

PRELIMINARY OFFICIAL STATEMENT DATED AUGUST __, 2005

**NEW ISSUE
BOOK ENTRY ONLY**

RATINGS: Fitch Moody's Standard & Poor's
The Notes: "F1+" "MIG 1" "SP1+"
(See "RATINGS" herein)

In the opinion of Bond Counsel, under existing statutes and court decisions and assuming compliance with certain tax covenants described herein, interest on the Notes 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 interest on the Notes 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 Notes.) Interest on the Notes is not exempt from State of Wisconsin income or franchise tax.

\$200,000,000*

**CITY OF MILWAUKEE, WISCONSIN
SCHOOL REVENUE ANTICIPATION NOTES, SERIES 2005 M6
(Not a general obligation of the City)**

Dated: Expected Date of Delivery

Due: September 7, 2006

The School Revenue Anticipation Notes, Series 2005 M6 (the "Notes") are issued in fully registered form in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York. Individual purchases will be made in the principal amounts of \$5,000 or any integral multiple thereof and will be in book-entry-form only. Purchasers will not receive certificates representing their beneficial ownership in the Notes. Interest shall be payable at maturity. The Notes are not a general obligation of the City, do not constitute an indebtedness for the purpose of determining the City's constitutional debt limitation, and no tax shall be levied to pay the Notes or the interest thereon. The Notes are not subject to redemption prior to maturity.

<u>Amount*</u>	<u>Rate</u>	<u>Yield</u>
\$200,000,000		

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

The Notes have been offered for sale by competitive bid in accordance with the Official Notice of Sale dated **August 3, 2005** and are being issued subject to the legal opinion of Hawkins Delafield & Wood LLP, New York, New York, and Quarles & Brady LLP, Milwaukee, Wisconsin, Bond Counsel to the City, and other conditions specified in the Official Notice of Sale. Delivery of the Notes will be on or about September 8, 2005 (the "Expected Date of Delivery") in New York, New York.

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

For Further Information Contact:

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

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

**SEALED AND ELECTRONIC BIDS FOR THE NOTES WILL BE RECEIVED
UP TO 10:00 A.M. (C.D.S.T.) ON THURSDAY, AUGUST 18, 2005**

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

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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 (“City”), Milwaukee Public Schools (“MPS”) and the offering of \$200,000,000* School Revenue Anticipation Notes, Series 2005 M6 of the City dated the Expected Date of Delivery (the “Notes”).

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

SUMMARY STATEMENT

Issuer:	City of Milwaukee, Wisconsin.
Issue:	\$200,000,000* School Revenue Anticipation Notes, Series 2005 M6.
Dated Date:	Expected Date of Delivery.
Sale Date and Time:	August 18, 2005, 10:00 A.M. C.D.S.T.
Maturity:	September 7, 2006.
Principal Amount:	\$200,000,000*
Interest:	Calculated at 359 days on a 360-day basis.
Denominations:	\$5,000 or integral multiples thereof.
Purpose:	To finance MPS operations on an interim basis pending receipt of State school aid payments.
Security:	<p>MPS and the City have pledged and will irrevocably segregate upon receipt, school State Aid Payments in an amount sufficient with interest thereon, to pay, when due, the principal of and interest on the Notes. MPS and the City have also pledged all other revenues of the School Operations Fund included in the budget for the current fiscal year which are due MPS, which have not been received as of the date of delivery of the Notes, and which are not otherwise pledged or assigned. The City has also pledged surplus revenues of the City’s Debt Service Fund to the payment of interest on the Notes. (See “THE NOTES – SECURITY AND PURPOSE” herein.)</p> <p>The Notes are not a general obligation, do not constitute an indebtedness of the City for the purpose of determining the City’s constitutional debt limitation, and no tax shall be levied to pay the Notes or interest thereon.</p>
Authority for Issuance:	The City of Milwaukee Common Council and the Milwaukee Board of School Directors (“MBSD”) have authorized the issuance and sale of the Notes in accordance with the provisions of the City Charter and Section 67.12(1), Wisconsin Statutes.

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

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

Tax Exemption: Under existing statutes and court decisions and assuming compliance with certain tax covenants described herein, interest on the Notes is excluded from gross income for federal income tax purposes under existing statutes and court decisions pursuant to Section 103 of the Internal Revenue Code of 1986, as amended, 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 Notes are not subject to redemption prior to maturity.

Official Statement: The City will provide the original purchaser(s) of the Notes with up to 100 copies (pro rata) of this Official Statement within seven business days following the award of the Notes.

Professionals:

Bond Counsel:	Hawkins Delafield & Wood LLP New York, New York
	Quarles & Brady LLP Milwaukee, Wisconsin
Financial Advisor:	Robert W. Baird & Co. Milwaukee, Wisconsin
Fiscal Agent:	J.P. Morgan Chase New York, New York

Delivery: Delivery will be on or about September 8, 2005 (the “Expected Date of Delivery”) at the expense of the City, through the facilities of The Depository Trust Company (“DTC”), New York, New York.

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

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

THE NOTES

AUTHORITY

Pursuant to Sections 65.05 and 119.46 of the Wisconsin Statutes, MBSD has full responsibility for its budget expenditures, and the required tax levy. These requirements are included with the City's financial requirements and thereupon MBSD is effectively treated as a department of the City.

Pursuant to a resolution adopted on **June __, 2005**, MBSD has determined that it will be necessary to finance the operating budget of MPS on an interim basis, and has requested the City to issue notes pursuant to Section 67.12(1), Wisconsin Statutes, for that purpose.

The Common Council of the City has authorized the issuance and sale of the Notes through adoption of a resolution on **July 26, 2005** in accordance with the provisions of the City Charter and Section 67.12(1), Wisconsin Statutes, which reads as follows:

“67.12 Temporary borrowing and borrowing on promissory notes.

