

PRELIMINARY OFFICIAL STATEMENT DATED JUNE \_\_, 2003

**DRAFT**  
05/29/2003-R. Li

**NEW ISSUE**  
BOOK-ENTRY ONLY

**RATINGS:**  
Fitch:  
Moody's:  
Standard & Poor's:  
(See "RATINGS" herein)

*In the opinion of Bond Counsel, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, interest on the Series 2003 Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code") and is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. (See "TAX STATUS" herein for a description of certain other provisions of law which may affect the Federal tax treatment of interest on the Series 2003 Bonds.) Interest on the Series 2003 Bonds is not exempt from State of Wisconsin income tax or franchise tax.*

**\$30,000,000**  
**CITY OF MILWAUKEE, WISCONSIN**  
**Sewerage System Revenue Bonds, Series 2003 S4**

Dated: \_\_\_\_\_, 2003

Due: June 1, 2005 - 2023

The \$30,000,000 Sewerage System Revenue Bonds, Series 2003 S4 (the "2003 Bonds") will be dated the Date of Delivery, will bear interest payable semiannually on June 1 and December 1 of each year, commencing December 1, 2003, at the rates, and will mature on June 1 in the years and amounts, as detailed on the following page.

The Series 2003 Bonds shall be issued by the City of Milwaukee, Wisconsin (the "City") for the purposes of financing the costs of improvements to the City's Sewerage System, funding the Reserve Account and paying the issuance expenses incurred in connection with the issuance of the Series 2003 Bonds.

The Series 2003 Bonds maturing on or after June 1, 2014 are subject to optional redemption on or after June 1, 2013 at par, as more fully described herein. (See "SERIES 2003 BONDS-OPTIONAL REDEMPTION PRIOR TO MATURITY" herein.)

The Series 2003 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 Series 2003 Bonds. Individual purchases will be made in book-entry form only in denominations of \$5,000 principal amount or any integral multiple thereof. Purchasers of the Series 2003 Bonds will not receive certificates representing their interest in the Series 2003 Bonds purchased. (See "BOOK-ENTRY-ONLY SYSTEM" herein.)

The Series 2003 Bonds are limited special obligations of the City payable solely from and secured by the funds pledged therefore on a parity with the City's outstanding Sewerage System Revenue Bonds, Series 2001 dated December 1, 2001 (the "Series 2001 Bonds") and bonds hereafter issued on a parity therewith. (See "SECURITY" herein.)

The Series 2003 Bonds are being offered when, as and if issued and subject to the legal opinion of Hawkins, Delafield & Wood, New York, New York, and Quarles & Brady LLP, Milwaukee, Wisconsin, Bond Counsel. It is anticipated that the Series 2003 Bonds will be available for delivery to DTC on or about July 10, 2003 (the "Date of Delivery").

*THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR QUICK REFERENCE ONLY. IT IS NOT A SUMMARY OF THIS ISSUE. INVESTORS MUST READ THE 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 the Public Debt Commission  
Room 404, City Hall - 200 East Wells Street - Milwaukee, Wisconsin 53202 - Phone (414) 286-2301

**SEALED AND ELECTRONIC BIDS FOR THE SERIES 2003 BONDS WILL BE RECEIVED UP TO  
10:00 A.M. (CENTRAL TIME) ON THURSDAY, JUNE 19, 2003**

**THE SERIES 2003 BONDS WILL BE AWARDED ON FRIDAY, JUNE 20, 2003**

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 Series 2003 Bonds, the City will complete, adopt and deliver a Final Official Statement substantially in this form.

## MATURITY SCHEDULE

**\$30,000,000**

**CITY OF MILWAUKEE, WISCONSIN**

**Sewerage System Revenue Bonds, Series 2003 S4**

The Series 2003 Bonds will be dated the Date of Delivery, will bear interest at the rates shown below, payable semiannually on June 1 and December 1 of each year, commencing December 1, 2003, and will mature on June 1 of the years and in the amounts shown below.

<u>Year</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Price or Yield</u>
2005	\$1,175,000		
2006	1,195,000		
2007	1,220,000		
2008	1,250,000		
2009	1,285,000		
2010	1,325,000		
2011	1,370,000		
2012	1,415,000		
2013	1,465,000		
2014	1,520,000		
2015	1,580,000		
2016	1,640,000		
2017	1,705,000		
2018	1,775,000		
2019	1,850,000		
2020	1,925,000		
2021	2,010,000		
2022	2,100,000		
2023	2,195,000		

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

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## INTRODUCTION TO THE OFFICIAL STATEMENT

The purpose of this Official Statement, including the cover page, and Appendices, is to set forth certain information concerning the City of Milwaukee (the "City"), located in Milwaukee County, Wisconsin, and to set forth information concerning the offering of \$30,000,000 Sewerage System Revenue Bonds, Series 2003 S4 of the City, dated the Date of Delivery (the "Series 2003 Bonds"). The following information is furnished solely to provide limited introductory information regarding the Series 2003 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

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

Issuer: City of Milwaukee, Wisconsin.  
Issue: \$30,000,000 Sewerage System Revenue Bonds, Series 2003 S4.  
Dated Date: \_\_\_\_\_, 2003.  
Maturity: June 1 as shown below.  
Amounts and Maturities:

Year	Amount	Year	Amount
2005	\$1,175,000	2015	\$1,580,000
2006	1,195,000	2016	1,640,000
2007	1,220,000	2017	1,705,000
2008	1,250,000	2018	1,775,000
2009	1,285,000	2019	1,850,000
2010	1,325,000	2020	1,925,000
2011	1,370,000	2021	2,010,000
2012	1,415,000	2022	2,100,000
2013	1,465,000	2023	2,195,000
2014	1,520,000		

Interest Payment Dates: Each June 1 and December 1 beginning December 1, 2003.  
Denominations: \$5,000 or integral multiples thereof.  
Purpose: The Series 2003 Bonds are issued for the purposes of financing the costs of improvements to the City's Sewerage System, funding the Reserve Account and paying the issuance expenses incurred in connection with the issuance of the Series 2003 Bonds.  
Security: Principal and interest on the Series 2003 Bonds will be payable solely from and secured by the funds pledged therefor on a parity with the City's outstanding Sewerage System Revenue Bonds, Series 2001 and bonds hereafter issued on a parity therewith. (See "SECURITY" herein.)

Authority for Issuance: The Common Council of the City has authorized the issuance and sale of the Series 2003 Bonds in accordance with the provisions of Chapter 66 of the Wisconsin Statutes (the “Act”).

Form of Issuance: The Series 2003 Bonds will be issued in Book-Entry-Only form, fully registered in the name of Cede & Co., as nominee of The Depository Trust Company of New York, New York, which will act as security depository for the Series 2003 Bonds. (See “BOOK-ENTRY-ONLY SYSTEM” herein).

Tax Status of Interest: Under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, interest on the Series 2003 Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Code, as amended (the “Code”) and is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. (See “TAX STATUS” herein).

Redemption Feature: The Series 2003 Bonds maturing on or after June 1, 2014 are subject to optional redemption on or after June 1, 2013 at par, as more fully described herein. (See “SERIES 2003 BONDS-OPTIONAL REDEMPTION PRIOR TO MATURITY” herein.)

Professionals:

Bond Counsel	Hawkins, Delafield & Wood New York, New York
	Quarles & Brady LLP Milwaukee, Wisconsin
Financial Advisor	Robert W. Baird & Co. Milwaukee, Wisconsin
Trustee	Bank One Trust Company, National Association Milwaukee, Wisconsin

Delivery: Delivery will be on or about July 10, 2003 at the expense of the City, through the facilities of The Depository Trust Company, New York, New York.

Reoffering: The public reoffering prices or yields of the Series 2003 Bonds are detailed on the inside front cover of the Final Official Statement.

Continuing Disclosure Certificate: In order to assist bidders in complying with the continuing disclosure requirements of SEC Rule 15c2-12 and as part of the City’s contractual obligation arising from its acceptance of the successful bidder’s proposal, at the time of the delivery of the Series 2003 Bonds the City will provide an executed copy of its Continuing Disclosure Certificate. (See “CONTINUING DISCLOSURE” herein).

## SERIES 2003 BONDS

### THE FINANCING PLAN

The Series 2003 Bonds shall be issued by the City of Milwaukee, Wisconsin (the "City") for the purpose of financing the costs of improvements of any plant and equipment within or without the comparative limits of the City's Sewerage System for the collection, transportation, storage, treatment and disposal of sewage or storm water and surface water, including necessary lateral, main and interception sewers.

