DTC") and DTC's book-entry-only system has been obtained from DTC, and the City and the Underwriter take no responsibility for the accuracy thereof.

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds. The Bonds 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 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U. S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's 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 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds 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 Bonds 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 Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds 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 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners

may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds 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 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI 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 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

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

A Beneficial Owner shall give notice to elect to have its Bonds purchased or tendered, through its Participant, to Agent, and shall effect delivery of such Bonds by causing the Direct Participant to transfer the Participant's interest in the Bonds, on DTC's records, to Agent. The requirement for physical delivery of Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Bonds to Agent's DTC account.

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

The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond 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 the City believes to be reliable, but Issuer takes no responsibility for the accuracy thereof.

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 BONDS; (3) ANY NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN TO HOLDERS OF THE BONDS; (4) ANY CONSENT GIVEN BY DTC OR OTHER ACTION TAKEN BY DTC AS THE HOLDER OF THE BONDS; 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 BONDS.

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APPENDIX E

Official Notice of Sale and Bid Form