(1) BORROWING IN ANTICIPATION OF REVENUES. (a) Except for school districts and vocational, technical and adult education districts, any municipality that becomes entitled to receive federal or state aids, taxes levied or other deferred payments may, in the same fiscal year it is entitled to receive the payments, issue municipal obligations in anticipation of receiving the payments. The municipal obligations issued under this paragraph shall not exceed 60% of the municipality's total actual and anticipated receipts in that fiscal year and shall be repaid no later than 18 months after the first day of that fiscal year.

(b) Any municipality may issue municipal obligations in anticipation of receiving proceeds from bonds or notes the municipality has authorized or covenanted to issue under this Chapter or from grants that are committed to the municipality. Any municipal obligation issued under this paragraph may be refunded one or more times. Such obligation and any refundings thereof shall be repaid within 5 years after the date of the original obligation.

(c) Any municipality that issues a municipal obligation under this subsection shall adopt a resolution indicating the amount and purpose of the obligation and the anticipated revenue to secure the obligation and may pledge or assign all or portions of the revenue due and not yet paid as security for repayment of the obligations. Municipal obligations issued under this subsection shall be executed as provided in s. 67.08(1), may be registered under s. 67.09, and do not constitute an indebtedness for the purpose of determining the municipality's constitutional debt limitation.”

SECURITY AND PURPOSE

Pursuant to a resolution of MBSD adopted on **June __, 2005**, MBSD has authorized the City to issue the Notes, and to pledge all revenues of the School Operations Fund included in the budget for the current fiscal year which are due MBSD, which have not been received as of the date of delivery of the Notes, and which are not otherwise pledged or assigned, as security for repayment of the Notes (the “Pledged Revenues”).

The School Operations Fund is established by Section 119.46, Wisconsin Statutes, and is held by the City on behalf of MPS. Revenues from the local property tax, state aid payments and federal school aid payments are deposited into the School Operations Fund. (See “Milwaukee Public Schools-School Operations Fund Budget Fiscal year 2006 and 2005” herein.)

The Notes are being issued to fund MPS operations pending receipt of school State Aid Payments. A cash flow deficit of approximately **\$200** million is anticipated to occur in December 2005 due to the receipt of the majority of State aids and property tax revenues during December 2005 through June 2006, the last seven months of the MPS fiscal year. In contrast, MPS expenditures are relatively evenly distributed throughout the school year (See “School Operations Fund Trends” herein).

This Note issue of \$200* million is the only anticipated interim borrowing for MPS during the 2005-2006 fiscal year. (See “MILWAUKEE PUBLIC SCHOOLS - Borrowing – Future Financing” herein.)

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

Pursuant to Chapter 121.115, Wisconsin Statutes, MBSD is anticipating receipt of school State Aid Payments from the State of Wisconsin to the School Operations Fund in September and December, 2005 and in March and June, 2006. Such payments, per Section 119.50, Wisconsin Statutes, shall be received by the City Treasurer.

Pursuant to a resolution of the Common Council of the City adopted on July 26, 2005 (the “City Resolution”), the Common Council of the City has pledged the Pledged Revenues for the repayment of the Notes and has established a segregated account within the School Operations Fund to capture school State Aid Payments received under Section 121.15, Wisconsin Statutes, in June, 2006 in the principal amount of the Notes. The City Resolution also directs the City Treasurer to segregate, for payment of the Notes, June, 2006 school State Aid Payments, in the principal amount of the Notes. The City Treasurer has no discretion to otherwise apply such revenues.

The City has also covenanted to deposit by June 30, 2006, with the City’s Fiscal Agent, segregated State Aid Payments in an amount sufficient, with interest thereon, to pay, when due, the principal of and interest on the Notes.

The City has pledged surplus revenues in its Debt Service Fund to the payment of interest on the Notes. As of August 1, 2005, surplus funds available to be pledged in the City’s Debt Service Fund were approximately \$6,500,000.

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

MATURITY, INTEREST RATE(S) AND REDEMPTION

The Notes are dated the Expected Date of Delivery and will mature on September 7, 2006 without option of prior redemption. Interest is payable at maturity at the rates as shown on the cover of this Official Statement and is calculated as 359 days on a 360 day basis.

STATUTORY BORROWING LIMITATIONS

Section 67.12(1)(a) of the Wisconsin Statutes limits issuance for the purpose of the Notes to sixty percent (60%) of the Estimated School Operation Fund Revenues for 2005-2006 Fiscal Year.

Total Amount of Estimated General Fund Revenues	
Total Amount of Estimated School Operations Fund Revenues	
For the 2005-2006 Fiscal Year	\$ _____
Statutory Borrowing Limit (60% of Estimated Revenues)	\$ _____
Borrowing-School Revenue Anticipation Notes, Series 2005 M6, dated September 8, 2005	\$200,000,000
Unused Amount Following this Issue	\$ _____
Percentage of Borrowing Limit Used	_____%
Percentage of Borrowing to Estimated Revenues	_____%

MILWAUKEE PUBLIC SCHOOLS

GENERAL

MPS was established on February 3, 1846, and operates under Chapter 119 of the Wisconsin Statutes. MPS is effectively treated by State Statutes as a City department authorized by law to fix its own tax levy. MPS is governed by MBSD. The MBSD has budget adoption authority (the City must then levy and collect a tax to support the MBSD budget) and 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 and 119, 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. (See "MILWAUKEE PUBLIC SCHOOLS - Borrowing - Future Financing" herein.) As shown below, as of August 1, 2005, the City had outstanding general obligation debt for school purposes of \$121,597,070.