### SOURCES AND USES

#### Sources of Funds

Par Amount of Bonds

Reoffering Premium (Net of Discount)

TOTAL SOURCES

\_\_\_\_\_  
=====

#### Uses of Funds

Amount Available for Projects

Deposit to Debt Service Reserve Fund (DSRF)

Costs of Issuance (Including Underwriter's

Discount & bond insurance premium)

TOTAL USES OF FUNDS

\_\_\_\_\_  
=====

Approximately \$ \_\_\_\_\_ of the Amount Available for Projects will be used for reimbursement of prior expenditures

### THE RESOLUTIONS

By way of a Bond Resolution adopted on August 2, 2001 as amended by a resolution adopted on April 15, 2003 (the "Bond Resolution") and a Series Resolution adopted on March 4, 2003, the Common Council has authorized and approved the sale of the Series 2003 Bonds including providing certain of the details and form of the Series 2003 Bonds and setting out certain covenants with respect thereto. Pursuant to the Bond Resolution, bonds may be issued thereunder in series from time to time. The City has issued and there are presently outstanding \$29,095,000 Sewerage System Revenue Bonds, Series 2001 (the "Series 2001 Bonds"). Bonds of all series issued or to be issued under the Bond Resolution are hereinafter referred to as the "Bonds".

Reference should be made to the Bond Resolution for definitions of terms not defined herein. As defined in the Bond Resolution, "Net Revenues" means with respect to any period, the Revenues during such period less amounts required to pay Operation and Maintenance Expenses. "Operation and Maintenance Expenses" means the costs and expenses of operating and maintaining the Sewerage System, including, without limiting the generality of the foregoing: (i) all expenses includable in the operation and maintenance expense accounts of the City relating to the Sewerage System according to generally accepted accounting principles, exclusive of debt service, capital expenditures, depreciation and tax equivalents; and (ii) to the extent not included in the preceding clause (i) or paid from the Bond proceeds or otherwise, the City's share of the costs and expenses of operating and maintaining any plants and properties jointly owned with others. "Aggregate Debt Service" means, for any period and as of any date of computation, the sum of the amounts of Debt Service for such period with respect to all Series of Bonds.

A summary of certain provisions of the Bond Resolution is set forth under "Summary of Bond Resolution" in Appendix D.

### MATURITY AND INTEREST RATES

The Series 2003 Bonds are to be dated the Date of Delivery and will bear interest from that date at the rates, and shall mature each June 1 in the amounts and on the dates as set forth on the inside front cover of this Official Statement. Interest on the Series 2003 Bonds will be payable on December 1, 2003 and thereafter semiannually on June 1 and December 1 of each year and is calculated on the basis of 30-day months and a 360-day year.

## **SERIES 2003 BONDS-OPTIONAL REDEMPTION PRIOR TO MATURITY**

The Series 2003 Bonds with principal maturity dates on or after June 1, 2014, will be subject to redemption prior to their maturity at the option of the City on any date on or after June 1, 2013, at a price of par plus accrued interest to the date fixed for their redemption. If less than all outstanding Series 2003 Bonds are called for redemption, the Series 2003 Bonds shall be called in such order of maturity as shall be determined by the City. If less than all of the Series 2003 Bonds of any maturity are called for redemption, the particular Series 2003 Bonds of such maturity to be redeemed shall be selected by lot. Notice of redemption shall be mailed, postage prepaid, to the owners of any Series 2003 Bonds to be redeemed in whose name such Series 2003 Bonds are registered as of a record date, which shall be 45 days prior to the redemption date.

### **SECURITY**

#### **Pledge of Revenues, Funds and Other Moneys**

(A) The Series 2001 Bonds and the Series 2003 Bonds will be payable on a parity with additional Series of Bonds hereafter issued pursuant to the Bond Resolution (collectively, herein referred to as the "Bonds"). The Bonds are limited special obligations of the City payable solely from and secured by the funds pledged therefor. There are pledged as security for the payment of the principal and Redemption Price (if any) of, and interest on, the Bonds in accordance with their terms and the provisions of the Bond Resolution, subject only to the provisions of the Bond Resolution permitting the application thereof for the purposes and on the terms and conditions set forth in the Bond Resolution: (i) the proceeds of sale of the Series 2003 Bonds pending application thereof in accordance with the provisions of the Bond Resolution or of a Series Resolution (ii) the Net Revenues, and (iii) all Funds and Accounts held under the Bond Resolution other than (a) the Rebate Fund and (b) the Subordinate Obligation Fund, including the investments, if any, in such Funds and Accounts; and the bondholders shall have a lien on, and a security interest in, such proceeds, Net Revenues, and Funds and Accounts for such purpose and subject to such provisions of the Bond Resolution. Such lien and security interest for the payment of the Bonds shall be prior and superior to the lien and security interest for the payment of Subordinate Obligations. The Bonds are additionally secured by a mortgage lien upon the Sewerage System, which shall be perfected by the recording of the Bond Resolution in the records of the City.

(B) The pledge of, and lien on, and security interest in, the proceeds of the Series 2003 Bonds and the Net Revenues as received by the City and the Funds and Accounts herein, other than the Rebate Fund and the Subordinate Obligation Fund, shall be valid and irrevocable: (i) from and after the time that, if required by State law, a financing statement is filed with respect to such pledge, lien and security interest as required by State law, and, upon such filing; or (ii), if no financing statement is so required by State law, upon delivery of the proceeds of the Series 2003 Bonds, and all the Net Revenues as received by the City and the Funds and Accounts herein, other than the Rebate Fund and the Subordinate Obligation Fund, shall immediately be subject to the lien of the pledge without any physical delivery thereof or further act, and the lien of the pledge shall be valid as against, and prior to the lien of, all parties having claims of any kind in tort, contract or otherwise against the City, irrespective of whether such parties have notice thereof.

(C) The Bonds shall be equally and ratably payable and secured under the Bond Resolution without priority by reason of date of adoption of a Series Resolution authorizing a Series of Bonds or by reason of their Series, number or date, date of issue, execution, authentication or sale thereof, or otherwise; provided, however, that nothing in the Bond Resolution shall prevent the City from affording any particular Series of Bonds or particular Bonds additional or different security through a support facility or escrow funds. Bonds which are not a part of a Series for which an escrow fund, or other funds and accounts has been created to provide additional or different security shall not be entitled to the benefits of such escrow fund, or other funds and accounts except to the extent specifically provided in the Series Resolution authorizing such Series.

(D) The principal and Redemption Price (if any) of, and interest on, the Bonds shall be payable only from the Special Redemption Fund and not from any funds of the City other than the Special Redemption Fund and the Bonds shall not constitute a general obligation of the City, or create a charge upon any other revenues or property of the City, except the Net Revenues and other moneys and securities pledged under the Bond Resolution. No holder of the Bonds shall have the right to compel the exercise of the taxing power of the State or any political subdivision thereof, including the City, in connection with any default with respect to the Bonds. Each Bond shall recite in substance the provisions of this subsection (D).

(E) To additionally secure the Series 2003 Bonds, there shall at the time of delivery of the Series 2003 Bonds be on deposit in the Special Redemption Fund for credit to the Reserve Account therein, an amount equal to the Reserve Account Requirement for the Series 2003 Bonds which shall equal the lesser of (i) an amount equal to the maximum annual principal and interest requirements for the Series 2003 Bonds, (ii) an amount equal to 10 percent (10%) of the principal amount of the Series 2003 Bonds, or (iii) 125% of the average annual principal and interest requirements for the Series 2003 Bonds. The Reserve Account for the Series 2003 Bonds shall be funded from the proceeds of the Series 2003 Bonds.

(F) No holder of a Series 2003 Bond shall be required to see that the moneys derived from such Series 2003 Bonds are applied to the purpose or purposes for which such Bond is issued. The validity of the Series 2003 Bonds shall neither be dependent upon nor affected by the validity or regularity of any proceedings relating to the acquisition, purchase, construction, reconstruction, improvement, betterment or extension of the Sewerage System nor the use and application of the proceeds of the Series 2003 Bonds. The Series 2003 Bonds shall contain a recital that they are issued pursuant to the Act, which recital shall be conclusive evidence of their validity and of the regularity of their issuance.

### **COVENANTS TO SECURE THE BONDS**

The City, in the Bond Resolution, covenants and agrees with the holders of all Bonds, including the Series 2003 Bonds issued pursuant to the Bond Resolution, and to the extent provided in a Series Resolution, all support facility providers, as follows:

#### **Rates and Charges**

(A) The City shall fix, charge and collect such Sewerage Services Charges as shall be required in order that in each Fiscal Year the Net Revenues shall be not less than the Net Revenue Requirement for such Fiscal Year. The failure in any Fiscal Year to comply with the foregoing rate covenant in this paragraph (A) shall not constitute an event of default if the City shall comply with the Bond Resolution as described in paragraph (B) below. "Net Revenue Requirement" means with respect to any Fiscal Year or any period, an amount equal to the greater of: (i) the sum of (a) the Aggregate Debt Service in such Fiscal Year or such period and (b) the Required Deposits for such Fiscal Year or such period; or (ii) 1.20 times the Aggregate Debt Service in such Fiscal Year or such period plus 1.20 times the aggregate Support Facility Reimbursement Obligations outstanding as of the end of such Fiscal Year or such period.