CITY OF MILWAUKEE OUTSTANDING GENERAL OBLIGATION DEBT FOR SCHOOL PURPOSES AS OF AUGUST 1, 2005

Year	Principal	Interest ⁽¹⁾
2005	\$11,177,301	\$4,810,864
2006	11,270,128	4,346,679
2007	10,549,472	3,816,420
2008	11,002,259	3,485,531
2009	9,379,354	2,971,506
2010	9,698,813	2,812,739
2011	8,904,859	2,306,199
2012	8,654,118	2,307,515
2013	8,139,820	2,123,766
2014	6,969,990	1,687,795
2015	6,318,937	1,970,318
2016	4,782,060	1,608,515
2017	3,480,711	2,090,740
2018	2,471,276	1,893,222
2019	2,535,738	2,589,997
2020	1,676,322	2,908,678
2021	1,433,148	2,771,852
2022	1,684,005	3,630,995
2023	1,468,761	3,486,239
	<u>\$121,597,070</u>	<u>\$53,619,573</u>

⁽¹⁾ Compound interest is included in year paid.

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

**TOTAL UNUSED DEBT MARGIN FOR THE CITY OF MILWAUKEE
AS OF AUGUST 1, 2005**

2004 Equalized Value of Taxable Property in the City		<u>\$23,491,773,700</u>
Legal Debt Limitation		
5% of Equalized Value for City Borrowing		\$1,174,588,685
General Obligation Debt Outstanding for City Borrowing		
As of August 1, 2005	\$681,613,094	
Less: Provision for 2005 Maturities	<u>(\$55,903,094)</u>	
Net General Obligation Debt Outstanding as of August 1, 2005		\$625,710,000
Total Unused Debt Margin for City Borrowing (In Dollars)		\$ 548,878,685
(As a Percentage)		46.7%
Legal Debt Limitation for School Purpose Borrowing		
2% of Equalized Value for City Borrowing		\$469,835,474
General Obligation Debt Outstanding for School Borrowing		
As of August 1, 2005	\$21,194,209	
Less: Provision for 2005 Maturities	<u>\$0</u>	
Net General Obligation Debt Outstanding for School Borrowing As of August 1, 2005		\$21,194,209
Total Unused Debt Margin (In Dollars)		<u>\$448,641,265</u>
(As a Percentage)		95.5%

**HISTORY OF FULL VALUATION IN
THE CITY OF MILWAUKEE
(1999-2004)**

<u>Levy Year</u>	<u>Collection Year</u>	<u>Full Valuation</u>	<u>Percent Increase/Decrease</u>
1999	2000	\$16,701,225,300	+2.91
2000	2001	17,344,251,400	+3.85
2001	2002	19,453,830,200	+12.16
2002	2003	20,298,387,000	+4.34
2003	2004	21,730,754,000	+7.06
2004	2005	23,491,773,700	+8.10

BORROWING-REVENUE BONDS

Neighborhood Schools Initiative

In February 2002, the Redevelopment Authority of the City of Milwaukee (the "RACM") issued \$33,300,000 of its Revenue Bonds, Series 2002A and in November 2003, RACM issued \$78,740,000 of its Revenue Bonds, Series 2003A (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 intradistrict aid received by MPS from the State.

The schedule of remaining debt service payments (net of bond proceeds expected to be used to pay capitalized interest) on the NSI Revenue Bonds is as follows:

**CITY OF MILWAUKEE
REDEVELOPMENT AUTHORITY REVENUE BONDS
ANNUAL DEBT SERVICE PAYMENTS AS OF AUGUST 1, 2005**

<u>Year ending June 30</u>	<u>Debt Service Payments</u>	<u>Year ending June 30</u>	<u>Debt Service Payments</u>	<u>Year ending June 30</u>	<u>Debt Service Payments</u>
2005	\$0	2012	\$8,974,833	2019	\$10,594,094
2006	3,203,772	2013	9,205,469	2020	10,843,059
2007	2,309,926	2014	9,422,223	2021	11,075,106
2008	6,663,799	2015	9,644,614	2022	11,338,378
2009	7,788,184	2016	9,876,640	2023	11,598,175
2010	8,689,218	2017	10,106,960	2024	11,871,609
2011	8,766,641	2018	10,348,171		

Lease Revenue Bonds

In November 1990, RACM issued \$47,730,866 of revenue bonds (the "1990 Bonds") on behalf of the Wisconsin Preservation Fund, Inc. to acquire and renovate several facilities for lease and occupancy by MPS which is utilizing the facilities as middle schools, K-8 elementary schools and various common facilities related to public education. RACM subsequently issued \$39,415,000 Development Revenue Refunding Bonds, dated April 15, 1993 (the "1993 Bonds") to advance refund certain of the 1990 Bonds.

In May 2003, the RACM issued \$34,475,000 Development Revenue Refunding Bonds, Series 2003 (the "Series 2003 Bonds") on behalf MPS to refund the 1993 Bonds.

The Series 2003 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 Series 2003 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.

The schedule of lease payments after taking into account the 2003 financing is as follows:

**REDEVELOPMENT AUTHORITY OF THE CITY OF MILWAUKEE
DEVELOPMENT REVENUE REFUNDING BONDS
(2430 West Wisconsin Avenue Project and 1600 North Martin Luther King Drive Project)
ANNUAL LEASE PAYMENTS AS OF AUGUST 1, 2005**

Year Ending	Lease	Year Ending	Lease
<u>June 30</u>	<u>Payments</u>	<u>June 30</u>	<u>Payments</u>
2005	\$ 3,913,023	2010	\$3,908,763
2006	3,908,473	2011	3,909,313
2007	3,913,473	2012	3,908,325
2008	3,906,573	2013	3,908,475
2009	3,910,973	2014	3,910,900

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, along with proceeds of a general obligation note issue, to retire MPS's 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. 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 auction rate securities. 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 2003 Series D Pension Bonds. The schedule of loan payments, after taking into account the Interest Rate Exchange Agreement, are as follows:

**REDEVELOPMENT AUTHORITY OF THE CITY OF MILWAUKEE
TAXABLE PENSION FUNDING BONDS
(Milwaukee Public Schools)
ANNUAL LOAN PAYMENTS AS OF AUGUST 1, 2005**

Year ending June 30	Loan Payments	Year ending June 30	Loan Payments	Year ending June 30	Loan Payments
2005	\$7,298,359	2019	\$7,298,359	2032	\$17,010,900
2006	7,318,568	2020	7,298,359	2033	17,543,683
2007	8,017,271	2021	8,017,271	2034	18,075,613
2008	7,278,150	2022	7,298,359	2035	18,621,529
2009	8,037,480	2023	8,037,480	2036	19,188,147
2010	7,298,359	2024	13,372,683	2037	19,763,822
2011	8,037,480	2025	13,800,872	2038	20,365,966
2012	7,278,150	2026	14,221,555	2039	20,984,891
2013	7,318,568	2027	14,655,611	2040	21,615,653
2014	8,017,271	2028	15,084,073	2041	8,744,312
2015	7,298,359	2029	15,576,390	2042	7,073,392
2016	8,017,271	2030	16,020,723	2043	6,743,580
2017	7,298,359	2031	16,524,829	2044	6,158,652
2018	8,037,480				

BORROWING - FUTURE FINANCING

The City has \$4,240,442 of authorized, but unissued, general obligation borrowing authority for School Purposes.

MPS has \$3,077,000 of Qualified Zone Academy Bond authorization for renovation and repair projects, as well as for equipment, technology, curriculum, and teacher training.

BOARD OF SCHOOL DIRECTORS

MPS is governed by a nine member Board of Directors. Eight Directors represent and are elected by Districts from within a total population of approximately 596,000. 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:

Kenneth L. Johnson, President	(2007)	Charlene Hardin	(2009)
Joseph Dannecker – Vice President	(2007)	Jennifer Morales	(2009)
Peter Blewett	(2009)	Jeff Spence	(2007)
Danny Goldberg	(2009)	Thomas F. Balistreri (At-Large)	(2007)
Barbara P. Horton	(2007)		

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	(2008)
Grant F. Langley	Attorney	(2008)
Wayne F. Whittow	Treasurer	(2008)

PUBLIC SERVICES AND FACILITIES

MPS has approximately 98,323 full-time equivalent students and 7,137 teachers. It maintains 116 elementary schools, 21 middle schools, 19 high schools, one K-12 school and 2 MPS alternative schools. 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.

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

ENROLLMENT

<u>School Year</u>	<u>Average School Daily Membership⁽¹⁾</u>	<u>School Year</u>	<u>Average School Daily Membership⁽¹⁾</u>
1993-1994	96,496	1999-2000	100,682
1994-1995	98,312	2000-2001	99,332
1995-1996	99,278	2001-2002	99,025
1996-1997	101,622	2002-2003	99,054
1997-1998	102,914	2003-2004	98,323
1998-1999	102,097	2004-2005	

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

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 the School Operations Fund. The audited financial statements of this and other funds under the control of MPS for the year ended June 30, 2004 are set forth in Appendix A of this Official Statement.

INSURANCE

MPS carries Commercial General Liability Insurance, Auto Liability, Umbrella Excess Liability Insurance, and School Leaders Errors and Omissions 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 \$ recorded in the School Operations Fund and \$ in the General Long-Term Obligations Account Group represents an estimate of the amount of claims incurred, but not paid or reported as of June 30, 2004.

INVESTMENT POLICIES

The City may invest any of its funds, including MPS funds, not immediately needed in accordance with Section 66.04(2) 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 MPS funds, in: (a) Certificates of Time Deposit at approved public depositories limited to the equity capital or net worth of the financial institution with collateralization required when total deposits at any institution exceed \$500,000; (b) Repurchase Agreements with public depository institutions; (c) the State of Wisconsin Local Government Investment Pool; (d) U.S. Treasury and Agency instruments and (e) commercial paper which has a rating in the highest or second highest rating category assigned by Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., Moody's Investors Services, Inc., or some other similar nationally recognized rating agency. To the extent possible, the City Treasurer attempts to match investments with anticipated cash flow requirements. No limits have been placed on how much of the portfolio can be invested in any of the above investment categories.

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

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

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

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

The Local Government Investment Pool is a local option City depository. The City utilizes the Local Government Investment Pool in a manner similar to a "money market" account. When other investment options provide more favorable results, such options are utilized. As of June 30, 2005, the City had approximately 25.5% (\$93,256,757) of its and MPS's investments deposited in the Local Government Investment Pool.

REVENUES OF MILWAUKEE PUBLIC SCHOOLS

SOURCES OF FUNDING

In addition to borrowing, MPS revenues are derived from three major sources - local property taxes, state school aids and federal school aids. Sources of MPS revenues are detailed in the four year summary presented under the caption "REVENUES OF MILWAUKEE PUBLIC SCHOOLS - School Operations Fund Trends".

LOCAL PROPERTY TAX

Property taxes levied on behalf of MPS by the City account for a significant portion of the School Operations Fund revenues available to MPS. For the fiscal years 2001-2002 and 2002-2003, MPS's share of the levy produced approximately \$158,610,459 and, \$162,696,867 respectively, of the total revenues to the School Operations Fund. MPS's 2003-2004 School Operations Fund revenues are budgeted at \$936,349,551 of which City ad valorem property taxes are estimated at \$163,554,998, an increase of approximately 0.53% from 2002-2003.