(B) Prior to the end of each Fiscal Year, the Commissioner of Public Works of the City shall complete a review of the financial condition of the Sewerage System for the purpose of estimating whether the Net Revenues for such Fiscal Year and for the next succeeding Fiscal Year will be sufficient to comply with the rate covenant described in paragraph (A) above and shall by a Written Certificate of the City make a determination with respect thereto. Such review shall take into consideration the completion of any uncompleted improvement and the issuance of future Series of Bonds if necessary to finance the completion of such improvements. Such Written Certificate shall set forth a reasonably detailed statement of the actual and estimated revenues, operation and maintenance expenses, aggregate debt service, and any other estimates or assumptions upon which such determination was based, and shall be filed with the City Clerk on or before July 1 in each year. If it is determined in such Written Certificate that the Revenues may not be so sufficient, the Commissioner of Public Works of the City shall forthwith make a study for the purpose of determining a schedule of Sewerage Service Charges which, in the opinion of the Commissioner of Public Works, will cause sufficient Revenues to be collected in the following Fiscal Year to comply with such rate covenant described in paragraph (A) above and will cause additional Revenues to be collected in such following and later Fiscal Years sufficient to eliminate the amount of any deficiency at the earliest practicable time, or the Commissioner of Public Works may elect to cause the Consulting Engineer to make such a study and render such opinion. The Common Council of the City shall as promptly as practicable but no later than the one hundred twenty (120) days following such determination by the Commissioner of Public Works, or receipt of the Consulting Engineer's recommendation, adopt and place in effect a schedule of Sewerage Service Charges as described in this paragraph (B). The Commissioner of Public Works of the City filed the Written Certificate with the City Clerk on           , 2003 and evidenced compliance with the rate covenant described in paragraph (A) above.



**Service to the City**

The reasonable cost and value of services rendered to the City by the Sewerage System by furnishing sewer services for public purposes, shall be charged against the City and shall be paid by it in quarterly installments as the service accrues, out of the current revenues of the City collected or in the process of collection, exclusive of the revenues derived from the Sewerage System and out of the tax levy of the City made by it to raise money to meet its necessary current expenses. It is found and determined in the Bond Resolution that the reasonable cost and value of such service to the City in each Fiscal Year shall be the amount necessary in the Fiscal Year which, together with the other revenues of the Sewerage System, will produce Net Revenues in each Fiscal Year equal to not less than 1.00 times the maximum aggregate Debt Service on the Bonds then outstanding plus 1.00 times the aggregate Support Facility Reimbursement Obligations then outstanding. However, such payment out of the tax levy shall be subject to (a) approval of the Public Service Commission, or successors to its function, if necessary, (b) yearly appropriations therefor and (c) applicable levy limitations, if any; but neither the Bond Resolution nor such payment shall be construed as constituting an obligation of the City to make any such appropriation over and above the reasonable cost and value of services rendered to the City and its inhabitants or make any subsequent payment over and above such reasonable cost and value. Such compensation for such service rendered to the City shall, in the manner provided above, be paid into the Revenue Fund created by the Bond Resolution.

**FUNDS AND ACCOUNTS**

**Establishment of Funds and Accounts**

(A) There is created under the Bond Resolution a special fund known as the "Sewerage System Revenue Fund" (the "Revenue Fund") into which all Revenues collected by the City have been and shall be deposited, from which the Revenues shall be appropriated and expended for operating expenses of the Sewerage System, other purposes of the Sewerage System, and in which certain working capital and operating reserves for purposes of the Sewerage System have been and shall be maintained. The Revenue Fund shall be considered to be a fund held under the Bond Resolution for purposes of the pledge made in Bond Resolution.

(B) There are created and established under the Bond Resolution the following additional funds of the City to be maintained so long as any Bonds are outstanding:

- (1) Operation and Maintenance Fund;
- (2) Rebate Fund;
- (3) Sewerage System Special Redemption Fund (the "Special Redemption Fund") and Reserve Account therein;
- (4) Subordinate Obligation Fund; and
- (5) Surplus Fund.

The Operation and Maintenance Fund, the Sewerage System Special Redemption Fund and Reserve Account therein and the Surplus Fund shall be considered to be funds held under the Bond Resolution for purposes of the pledge made in the Bond Resolution.

(C) There is also created a special fund known as the "Sewerage System Construction Fund" (the "Construction Fund") into which the proceeds of revenue bonds of the City issued to pay the costs of improvements specified to be expended from such Fund. The Construction Fund shall be considered to be a fund held under the Bond Resolution for purposes of the pledge made in the Bond Resolution.

**Flow of Funds**

(A) From and after the time of delivery of Bonds executed and delivered under the Bond Resolution, revenues shall be collected by the City and deposited, as soon as practicable, into the Revenue Fund. From the amounts deposited in the Revenue Fund, the City shall transfer to the Operation and Maintenance Fund sufficient moneys to pay the current operation and maintenance expenses of the Sewerage System, transfer to the Rebate Fund such amount as is necessary to pay the rebate amount due the United States Treasury Department under Section 148 of the Code, if any, or to set aside as a reserve for such payment and make the transfers to other Funds and Accounts as provided in subsection (B) of Section 6.02 of the Bond Resolution.

(B) In each month, the City, after making the transfer, if any, to the Operating and Maintenance Expenses for such month and setting aside an amount sufficient to pay the Operating and Maintenance Expenses expected to be incurred for the balance of such month and making the transfer, if any, to the Rebate Fund as provided in the Bond Resolution, shall retain, apply or transfer on the fifth (5th) day prior to the end of each month, unless otherwise described below, a sufficient amount of moneys in the Revenue Fund in the following order of priority:

(1) To the Special Redemption Fund, if and to the extent required so that the balance therein shall equal the Accrued Debt Service for all Bonds outstanding and the interest accrued on all Bond Anticipation Notes outstanding on said date;

(2) To the Reserve Account in the Special Redemption Fund, if and to the extent required by a Series Resolution either (i) an amount such that the balance in the Reserve Account shall equal the Reserve Account Requirement on said date, or (ii) an amount such that if the same amount were deposited in each month the amount of any deficiency in the Reserve Account shall be eliminated at the end of the twelfth (12th) month following the first credit;

(3) In the Revenue Fund, a reasonable and necessary amount for working capital and operating reserves;

(4) To the Subordinate Obligation Fund, the amount, if any, required to be deposited in such Fund pursuant to the resolution authorizing issuance of the Subordinate Obligations payable from such Fund; and

(5) To the Surplus Fund, such amounts as shall remain in the Revenue Fund.

(C) All reasonable and necessary Operation and Maintenance Expenses shall be paid from the Operation and Maintenance Fund as the same become due and payable and, except for the Rebate Fund, prior to any transfer or payment to other funds and accounts set forth therein.

(D) The City may, if provided in a Series Resolution authorizing the Bonds of a Series, directly pay out of the Revenue Fund reimbursements to Support Facility Providers whose Support Facilities have been drawn upon, after payments have been made to the Special Redemption Fund.

## **ADDITIONAL BONDS**

On April 15, 2003, the City's Common Council adopted a resolution that amended the terms of the Bond Resolution under which Additional Bonds could be issued (the "Amendment"). The consent required to make the Amendment effective was received from the insurer of the Series 2001 Bonds as permitted by the Bond Resolution. On April 16, 2003, a notice of the Amendment was published in *The Bond Buyer*. Bondholders have 60 days from the date the notice is published to challenge the amendment. As the Series 2003 Bonds may be issued under the original terms for Additional Bonds, and under the amended terms for Additional Bonds as set forth below, the issuance of the Series 2003 Bonds will not be delayed should there be a challenge to the Amendment. Purchasers of Series 2003 Bonds are deemed to have consented to the Amendment. The 60-day period will end on June 15, 2003.