MILWAUKEE PUBLIC SCHOOLS

PROPERTY TAX LEVIES⁽¹⁾

ALL FUNDS

(1999-2004)

<u>Levy Year</u>	<u>Collection Year</u>	<u>Taxes Levied</u>
1999	2000	160,561,007
2000	2001	169,720,932
2001	2002	174,734,593
2002	2003	181,046,151
2003	2004	183,198,437
2004	2005	\$

(1) Exclusive of Tax Incremental District levies.

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

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

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

The assessed value of a property is intended to represent current full market (cash) value and, with certain exceptions, is determined from manuals and associated data published by the State Department of Revenue. The State Department of Revenue certifies the competency of local assessors and supervises the administration of all laws concerning the valuation and assessment of taxable property and the levying of property taxes. Annually, the

Department analyzes sales data reported to the Register of Deeds for each county to determine the relative level of local assessments to actual market sales. This process is referred to as “equalization”. The ratios developed by the Department of Revenue are reported to each assessor.

Assessed valuation represents the value upon which ad valorem property taxes are levied. Wisconsin law requires that assessed values in any taxation district be established within 10% of “full value,” as determined by the Department of Revenue, at least once during each four year period ending with the current year. If a district fails to meet this criteria in any year, the district’s assessors are subject to special supervision by Department of Revenue employees during the ensuing assessment year. For 2004, the City’s ratio of assessed to equalized value, as reported by the Department of Revenue, was 96.85 percent. Full values of any two major classes of property must also be within 10% during such four-year period or State Revenue Department supervision is required.

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

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

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

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

Mill Levies Affecting MPS Property Owners - In 1996, the Governor and the State legislature approved reducing funding for schools from property taxes. On a statewide basis, Wisconsin approved increasing its proportionate share of school aid from 40% to at least 66.7% beginning in 1996-1997.

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

The 2004 levies (collected in 2005) for non-MBSD purposes were as follows:

City of Milwaukee	\$191,900,000
Milwaukee County	\$103,800,000
MATC	\$44,200,000
Metropolitan Sewerage District	\$35,000,000
State Forestry Tax	\$4,700,000

The net tax rate for all taxing jurisdictions in 2004 was \$25.86 per assessed thousand of property valuation.

Property Tax Collections - Taxes levied in one year are collected in the succeeding year. Thus, taxes certified in 2005 will be collected in 2006. Taxes are due on January 31st in the year of collection; however, taxes on real

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

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

SCHOOL AIDS

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

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

Based on the 2003-05 budget adopted by the State Legislature, MPS expects that State Aid will increase from 51.5% of the MPS budget during the 2002-03 school year to approximately 54% of the MPS budgets for the 2003-04 and 2004-05 school years.

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

GENERAL AIDS

Equalization Aid

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

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

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

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

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

ANNUAL REVENUES PER PUPIL

	<u>Statewide</u>			<u>Milwaukee</u>		
	<u>2002-2003</u>	<u>2001-2002</u>	<u>2000-2001</u>	<u>2002-2003</u>	<u>2001-2002</u>	<u>2000-2001</u>
Revenue/Pupil	\$10,149	\$9,821	\$9,011	\$10,962	\$10,300	\$9,264
Federal Share (%)	5.75	5.47	4.95	13.08	13.18	11.94
State Share (%)	52.98	53.27	55.32	64.18	65.85	68.21
Local Share (%)	41.27	41.26	39.73	22.74	20.97	19.85

Integration Aid

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

The State provides for intradistrict transfer aid as well as interdistrict transfer aid. Intradistrict aid is calculated by multiplying the number of eligible transfer pupils by .25 and multiplying the product by the district's current equalization aid per pupil.

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

CATEGORICAL AIDS

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

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

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

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

School library aid paid from the common school fund under Article 10, sections 4 and 5 of the Wisconsin Constitution and Section 43.70 of the Wisconsin Statutes, is distributed on the basis of the number of children between age 4 and 20 residing in the district as of June 30 of the year before payments are made. School library aid payments to MPS for 2003-2004 were \$2,590,460 or \$15.98 per child.

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

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

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

PARENTAL CHOICE PROGRAM

Beginning in the 1990-91 school year, low-income children constituting up to 1.5% of the pupils in grades kindergarten to 12 residing in the City and enrolled in MPS may attend at no charge any private non-sectarian school located in the City which meets all public school health and safety laws and codes, complies with federal non-discrimination laws and meets a standard of advancement, attendance, academic progress, or parental involvement. Beginning in the 1996-97 school year, no more than 15% of the school district's membership may attend private school under Wisconsin Statute 119.23. Upon proof of a pupil's enrollment in the private school the State Superintendent provides a proportionate share of basic and supplemental State school aids. Prior to fiscal year 2000, payments to Parental Choice Schools were deducted from MPS aid entitlements. Beginning with fiscal year 2000, these payments were made from an appropriated sum sufficient for this purpose.

For the 2003-04 school year, approximately 12,800 low-income children enrolled in the Milwaukee Parental Choice Program.

FEDERAL SCHOOL AIDS

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

The federal government provides basic school lunch aid to school districts. This program is administered by the State Department of Public Instruction. For the 2003-2004 school year, MPS received in excess of \$22,500,000 in basic lunch aid under the federal program administered by the United States Department of Agriculture through the Wisconsin Department of Public Instruction.

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

For the year 2003-2004, total federal aids to MPS for food services and other categorical aids are estimated to be approximately \$135,000,000.

GENERAL FUND TRENDS

Equalization aid revenues in the 2002-2003 school year rose by approximately \$15 million due to increased shared costs in the previous year. Property tax revenues increased almost \$4 million.

Total expenditures increased \$63 million in 2002-2003 over the previous year. Expenditures for instructional services were 59% of total expenditures, approximately the same as it has been for the last four years. The District remains under a revenue cap limitation first imposed in 1993-1994. Despite this restriction, MPS expects to provide all necessary instructional and operating services without major disruptions.

**MILWAUKEE PUBLIC SCHOOLS
GENERAL FUND ⁽¹⁾
FOUR YEAR SUMMARY**

	2004 <u>Year End ⁽²⁾</u>	2003 <u>Year End ⁽³⁾</u>	2002 <u>Year End ⁽²⁾</u>	2001 <u>Year End ⁽¹⁾</u>
Revenues				
Property tax levy	\$164,834,180	\$166,054,974	\$161,632,008	\$157,722,667
Other local sources	9,106,065	10,384,593	9,680,243	15,366,978
State aid:				
Equalization aid	575,069,738	556,169,239	541,388,517	530,389,369
Special classes	40,437,993	40,312,755	41,148,872	40,368,704
Integration	39,437,167	38,717,298	38,830,913	38,440,145
Other state aid	50,393,039	48,330,871	45,394,469	40,951,986
Federal aid:				
Education Consolidation Improvement Act	59,694,854	55,238,900	48,563,189	55,354,654
Erate Refunds	-	857,304	-	-
Other federal aid	63,564,038	65,769,875	54,871,879	37,731,529
Interest and investment earnings	761,505	163,109	-	-
Total Revenues	<u>1,003,298,579</u>	<u>981,998,918</u>	<u>941,510,090</u>	<u>916,326,032</u>
Expenditures				
Current operating:				
Instructional services:				
Undifferentiated curriculum	426,491,163	394,787,592	355,934,282	320,617,524
Regular and other curriculum	103,609,583	113,717,969	110,567,911	110,455,959
Special curriculum	97,023,789	95,307,418	93,443,822	87,734,737
Total instructional services	<u>627,124,535</u>	<u>603,812,979</u>	<u>559,946,015</u>	<u>518,808,220</u>
Community services	18,191,494	21,442,778	18,312,322	6,100,828
Pupil and staff services	82,254,854	106,437,367 ⁽⁸⁾	84,849,657	83,973,255
General and school building administration	116,968,619	115,847,360 ⁽⁸⁾	82,821,806	74,585,940
Business services	156,312,056	164,931,353	150,643,630 ⁽⁶⁾	139,612,052
Debt Service	6,993,472	842,767		
Other	1,383,820	1,400,556 ⁽⁸⁾	54,246,349	60,739,866
Capital outlay:				
Sites and buildings	-	-	-	5,694,450
Furniture and equipment	-	-	-	14,991,028
Total Expenditures	<u>1,009,228,850</u>	<u>1,014,715,160</u>	<u>950,819,779</u>	<u>904,505,639</u>
Excess of revenues over (under) expenditures	(5,930,271)	(32,716,242)		
Proceeds from pension bonds	168,051,136			
Payment for refunded pension debt	<u>(165,505,293)</u>			
Capital Leases				5,620,094
Transfers in (out)			(351,168)	
Total Other Financing Sources(uses)	2,545,843		(351,168)	5,620,094
Net Change in Fund Balances	(3,384,428)	(32,716,242)	(9,660,857)	17,440,487
Fund balance - beginning of year	\$85,192,674	\$117,908,916	-	-
Fund balance - beginning of year, as restated	-	-	127,569,773 ⁽⁵⁾	100,961,458 ⁽⁴⁾
Fund balance - end of year	\$81,808,246	\$85,192,674	\$117,908,916	\$118,401,945

(1) 2002 reflects the GASB 34 reporting format. 2001 follows the previous GAAP reporting format. Therefore information for the year 2002 is not directly comparable to 2001.

(2) Source: Comprehensive Annual Financial Reports, Schedule 2, for 2000 & 2001.

(3) Source: Comprehensive Annual Financial Report for June 30, 2002, p.35.

(4) In 2001, due to GASB Statement 33, Beginning Fund balance was increased to reflect \$26,030,783 of property taxes levied in the prior year and deferred as of June 30, 2000.

(5) In 2002, due to GASB Interpretation 6, Beginning Fund balance was increased to reflect \$5,985,503 of Accrued Compensated Balances, and \$3,182,325 of Self-insurance claims.

(6) Also in 2002, due to GASB Statement 34, \$24,377,764 of Capital Outlay was allocated among the expense category and the remainder was moved to the Construction Fund.

(7) Source: Comprehensive Annual Financial Report for June 30, 2003, p. 13

(8) Expenditures, Other: In 2003, due to GASB 34, most of the "Other" category has been reallocated, primarily to Pupil and staff services, and to General and school building administration.

(9) Source: Comprehensive Annual Financial Report for June 30, 2004, p. 51.

**Milwaukee Public Schools
School Operations Budget
Fiscal year 2005 and 2004**

	2004-05 Budget ⁽¹⁾	2003-2004 Budget ⁽²⁾
REVENUES		
Locally Generated:		
Property Tax Levy	191,168,035	163,554,998
Other Local Sources	8,621,413	70,903,271
Subtotal	199,789,448	234,458,269
State Aid:		
Equalization Aid	570,851,088	575,069,738
Special Education	40,050,000	40,762,610
Integration	39,795,793	39,437,167
Other	13,548,115	12,926,767
Subtotal	664,244,996	668,196,282
Federal Aid:		
School Nutrition Commodities & Fed. Indirect	30,285,344	29,165,000
Other	4,000,000	4,530,000
Subtotal	34,285,344	33,695,000
TOTAL REVENUES	898,319,788	936,349,551
plus Use of Surplus	4,897,374	1,300,000
TOTAL SOURCES OF FUNDS	903,217,162	937,649,551
EXPENDITURES ⁽³⁾		
Instructional Services	562,836,902	512,236,493
Support Services	340,380,260	425,413,058
TOTAL EXPENDITURES	903,217,162	937,649,551
SUMMARY		
Total Revenues and Use of Surplus	903,217,162	937,649,551
Total Expenditures	(903,217,162)	(937,649,551)
Difference	\$ -	\$ -

⁽¹⁾ Initial Fiscal 2005 School Operations Fund Budget approved in June 2004.