### **Conditions for the Issuance of Parity Bonds Other Than Refunding Bonds (Original Terms)**

Section 3.04 (A) One or more Series of Bonds, exclusive of Refunding Bonds issued pursuant to Section 3.05 of the Bond Resolution, may be issued at any time and from time to time for any lawful use or purpose relating to the Sewerage System, including, without limitation, payment of all or a portion of the Costs of Improvements, but only upon compliance as to each such Series with the provisions of Section 3.03 of the Bond Resolution and provision of the following documents or moneys or securities:

- (1) A certified copy of the Series Resolution authorizing the issuance of the Bonds of such Series.
- (2) If any Bonds of such Series are Option Bonds, a Support Facility in such an amount as would provide sufficient moneys for the purchase or redemption of all Option Bonds of such Series if the Holders thereof elected to tender for purchase or redemption the entire Aggregate Outstanding Principal amount of the Option Bonds of such Series.
- (3) An opinion of Bond Counsel to the effect that: (a) the Bond Resolution, including the applicable Series Resolution authorizing the Series of Bonds, has been duly and lawfully adopted by the Common Council of the City and is a valid and legally binding instrument of the City, enforceable in accordance with the terms thereof; (b) the Bond Resolution creates a valid pledge and lien which it purports to create of the Net Revenues, moneys, securities and funds held or set aside under the Bond Resolution, subject to the application thereof to the purposes and on the terms and conditions permitted by the Bond Resolution; and (c) the Bonds of such Series are valid and legally binding limited special obligations of the City, enforceable in accordance with the terms thereof, are entitled to the benefits of the Bond Resolution and the Act, have been duly and validly authorized, issued and authenticated in accordance with law and the Bond Resolution, and do not violate the provisions of the Bond Resolution.
- (4) (Prior to the Amendment). Either (I) a Written Certificate of an Authorized Officer of the City based: (i) on audited figures or (ii) to the extent audited figures are not available, on figures taken by an independent certified public accountant from the City's books and records, showing that the Net Revenues for: (a) the most recent Fiscal Year, or (b) any consecutive twelve (12) month period out of twenty-four (24) months immediately preceding the month in which such Bonds are issued were not less than the greater of: (x) the sum of (1) the maximum Aggregate Debt Service on all Bonds then outstanding and on the proposed Series of Bonds in any Fiscal Year and the twelve (12) month period selected and (2) the Required Deposits for such Fiscal Year or the twelve (12) month period selected; and (y) 1.20 times the maximum Aggregate Debt Service on all Bonds then Outstanding and on the proposed Series of Bonds in any Fiscal Year and the twelve (12) month period selected, plus 1.20 times the aggregate Support Facility Reimbursement Obligations outstanding as of the date of the Written Certificate of the City, or (II) a Written Certificate of an Authorized Officer of the City or certificate of the Consulting Engineer that the Net Revenues to be derived in each of the five (5) Fiscal Years following the earlier of: (i) the end of the period during which interest is capitalized or, if no interest is to be capitalized, the Fiscal Year in which the proposed Series of Bonds are issued, and (ii) the date on which substantially all improvements to be financed with the proceeds of the proposed Series of Bonds are expected to commence operations, or, if the proceeds of such Series of Bonds will not be used to fund the costs of improvements, the Fiscal Year in which the proposed Series of Bonds are issued, are estimated to be not less than the greater of: (x) the sum of (1) the maximum Aggregate Debt Service on all Bonds then Outstanding and on the proposed Series of Bonds in any such Fiscal Year, and (2) the Required Deposits for any such Fiscal Year; and (y) 1.20 times the maximum Aggregate Debt Service on all Bonds then Outstanding and on the proposed Series of Bonds in any such Fiscal Year, plus 1.20 times the aggregate Support Facility Reimbursement Obligations outstanding as of the date of such Written Certificate of the City or Certificate of the Consulting Engineer, as the case may be (the "Additional Bonds Requirement").

(5) Such further documents, moneys and securities as are required by the provisions of any Series Resolution.

(B) In determining Debt Service on Variable Rate Bonds then Outstanding and Variable Rate Bonds then proposed to be issued for purposes of the Additional Bonds Requirement, the interest rate shall be calculated as: (i) if any Variable Rate Bonds are then Outstanding and have been Outstanding for at least twenty-four (24) months, the highest average interest rate borne by such Variable Rate Bonds for any 30-day period, or (ii) if no such Variable Rate Bonds are then Outstanding, the Revenue Bond Index at the time of calculation.

**Conditions for the Issuance of Parity Bonds Other Than Refunding Bonds (Amended Terms)**

The Amendment adopted on April 15, 2003 changes subsection (4) above, and is restated as follows:

(4) Either:

(I) a Written Certificate of an Authorized Officer of the City based:

- (i) on audited figures, provided that such audited figures are for the most recent Fiscal Year for which an audit is available, and are for a period ending within 18 months of the date of the issuance of the proposed Series of Bonds; or
- (ii) on figures taken by an independent certified public accountant from the City's books and records, showing that the Net Revenues for any consecutive twelve (12) months' period out of twenty-four (24) months immediately preceding the month in which such Bonds are issued;

were not less than the greater of:

- (x) the sum of: (1) the maximum Aggregate Debt Service on all Bonds then Outstanding and on the proposed Series of Bonds in any Fiscal Year and the twelve (12) month period selected; and (2) the Required Deposits for such Fiscal Year or the twelve (12) month period selected; and
- (y) 1.20 times the maximum Aggregate Debt Service on all Bonds then Outstanding and on the proposed Series of Bonds in any Fiscal Year and the twelve (12) month period selected, plus 1.20 times the aggregate Support Facility Reimbursement Obligations outstanding as of the date of the Written Certificate of the City;

or (II) a Written Certificate of an Authorized Officer of the City or Certificate of the Consulting Engineer that the Net Revenues to be derived in each of the five (5) Fiscal Years following the earlier of:

- (i) the end of the period during which interest is capitalized or, if no interest is to be capitalized, the Fiscal Year in which the proposed Series of Bonds are issued; and
- (ii) the date on which substantially all Improvements to be financed with the proceeds of the proposed Series of Bonds are expected to commence operations, or, if the proceeds of such Series of Bonds will not be used to fund the Costs of Improvements, the Fiscal Year in which the proposed Series of Bonds are issued;

are estimated to be not less than the greater of:

- (x) the sum of: (1) the maximum Aggregate Debt Service on all Bonds then Outstanding and on the proposed Series of Bonds in any such Fiscal Year; and (2) the Required Deposits for any such Fiscal Year; and
- (y) 1.20 times the maximum Aggregate Debt Service on all Bonds then Outstanding and on the proposed Series of Bonds in any such Fiscal Year, plus 1.20 times the aggregate Support Facility Reimbursement Obligations outstanding;

as of the date of such Written Certificate of the City or certificate of the Consulting Engineer, as the case may be. Adopted Sewerage Service Charges shall be taken into account at the time, or times, they are scheduled to be effective.

(the "Additional Bonds Requirement"). For purposes of this subsection (4): If any changes have been made and are in effect at the time of the issuance of the proposed Series of Bonds in the Sewerage Service Charges (exclusive of changes in the rates and charges for the privilege of connecting to the Sewerage System) which were not in effect during all or any part of the periods referred to in Section 3.04 (4)(I)(i) of the Bond Resolution, or (ii), the Net Revenues for either of such respective periods may be adjusted to reflect the results which would have occurred in the Net Revenues if such changes in the Sewerage Service Charges had been in effect during all of such respective periods.

**Refunding Bonds**

Section 3.05 (A) The City by means of a Series Resolution adopted in compliance with the provisions of Section 3.03 of the Bond Resolution may issue a Series of Refunding Bonds at any time for the purpose of refunding (including by purchase) at any time all or any portion of Bonds Outstanding, including amounts to pay principal, redemption premium and interest to the date of maturity or redemption (or purchase) and the expense of issuing the refunding bonds and of effecting such refunding; provided, however, that the provisions of subsection (A) of Section 3.04 of the Bond Resolution shall be complied with upon the issuance of such Series; provided, further, however, that clause (4) of subsection (A) of Section 3.04 of the Bond Resolution need not be complied with if the Refunding Bonds proposed to be issued do not mature later than the Bonds to be refunded and Debt Service in any Fiscal Year on the Refunding Bonds proposed to be issued does not exceed Debt Service in any Fiscal Year on the Bonds to be refunded by more than ten percent (10%).

(B) The City by means of a Series Resolution adopted in compliance with the provisions of Section 3.03 of the Bond Resolution may issue a Series of Refunding Bonds at any time for the purpose of refunding (including by purchase) at any time all or any portion of outstanding Subordinate Obligations, including amounts to pay principal, redemption premium and interest to the date of maturity or redemption (or purchase) and the expense of issuing the Refunding Bonds and of effecting such refunding; provided, however, that the provisions of subsection (A) of Section 3.04 of the Bond Resolution shall be complied with upon the issuance of such Series.

(C) The proceeds of the Refunding Bonds of each Series issued pursuant to Section 3.05 of the Bond Resolution shall be applied for the purposes of making deposits in such Funds and Accounts under the Bond Resolution and shall be applied to the refunding purposes thereof as shall be provided by the Series Resolution authorizing such Refunding Bonds.

**Bond Anticipation Notes**

Bond anticipation notes ("Bond Anticipation Notes") may be issued by the City at such time as the City shall have by a Series Resolution duly adopted authorized the issuance thereof. The principal of such Bond Anticipation Notes may be paid from the proceeds of such Bond Anticipation Notes (or any renewal thereof) or from the proceeds of the Bonds in anticipation of which such Bond Anticipation Notes were issued.

**Subordinate Obligations**

(A) The City may at any time or from time to time, issue evidences of indebtedness payable out of, and which may be secured by a pledge of, such amounts in the Subordinate Obligation Fund as may from time to time be available for the purpose of payment thereof. The City may, by resolution, provide for various priorities in the liens and pledges securing Subordinate Obligations, and nothing in the Bond Resolution shall be construed so as to require that the payment of, or pledges securing, Subordinate Obligations be on a parity.

(B) Any issue of Subordinate Obligations may have such rank or priority with respect to any other issue of Subordinate Obligations as may be provided in the resolution securing such issue of Subordinate Obligations and may contain such other provisions as are not in conflict with the provisions of the Bond Resolution

# THE SEWERAGE SYSTEM

## History of Utility

The Milwaukee Sewerage System (the “Sewerage System”) traces its history back to the 1860’s. The City’s Sewerage System consists of three types of sewers: combined, sanitary and storm, all located within the boundaries of the City. Combined sewers collect both wastewater from homes and businesses and storm runoff water in a single pipe and convey this flow to an intercepting sewer operated by the Milwaukee Metropolitan Sewerage District (MMSD). Sanitary sewers collect only wastewater from homes and businesses and convey this flow to an intercepting sewer operated by the MMSD. The intercepting sewers convey the flow to area treatment plants. Storm sewers collect only storm runoff water and convey this flow to rivers, streams, etc.

Combined sewers serve approximately 35 square miles of the City and separate sanitary and storm sewers serve approximately 60.8 square miles. It should be noted that a few of the City’s sewers run through a portion of adjacent communities in order to connect to an intercepting sewer or to outlet into a river. In addition, some property in other communities that is adjacent to a common boundary to the City may receive service from City facilities if it is not available from their own community.

## General Information

The City’s Sewerage System consists of a network of combined, sanitary and storm sewers and other facilities necessary to collect wastewater from homes and businesses and storm water runoff from City streets and other surfaces. The City’s Sewerage System then conveys this flow to the intercepting sewerage system operated by the Milwaukee Metropolitan Sewerage District. In addition to the sewer pipes, the City’s Sewerage System also includes a variety of lift stations, pumps, detention basins, storm water inlets and catch basins, storage and operating facilities required to efficiently perform this conveyance function.

For the most part, the sewers use gravity to move the flow downstream. In a few areas of the City, the existing intercepting sewers and slope of the land does not allow only the use of gravity to move the flow. In five locations, there have been installed pump stations to lift flow from a low point up to a point where it can continue to flow by gravity. Two of the lift stations are along the lakefront, one is on the east side of the City and two are located on the far northwest side of the City.

Eighty-three by-pass pumps are installed in the sanitary sewers. The by-pass pumps operate in extreme wet weather, discharging excess flow from the sanitary sewers to either a storm sewer (79 locations) or directly to an intercepting sewer (4 locations). These by-pass pumps were installed to prevent sanitary sewers from backing up into homes during extreme wet weather.

## Distribution of Major Assets as of December 31, 2000

As of December 31, 2000, major assets of the Sewerage System were distributed as follows:

Pipelines	\$99,646,816	55%
Manhole/Catch Basins	53,971,721	30
Junction Chamber	26,683,250	15
Total	<u>\$180,301,787</u>	<u>100%</u>

**Types of Sewers**

Type of Sewer	Miles of Sewers			
	Total	<= 21" Diameter	21" Diameter < and > 54" Diameter	=> 54" Diameter
Combined	547	304	177	66
Sanitary	935	923	12	0
Storm	955	640	241	74

Type of Sewer	Age of Sewers (in Miles)					Total
	<26 Years	26 to 50 years	51 years to 75 years	76 years to 100 years	>100 Years	
Combined	127	87	61	132	140	547
Sanitary	106	456	263	110	—	935
Storm	65	518	249	123	—	955
TOTAL	298	1,061	573	365	140	2,437

**Need for Improvements**

The City continuously evaluates the condition of the Sewerage System and schedules projects to replace portions of the Sewerage System that are no longer functioning adequately. The City is working to identify and remove the sources of infiltration and inflow, or clear water, that allow this water to enter the sanitary Sewerage System. This additional flow can result in bypasses from the sanitary Sewerage System. In addition, the City operates under a Wisconsin Department of Natural Resources' Storm Water Discharge Permit, which requires the City to address water quality by reducing pollutants washing off streets and other impervious surfaces.

**CUSTOMER DATA**

Milwaukee Sewer System customers are categorized into four classifications: residential (including single-family and duplexes), commercial, industrial and government. A summary of each classification is listed below:

Customer Classification	2002 Billings		Number of Accounts	
	Amount	Percent	Amount	Percent
Residential	\$13,114,352.00	51.18%	\$128,606	89.5%
Commercial	8,276,995.72	32.30	12,988	9.0%
Industrial	2,603,046.31	10.16	1,460	1.0%
Government	1,628,535.25	6.36	570	0.4%
TOTAL	\$ 25,622,929.28	100.0%	\$143,624	100.0%

### Largest Users

Below is profile of the Milwaukee Sewer System's 15 largest customers for the year 2002.

<u>Customer</u>	<u>Usage (100 cubic feet)</u>	<u>Billing</u>	<u>Billing as Percent of Total Billed</u>
Red Star Yeast & Products	1,844,117	\$1,535,965.05	5.99%
Milwaukee Public Schools	607,069	505,627.77	1.97
Milw County - DPW	599,993	499,734.17	1.95
City of Milwaukee Housing Auth	590,973	492,221.41	1.92
S E WIS Products Co Inc	428,650	357,022.59	1.39
WE Energies Co.	396,679	330,393.94	1.29
Falk Corp	380,180	316,651.92	1.24
Emmber Foods Inc	297,441	247,738.61	0.97
St Lukes Physicians Office Bldg	260,249	216,761.10	0.85
Metropolitan Assoc.	239,405	199,400.42	0.78
Master Lock Co	218,234	181,767.10	0.71
Marquette University	200,212	166,756.20	0.65
Towne Realty Inc.	192,733	160,527.32	0.63
US Veterans Admin	185,763	154,722.00	0.60
University of WI - Milwaukee	179,543	149,541.36	0.58
TOTAL	<u>6,621,241</u>	<u>\$5,514,830.96</u>	<u>21.52%</u>

Source: City of Milwaukee, Department of Public Works.



### **History of Usage and Total Billings**

The following are the historical billed amounts for the fifteen largest Sewer Fund customers for 2001 and 2002.

<u>Customer</u>	<u>2001 Billed Amount</u>	<u>2002 Billed Amount</u>
Red Star Yeast & Products	\$1,117,134	\$1,535,965
Milw County - DPW	396,436	499,734
City of Milwaukee Housing Auth	319,926	492,221
Milwaukee Public Schools	314,602	505,628
S E WIS Products Co Inc	243,623	357,023
WE Energies Co.	—	330,394
Falk Corp	217,690	316,652
Emmber Foods Inc	156,372	247,739
St Lukes Physicians Office Bldg	154,515	216,761
Metropolitan Assoc.	—	199,400
Master Lock Co	120,226	181,767
Marquette University	111,901	166,756
Towne Realty Inc.	—	160,527
University of WI - Milwaukee	110,848	149,541
US Veterans Admin	107,591	154,722
Maynard Electric	94,686	—
Tower Automotive	88,974	—
AMPCO Metal Inc.	76,934	—
	<u>\$3,631,458</u>	<u>\$5,514,831</u>

### **Rate Information**

The rate for the City Sewer Maintenance Fee is based upon actual water consumption. Water consumption acts as a proxy for the amount of water returned to the sewer system. To account for the fact that not all water consumed is returned to the Sewerage system, several adjustments are made to account for non-sewer related water consumption.

Residential water consumption is based upon actual consumption adjusted for historical winter quarter consumption, which tends to more accurately reflect the amount of water actually returned to the Sewerage System. This compensates for water consumed by residential users that does not return to the Sewerage System, such as watering of lawns and gardens.