⁽²⁾ Final Fiscal 2004 School Operations Fund Budget approved in October 2003.

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

The management of MPS has prepared the projected financial information set forth below to present the cash flow needs of MPS for the fiscal year 2004-2005. It is the belief of MPS management that these projections are reasonable and reflect the best current estimates and judgments regarding future cash flows. MPS's independent auditors have not compiled, examined, or performed any procedures with respect to the prospective financial information set forth below, nor have they expressed any opinion or any form of assurance on such information or its achievability, and assume no responsibility for, and disclaim any association with, this prospective financial information.

MILWAUKEE PUBLIC SCHOOLS
SCHOOL OPERATIONS FUND MONTHLY CASH FLOW SUMMARY
2004-2005 ACTUAL RESULTS (UNAUDITED)
2005-2006 PROJECTED
(Millions of Dollars)

	<u>Beginning Cash</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Ending Cash</u>
	<u>Balance (Deficit)</u>			<u>Balance (Deficit)</u>
July, 2003	55.272	16.489	68.547	3.214
August	3.214	24.827	68.321	(40.280)
September	(40.280)	235.834 ⁽¹⁾	74.835	120.719
October	120.719	12.612	99.088	34.243
November	34.243	37.393	81.899	(10.263)
December	(10.263)	173.986	103.298	60.425
January, 2004	60.425	129.515	118.388	71.552
February	71.552	51.973	96.952	26.573
March	26.573	169.341	92.381	103.533
April	103.533	54.400	89.308	68.625
May	68.625	31.755	87.045	13.335
June, 2004	13.335	323.905	287.233 ⁽¹⁾	50.007

PROJECTED

	<u>Beginning Cash</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Ending Cash</u>	<u>Ending Cash</u>
	<u>Balance (Deficit)</u>			<u>Balance (Deficit)</u>	<u>Balance Including</u>
					<u>Note Proceeds</u>
July, 2004	50.007	24.393	82.408	(8.008)	(8.008)
August	(8.008)	21.396	37.685	(24.297)	(24.297)
September	(24.297)	95.146	83.541	(12.692)	159.308
October	(12.692)	12.567	93.501	(93.626)	78.374
November	(93.626)	28.728	92.307	(157.205)	14.795
December	(157.205)	168.026	136.314	(125.494)	46.506
January, 2005	(125.494)	142.756	95.719	(78.457)	93.543
February	(78.457)	76.616	104.076	(105.917)	66.083
March	(105.917)	182.769	99.724	(22.872)	149.128
April	(22.872)	40.822	96.643	(78.693)	93.307
May	(78.693)	33.292	94.434	(139.835)	32.165
June, 2005	(139.835)	328.232	117.973	70.424	70.424 ⁽²⁾

⁽¹⁾ Includes \$172,000,000 School Order Notes, Series 2004 M5.

⁽²⁾ Balance after repayment of 200,000,000 Note principal.

MILWAUKEE PUBLIC SCHOOLS
SCHOOL OPERATIONS FUND - PROJECTED CASH FLOW SUMMARY
JULY 1, 2005 - JUNE 30, 2006
(Millions of Dollars)

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Total
Balance	50.007	(8.008)	(24.297)	159.308	78.374	14.795	46.506	93.543	66.083	149.128	93.307	32.165	
RECEIPTS													
Property Taxes							104.083	29.162	5.512	7.918	5.140	39.353	191.168
Integration Aid												39.796	39.796
Computer Aid											4.370		4.370
State Aid													
Equalization Aid	10.503		84.693			139.492			140.115			196.161	570.964
Other					6.008	6.686	10.557	6.007	6.007	1.800	1.750	10.413	49.228
Categorical Aid	7.610	15.825	1.773	6.647	13.612	11.321	8.052	31.258	21.241	20.885	11.503	27.164	176.891
Nutrition	4.301		1.480	0.130	0.641	3.046	2.462	2.489	2.132	2.208	2.589	2.907	24.385
Other Local Receipts	1.700	1.700	1.700	1.700	1.700	1.700	1.700	1.700	1.700	1.700	1.700	1.700	20.400
Local Revenues	0.279	0.047	1.500	0.090	0.005	0.019	0.140	0.238	0.300	0.549	0.478	4.976	8.621
Financing Receipts													
Note Proceeds			172.000										172.000
Other Financing		3.824	4.000	4.000	6.762	5.762	15.762	5.762	5.762	5.762	5.762	5.762	68.920
Total Receipts	24.393	21.396	267.146	12.567	28.728	168.026	142.756	76.616	182.769	40.822	33.292	328.232	1,326.743
DISBURSEMENTS													
Salaries and Benefits	53.001	17.586	63.434	71.946	70.822	103.738	69.019	72.054	72.460	71.328	70.729	71.645	807.763
Services & Supplies	27.707	17.489	17.498	18.946	11.096	20.052	18.329	23.651	15.662	16.944	15.334	34.726	237.434
Other Local Expenses	1.700	1.700	1.700	1.700	1.700	1.700	1.700	1.700	1.700	1.700	1.700	1.700	20.400
Disbursement of													
Borrowed Proceeds		0.910	0.909	0.909	6.671	6.671	6.671	6.671	6.671	6.671	6.671	6.671	56.096
Note Principal												172.000	172.000
Debt Service					2.018	4.153			3.231			3.231	12.633
Total Disbursements	82.408	37.685	83.541	93.501	92.307	136.314	95.719	104.076	99.724	96.643	94.434	289.973	1,306.326
Balance	(8.008)	(24.297)	159.308	78.374	14.795	46.506	93.543	66.083	149.128	93.307	32.165	70.424	