Industrial and commercial properties can modify their consumption amount through a certification process, which adjusts consumption to more accurately reflect the amount of water actually returned to the Sewerage System. The certification process is similar to that used by the Milwaukee Metropolitan Sewerage District (“MMSD”), except that the City’s certification process does not include MMSD’s measure of sewerage strength. This measure does not apply to the City’s sewer maintenance expenses, as the strength of sewerage has no impact on the operational cost of sewer maintenance.

After identifying water consumption, the sewer rate is calculated by dividing total sewer maintenance costs by total adjusted water usage. This yields a rate per 100 cubic feet of water consumed. This rate is then multiplied by an individual’s property’s actual adjusted water usage to determine its sewer maintenance fee. The same rate is applied to all property classifications.

Sewer Fund costs include operating, maintenance, capital improvement and debt service costs for the City’s sewer system, as well as a contingency fund to cover unanticipated expenses and administrative costs for the City of Milwaukee Water Works (the City’s water utility, which records the actual billing and collection information, revises the fee amounts as necessary, and provides customer service).

The 2002 budgeted Sewer Fee rate was \$0.8329 per 100 cubic feet of water consumed. This translated into an average annual residential fee of \$76.63. The 2000 Sewer Fund budget was the first to include capital maintenance costs in addition to operating and maintenance costs. The 2000 City Budget transferred the Relief and Relay Sewer capital program to the Sewer Fund because this program funds on-going capital maintenance and preservation of the City’s Sewerage System. In order to finance this capital program, the Sewer Fund budget and rate increased. The 2002 City Budget transferred funding of street sweeping and leaf collection activities from the General Fund to the Sewer Fund. These activities are part of the city’s storm water management efforts and provide direct benefits to the storm sewer system. Although amounts for street sweeping and leaf collection are collected by the Sewerage System, the services provided are not considered an operation and maintenance expense of the Sewerage System. Transfers to the City to reimburse the General Fund for services provided occur after the payment of debt service on Bonds. Other factors influencing the increase in the 2002 Sewer rate included inflationary cost increases, declining water consumption, increases in equipment expenses, and funding of a mandatory Sanitary Manhole Rehabilitation project required by MMSD.

The 2003 budgeted Sewer Fee rate is \$1.1094 per 100 cubic feet of water. This translates into an average annual residential fee of \$85.20. The 2003 Sewer Fund budget includes operating, maintenance and capital costs. In addition to inflationary cost increases, the 2003 Sewer rate increase was the result of decreased water consumption, decreased reimbursement for infiltration and inflow expenses from MMSD, increased contingency funds, increased capital debt service costs, and increased capital cash financing. Increased capital cash financing is part of a capital cash conversion policy that aims at the gradual increase in cash financing of annual sewer repair and replacement capital needs with a proportional decrease in annual revenue bond financing. A cash conversion policy is being implemented for the Sewer Maintenance Fund’s capital program in order to realize long-term savings by avoiding unnecessarily high debt service costs.

**Average Residential Billing**

The following includes historical average residential billings.

<u>Year</u>	<u>Actual Billing (Total Residential)</u>
1998	\$26.89
1999	\$35.55
2000	\$55.66
2001	\$64.79
2002	\$76.63

*Source: City of Milwaukee Department of Administration, Budget and Management Division.*

**Collection and Billing**

Sewer maintenance charges are billed by the Milwaukee Water Works on a combined Municipal Services statement. These charges are based on consumption. Charges for Water Service, Sewer Treatment, Solid Waste and Snow and Ice Control are also included on the statement. Approximately 97% of the statements are billed on a quarterly basis with the remaining accounts billed monthly. All accounts are given 21 days to pay the bill to avoid late fees. If payments are late, a quarterly 3% late payments penalty will be charged. In October of each year, accounts that are two or more quarters delinquent will have their arrears placed on the property tax roll and billed to properties, including a 10% delinquency penalty.

The order of partial payments is dictated by the City of Milwaukee Ordinance Section 309-54-8.b. This directs application in the following order: Water Works (Fund 0410); Metropolitan Sewerage District Sewer User/Treatment (Fund 0460); Sewer Maintenance (Fund 0490); Solid Waste Charge (Fund 0470) and Snow and Ice Control (Fund 0001).

## SEWERAGE SYSTEM REVENUE BOND INDEBTEDNESS

Set forth below is the City's Sewerage System revenue indebtedness, including payments due on existing debt, as well as projected debt service on the Series 2003 Bonds. The principal and interest payments on the Series 2003 Bonds are based on an estimated average interest rate of 3.93%.

Year	Outstanding Revenue Debt		Series 2003 Bonds*		Total Projected Debt Service Requirements*
	Principal	Interest	Principal	Interest	
2003	\$1,000,000	\$1,339,784		\$472,982	\$2,812,766
2004	1,035,000	1,304,171		1,077,681	3,416,852
2005	1,080,000	1,259,059	\$1,175,000	1,068,281	4,582,340
2006	1,135,000	1,203,684	1,195,000	1,047,827	4,581,511
2007	1,190,000	1,152,996	1,220,000	1,023,049	4,586,045
2008	1,235,000	1,105,984	1,250,000	993,136	4,584,120
2009	1,285,000	1,055,584	1,285,000	958,637	4,584,221
2010	1,340,000	1,003,084	1,325,000	919,126	4,587,210
2011	1,395,000	948,384	1,370,000	874,636	4,588,020
2012	1,450,000	891,484	1,415,000	826,584	4,583,068
2013	1,520,000	822,584	1,465,000	775,085	4,582,669
2014	1,600,000	740,680	1,520,000	719,849	4,580,529
2015	1,685,000	654,452	1,580,000	662,119	4,581,571
2016	1,775,000	563,627	1,640,000	601,647	4,580,274
2017	1,875,000	466,643	1,705,000	537,072	4,583,715
2018	1,970,000	369,957	1,775,000	468,150	4,583,107
2019	2,070,000	273,206	1,850,000	394,544	4,587,750
2020	2,170,000	168,500	1,925,000	316,102	4,579,602
2021	2,285,000	57,125	2,010,000	232,562	4,584,687
2022	—	—	2,100,000	143,563	2,243,563
2023	—	—	2,195,000	48,839	2,243,839
<b>TOTAL</b>	<b>\$29,095,000</b>	<b>\$15,380,988</b>	<b>\$30,000,000</b>	<b>\$14,161,471</b>	<b>\$88,637,459</b>

*\*Preliminary-Subject to Change.*

### **Future Financing**

The capital financing needs to be supported by revenue bonding include only repair and replacement of existing City Sewerage System facilities. Any expansion of the Sewerage System financed through bonding is currently financed through issuance of the City's general obligation bonds, and any future expansion is expected to be financed in this manner. The Series 2003 Bonds represent approximately two years of revenue bond financed capital needs of the Sewerage System.

The City expects to spend from \$12,000,000-\$18,000,000 annually for Sewerage System repair and replacement needs, with \$11,000,000-\$16,000,000 of this amount to be financed annually through revenue bonds.

**SEWER MAINTANANCE FUND  
BALANCE SHEET  
DECEMBER 31, 2002 (Unaudited)  
(Thousands of Dollars)**

The following financial information has been prepared in accordance with GASB 34 changes, however, as of the date of the Preliminary Official Statement, the audit has not yet been completed. Due to GASB 34 changes, the information is not directly comparable to 2001 financial information presented in Appendix B. The City does not intend to prepare Sewer Maintenance Fund financial information for 2001 that would be comparable to information provided for 2002.

	2002
<b>Assets</b>	
Current Assets:	
Cash and Cash Equivalents	\$588
Receivables (net):	
Accounts	6,956
Unbilled Accounts	2,848
Accrued Interest Receivable	7
Due from other funds	492
Deferred Charges	334
Total Current Assets	\$11,225
Noncurrent Assets:	
Restricted Assets	\$3,715
Infrastructure	282,603
Machinery and Equipment	1,288
Furniture and Furnishings	63
Construction work in progress	8,348
Less: Accumulated Depreciation	(86,673)
Total Noncurrent Assets	\$209,344
Total Assets	\$220,569
<b>Liabilities</b>	
Current Liabilities:	
Accounts payable	\$1,590
Accrued Expenses	1,437
Total Current Liabilities	\$3,027
Current Liabilities Payable from Restricted Assets:	
Revenue Bonds Payable	\$1,000
Accrued Interest Payable	113
Total Current Liabilities Payable	1,113
From Restricted Assets	1,113
Noncurrent Liabilities:	
Revenue Bonds Payable	\$28,095
Total Noncurrent Liabilities	28,095
Total Liabilities	\$32,235
<b>Net Assets:</b>	
Invested in capital assets net of related debt	\$176,534
Restricted net assets	3,715
Unrestricted	8,085
Total Net Assets	\$188,334

Source: Office of the Comptroller, City of Milwaukee.

**SEWER MAINTENANCE FUND  
STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN RETAINED EARNINGS  
FOR THE YEAR ENDED DECEMBER 31, 2002 (Unaudited)  
(Thousands of Dollars)**

The following financial information has been prepared in accordance with GASB 34 changes, however, as of the date of the Preliminary Official Statement, the audit has not yet been completed. Due to GASB 34 changes, the information is not directly comparable to 2001 financial information presented in Appendix B. The City does not intend to prepare Sewer Maintenance Fund financial information for 2001 that would be comparable to information provided for 2002.

	2002
Operating Revenues	
Sewer Maintenance Fees	\$27,922
Other	85
Total Operating Revenues	\$28,007
Operating Expenses	
Employee Services	6,857
Depreciation	3,776
Services, supplies and materials	8,426
Total Operating Expenditures	\$19,059
Operating Income (Loss)	\$8,948
Non-Operating Revenues (Expenses)	
Interest Income	300
Interest Expense	(1,320)
Net Gain (Loss) on disposal of fixed assets	(60)
Total Non-Operating Revenues (Expenses)	\$(1,080)
Income (Loss) before Contributions and Transfers	7,868
Capital Contributions	(1,351)
Operating Transfers In	
Operating Transfers Out	(3,845)
Change in Net Assets	\$2,672
Total Net Assets-Beginning	\$185,662
Total Net Assets-Ending	\$188,334

Source: Office of the Comptroller, City of Milwaukee.

**RESTATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2002 (Unaudited)  
(Thousands of Dollars)**

The following financial information has been prepared in accordance with GASB 34 changes, however, as of the date of the Preliminary Official Statement, the audit has not yet been completed. Due to GASB 34 changes, the information is not directly comparable to 2001 financial information presented in Appendix B. The City does not intend to prepare Sewer Maintenance Fund financial information for 2001 that would be comparable to information provided for 2002.

<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Receipts from customers and users	\$28,606
Other operating cash receipts	85
Payments to suppliers	(8,015)
Payments to employees	(6,807)
Payments to other funds	(12,051)
Net Cash Provided by (used for) Operating Activities	<u>\$1,818</u>
<b>CASH FLOWS FROM NON CAPITAL AND RELATED FINANCING ACTIVITIES:</b>	
Transfers to other funds	(3,845)
Net Cash Provided by (used for) Non Capital and Related Financing Activities	<u>(3,845)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>	
Acquisition of property, plant and equipment	(\$15,971)
Interest paid	(1,357)
Net Cash Provided by (Used for) Capital and Related Financing Activities	<u>(\$17,328)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
Interest Income	\$293
Net Cash Provided by (Used for) Investing Activities	<u>\$293</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(\$19,062)
Cash and Cash Equivalents-Beginning	\$23,365
Cash and Cash Equivalents-Ending	\$4,303
Cash and Cash Equivalents at Year End Consists of:	
Unrestricted Cash	\$588
Restricted Cash	3,715
	<u>\$4,303</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH USED BY OPERATING ACTIVITIES:</b>	
Operating Income (loss)	\$8,948
Adjustments to reconcile operating income (loss) to net cash used by operating activities:	
Depreciation	3,776
Changes in assets and liabilities:	
Receivables	966
Due from other funds	(283)
Inventories	3
Deferred charges	15
Accounts payable	393
Accrued liabilities	51
Due to other funds	(12,051)
Net Cash Used by Operating Activities	<u>\$1,818</u>

**Non-cash Activities:**

The City disposed of parking assets of \$535 net book value.

Water mains and related property, installed by others were deeded to the Water Works in the amount of \$356.

The Sewer Maintenance Fund donated or disposed of fixed assets with a net value of \$585.

Source: Office of the Comptroller, City of Milwaukee.

**SEWER MAINTENANCE FUND**  
**PRO FORMA OPERATIONS & DEBT SERVICE-LEVEL DEBT SERVICE**  
**(Dollars in Thousands)**

	Historical				Projected				
	1999	2000	2001	2002	2003	2004	2005	2006	2007
Operations Revenues	\$8,997.0	\$15,582.0	\$18,899.0	\$28,007.0	\$28,559.0	\$28,650.0	\$28,864.0	\$28,980.0	\$29,160.0
Operating Expenses <sup>(1)</sup>	\$8,895.0	\$11,114.0	\$14,093.0	\$15,283.0	\$15,741.5	\$14,482.0	\$14,916.0	\$15,364.0	\$15,825.0
Net Income Available for Debt Service	\$102.0	\$4,468.0	\$4,806.0	\$12,724.0	\$12,817.5	\$14,168.0	\$13,948.0	\$13,616.0	\$13,335.0
Prior to the issuance of the 2003 Bonds									
Maximum Annual Debt Service	-	-	-	\$2,343.4	\$2,343.4				
Debt Service Coverage	-	-	-	5.43X	5.47X				
After issuance of the 2003 Bonds									
Maximum Annual Debt Service				\$4,834.0	\$4,834.0	\$4,834.0	\$4,834.0	\$4,834.0	\$4,834.0
Debt Service Coverage				2.63X	2.65X	2.93X	2.89X	2.82X	2.76X
Assuming issuance of Additional Bonds									
Maximum Annual Debt Service						\$5,290.0	\$6,690.0	\$8,090.0	\$9,490.0
Debt Service Coverage						2.68X	2.08X	1.68X	1.41X
Minimum Debt Service Coverage	-	-	-	1.20X	1.20X	1.20X	1.20X	1.20X	1.20X

<sup>(1)</sup> Excludes depreciation and operating transfers. No taxes are assessed against this enterprise.

## BOOK-ENTRY-ONLY SYSTEM

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

DTC, New York, NY, will act as securities depository for the Series 2003 Bonds. The Series 2003 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 certificate will be issued for each maturity of the Series 2003 Bonds, in the aggregate principal amount of such annual maturity, and such certificates will be deposited with DTC.

DTC, the world’s largest depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has Standard & Poor’s highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of Series 2003 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2003 Bonds on DTC’s records. The ownership interest of each actual purchaser of each Offered Obligation (“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 Series 2003 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 Series 2003 Bonds, except in the event that use of the book-entry system for the Series 2003 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2003 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 Series 2003 Bonds 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 Series 2003 Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Series 2003 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

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



Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Series 2003 Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Series 2003 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Series 2003 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 Issuer or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC [nor its nominee], Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of The City or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Series 2003 Bonds at any time by giving reasonable notice to Issuer or Agent. Under such circumstances, in the event that a successor depository is not obtained, Offered Obligation certificates are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event Series 2003 Bond certificates will be printed and delivered.

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 SERIES 2003 BONDS; (3) ANY NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN TO HOLDERS OF THE SERIES 2003 BONDS; (4) ANY CONSENT GIVEN BY DTC OR OTHER ACTION TAKEN BY DTC AS THE HOLDER OF THE SERIES 2003 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 SERIES 2003 BONDS.

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## LEGAL MATTERS

### LITIGATION STATEMENT

The City, and 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. However, §893.80, Wisconsin Statutes, limits the amount recoverable in Wisconsin against a political corporation and its officers, officials or employees for acts done in their official capacity to \$50,000 in tort liability for non-automobile cases and to \$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 maximum potential loss exposure in excess of \$1 million which existed on June \_\_\_\_, 2003 are:

***U.S. Department of Justice Pattern and Practice Investigation-Milwaukee Police Department.*** The Equal Employment Opportunity Commission ("EEOC") conducted a pattern and practice investigation from December 1993 to September 1996. The investigation resulted in a finding of probable cause that the Fire and Police Commission ("FPC") and Milwaukee Police Department discriminated, based on race, in the areas of hiring, discipline, retaliation, and terms and conditions of employment. The EEOC sought \$5 million in total remedies for the class claims and nearly \$2 million to the individual hiring charging parties. Additionally, the EEOC requested remedies for the 15 individual "terms and conditions" charging parties in an amount totaling over \$2.5 million. The EEOC also sought an additional \$1 million in compensation to the "terms and conditions" class members. The EEOC referred the matter to the United States Department of Justice ("DOJ") in February 1997. Additional individual EEOC charges have also resulted in reasonable cause determinations and have been referred to the DOJ. The DOJ conducted a further, lengthy investigation and stated by letter dated January 2, 2001 that suit had been authorized against the City and the FPC. DOJ alleges that between 1991 and 1996, African-Americans were discriminated against in terms of differential and less favorable treatment in the hiring process (failing background investigations), and in terms and conditions of employment such as discipline, discharge, and assignment. In 2001 DOJ requested \$6.15 million in compensatory damages for a class of 100 victims of discriminatory terms and conditions of employment and an unspecified sum in back pay for a group of approximately 39 African-Americans who failed background investigations. The City considered that request unreasonable and urged DOJ re-consider its position. Since that time, DOJ has not responded. However, DOJ has declined to pursue litigation on behalf of seven of the charging parties and issued individual right to sue letters to them. To date, no suits have been served upon the City.

***Claim of the Estate of Mario Mallett.*** On April 19, 2002, a claim was filed with the City Clerk by the estate of Mr. Mario Mallett pursuant to the December 27, 2001 death of Mr. Mallett. Mr. Mallett's death occurred while he was in the custody of City police officers. The estate claims that Mr. Mallett's death was caused by the negligence of officers, in the manner in which Mr. Mallett was taken into custody and transported to a hospital. The City has given substantive attention to this claim, and anticipates that a lawsuit will be filed that raises both state negligence and federal civil rights causes of action.

With regard to other pending or threatened litigation and unasserted claims, it is the opinion of the City Attorney that such litigation and claims will not be finally determined so as to result individually or in the aggregate in a final judgment against the City which would affect its financial position or that of the Sewerage System.

### LEGAL OPINION

The legal opinion of Hawkins, Delafield & Wood, New York, New York, and Quarles & Brady LLP, Milwaukee, Wisconsin, Bond Counsel, will be delivered to the purchasers of the Series 2003 Bonds. A draft of the legal opinion for the Series 2003 Bonds is included herein as Appendix C.

## **TAX STATUS**

In the opinion of Bond Counsel, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, interest on the Series 2003 Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”) and is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. In rendering their opinion, Bond Counsel has relied on certain representations, certifications of fact, and statements of reasonable expectations made by the City and others in connection with the Series 2003 Bonds and Bond Counsel has assumed compliance by the City with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Series 2003 Bonds from gross income under Section 103 of the Code.

Bond Counsel expresses no opinion regarding any other Federal or state tax consequences with respect to the Series 2003 Bonds. Bond Counsel renders their opinion under existing statutes and court decisions as of the issue date, and assumes no obligation to update their opinion after the issue date to reflect any future action, fact or circumstance, or change in law or interpretation, or otherwise. Bond Counsel expresses no opinion on the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel on the exclusion from gross income for Federal income tax purposes of interest on the Series 2003 Bonds.

### **Certain Ongoing Federal Tax Requirements and Covenants**

The Code establishes certain significant ongoing requirements that must be met subsequent to the issuance and delivery of the Series 2003 Bonds in order that interest on the Series 2003 Bonds be and remain excluded from gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to use and expenditure of gross proceeds of the Series 2003 Bonds, yield and other restrictions on investments of gross proceeds, and the arbitrage rebate requirement that certain excess earnings on gross proceeds be rebated to the Federal government. Noncompliance with such requirements may cause interest on the Series 2003 Bonds to become included in gross income for Federal income tax purposes retroactive to their issue date, irrespective of the date on which such noncompliance occurs or is discovered. The City has covenanted to comply with certain applicable requirements of the Code to assure the exclusion of interest on the Series 2003 Bonds from gross income under Section 103 of the Code.

### **Certain Collateral Federal Tax Consequences**

The following is a brief discussion of certain collateral Federal income tax matters with respect to the Series 2003 Bonds. It does not purport to address all aspects of Federal taxation that may be relevant to a particular owner of a Series 2003 Bond. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the Federal tax consequences of owning and disposing of the Series 2003 Bonds.

Prospective owners of the Series 2003 Bonds should be aware that the ownership of such obligations may result in collateral Federal income tax consequences to various categories of persons, such as corporations (including S corporations and foreign corporations), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security and railroad retirement benefits, individuals otherwise eligible for the earned income tax credit, and taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is not included in gross income for Federal income tax purposes. Interest on the Series 2003 Bonds may be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

Legislation affecting municipal bonds is regularly proposed. There can be no assurance that legislation enacted or proposed by the United States Congress after the date of issuance of the Series 2003 Bonds will not have an adverse effect on the tax-exempt status or market price of the Series 2003 Bonds.

### **State Tax Matters**

Interest on the Series 2003 Bonds is not exempt from State of Wisconsin income tax or franchise tax.

## **NO DESIGNATION AS QUALIFIED TAX-EXEMPT OBLIGATIONS**

The Issuer will not designate the Series 2003 Bonds as “qualified tax-exempt obligations” for purposes of Section 265 (b)(3) of the Code relating to the ability of certain financial institutions (within the meaning of Section 265(b)(5) of the Code) to deduct from income for federal income tax purposes, 80% of the interest expense that is allocable to carrying and acquiring tax-exempt obligations.

## **CONTINUING DISCLOSURE**

In order to assist an underwriter in complying with Rule 15c2-12 of the Securities and Exchange Commission, the City will provide a Continuing Disclosure Certificate (the "Certificate") to the purchaser of the Series 2003 Bonds (see "Appendix E - Form of the Continuing Disclosure Certificate"). The Certificate will constitute a written agreement, or contract, of the City for the benefit of holders of, and owners of beneficial interest in, the Series 2003 Bonds to provide certain information as described in the Certificate. The continuing obligation to provide annual financial information and notices as described in the Certificate will terminate with respect to the Series 2003 Bonds when the Series 2003 Bonds are no longer outstanding. Any failure by the City to comply with the Certificate will not constitute a default with respect to the Series 2003 Bonds. The City has not failed to comply in any material respect with any previous written contract similar to the Certificate.

## **RATINGS**

The City has requested ratings on the Series 2003 Bonds from FITCH Ratings., Moody’s Investors Service, Inc. and from Standard & Poor’s Ratings Group. FITCH Ratings, Inc. has assigned a rating of “\_\_\_” on the Series 2003 Bonds, Moody’s Investors Service has assigned a rating of “\_\_\_” on the Series 2003 Bonds and Standard & Poor’s Rating Group has assigned a rating of “\_\_\_”, on the Series 2003 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 therefrom. There is no assurance that the ratings will remain in effect for any given period of time or that they will not be revised, either upward or downward, or withdrawn entirely, by the respective agencies, if, in their judgment, circumstances so warrant. A revision or withdrawal of the credit rating could have an effect on the market price of the Series 2003 Bonds.

## **FINANCIAL ADVISOR**

Robert W. Baird & Co. has been retained as Financial Advisor to the City in connection with the issuance of the Series 2003 Bonds. The Financial Advisor has requested and the City has consented to the Financial Advisor submitting bids, on behalf of underwriters, for the Series 2003 Bonds.

## **UNDERWRITING**

The Series 2003 Bonds have been purchased at competitive bidding conducted on June 5, 2003.

The award of the Series 2003 Bonds was made to \_\_\_\_\_, its co-managers and associates, if any.

The public reoffering prices or yields of the Series 2003 Bonds are detailed on the inside front cover of the Final Official Statement.

## **LEGISLATION**

The City is not aware of any pending legislation that would cause significant adverse consequences to either the Series 2003 Bonds or the financial condition of the City's Sewerage System.

## **CLOSING DOCUMENTS AND CERTIFICATES**

Simultaneously with the delivery of and payment for the Series 2003 Bonds by the Underwriter thereof, the City will furnish to the Underwriter 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 opinion as to the legality of the Series 2003 Bonds under Wisconsin law and as to the tax-exempt status of the interest thereon for federal income tax purposes with respect to the Series 2003 Bonds, rendered by Hawkins, Delafield & Wood, New York, New York and Quarles & Brady LLP, Milwaukee, Wisconsin, Bond Counsel, in substantially the form as set forth in Appendix C;
- (5) copies of this Official Statement issued in conjunction with the Series 2003 Bonds within seven business days after the sale of the Series 2003 Bonds in accordance with SEC Rule 15c2-12(b)(3);
- (6) a Continuing Disclosure Certificate; and
- (7) a statement to the effect that this Official Statement, to the best of its knowledge and belief as of the date of sale and the date of delivery, is true and correct in all material respects and does not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made herein, in light of the circumstances under which they were made, not misleading.

## **REPRESENTATIONS OF THE CITY**

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

## **ADDITIONAL INFORMATION**

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

W. MARTIN MORICS, City Comptroller and Secretary  
City of Milwaukee, Public Debt Commission  
City Hall - Room 404, 200 East Wells Street  
Milwaukee, Wisconsin 53202  
(414) 286-2301

/s/ \_\_\_\_\_  
Comptroller  
City of Milwaukee, Wisconsin

June \_\_, 2003