THE CITY OF MILWAUKEE

GENERAL

The City of Milwaukee, Wisconsin (the “City”), is located on the western shore of Lake Michigan in southeastern Wisconsin. The City is the hub of the metropolitan area and a thriving place to live and work. Milwaukee is Wisconsin’s largest city with a population of 593,920 and is the principal trade, service and financial center of southeastern Wisconsin. The surrounding Standard Consolidated Metropolitan Statistical Area (SCMSA) consisting of Milwaukee, Waukesha, Washington, Ozaukee, and Racine Counties, has a population of nearly 1.6 million. This SCMSA is the 24th largest metropolitan area in the United States.

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.

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

CITY OF MILWAUKEE SELECTED ECONOMIC DATA

	<u>Population</u> ⁽¹⁾	<u>Per Capita Average Income</u>	<u>Per Capita Household Income</u>	<u>Per Capita Equalized Value</u>
1999	608,150	\$13,780	\$35,830	\$27,462
2000	605,572	14,170	36,830	28,641
2001	595,508	14,147	36,339	32,667
2002	595,958	13,420	34,320	34,022
2003	595,245	13,680	35,436	36,507
2004	593,920	Not Available	Not Available	39,554

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

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

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BUILDING PERMITS

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

General

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

Residential Building

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

Commercial Building

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

Public Building

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

Alterations And Additions

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

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

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

BANK DEPOSITS

The following table illustrates a five-year history of bank deposits for the largest banks in the City. (In Thousands of Dollars)

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

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

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

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

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

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

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

⁽⁷⁾ As of March 2005.

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

⁽⁹⁾ No data available as of March 2005.

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

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

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

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

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

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

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

EMPLOYMENT AND INDUSTRY

During 2004, the City's unemployment rate averaged approximately 9.3%. Presented below are annual unadjusted unemployment rates for the City of Milwaukee, as compared to the State of Wisconsin and the United States for the period 2000 through December 2004.

Note: June 2005 figures are not yet available

<u>Year</u>	<u>City of Milwaukee</u>	<u>Milwaukee - Waukesha Metropolitan Area</u>	<u>State of Wisconsin</u>	<u>United States</u>
2004	9.3%	5.8%	4.9%	5.5%
2003	9.7	6.1	5.6	6.0
2002	9.6	6.0	5.5	5.8
2001	7.7	4.7	4.5	4.7
2000	6.6	3.8	3.6	4.0

Source: U.S. Bureau of Labor Statistics.

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

CITY OF MILWAUKEE
ESTABLISHMENTS AND EMPLOYMENT BY INDUSTRY GROUP
2004 ⁽¹⁾

<u>NAICS Description</u>	<u>Number of Establishments</u>	<u>Average Employment</u>
Agriculture, Forestry, Fishing & Hunting	3	8
Mining	6	36
Utilities	22	1,553
Construction	778	7,608
Manufacturing	862	39,650
Wholesale Trade	912	12,090
Retail Trade	1,558	20,736
Transportation & Warehousing	413	12,566
Information	245	8,938
Finance & Insurance	776	24,853
Real Estate & Rental & Housing	537	4,486
Professional & Technical Services	1,495	17,283
Management of Companies & Enterprises	132	11,232
Administrative & Waste Services	782	24,526
Educational Services	348	32,236
Health Care & Social Services	1,658	59,092
Arts, Entertainment, & Recreation	166	6,405
Accommodation & Food Services	1,107	21,625
Other Services, Excluding Public Administration	1,995	10,558
Public Administration	41	17,302
Unclassified	2	9
Total	<u>13,838</u>	<u>332,790</u>
All Government	241	45,667
Private Sector	<u>13,597</u>	<u>287,123</u>
Total	<u>13,838</u>	<u>332,790</u>

NOTE: Due to the method of reporting in prior years, the information stated above is incompatible with the data provided in previous years. The Wisconsin Department of Workforce Development changed its method of reporting data from the old system of Standard Industry Classification (SIC) to the new North American Industry Classification System (NAICS). The impact changed the number of industries reported from four subsectors to ten subsectors. The new method and format of reporting data is also incompatible with previous data sets by industry under the former SIC structure.

⁽¹⁾ Information represents second quarter 2004.

Source: Wisconsin Department of Workforce Development.

TEN LARGEST TAXPAYERS WITH 2004 ASSESSED VALUATIONS

US Bank (fna First Security Bank)	\$221,108,570
Northwestern Mutual Life Ins.	166,455,780
Teachers Insurance & Annuity/TIAA Realty	104,989,070
Towne Realty	85,265,870
M & I Marshall & Ilsley Bank/Metavante Corp	79,325,020
Metropolitan Associates	76,535,640
Marcus Corp/Milw City Center/Pfister	71,423,920
Miller Brewing	71,372,250
100 E. Wisconsin Ave Joint Venture	56,967,650
Great Lakes REIT/GLR Milw Center	56,455,410

Source: City of Milwaukee, Assessor's Office.

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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 Notes. The Notes will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered bond certificate will be issued for each maturity of the Notes, in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2 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.

Purchases of Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Notes on DTC’s records. The ownership interest of each actual purchaser of each Security (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Notes are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Notes, except in the event that use of the book-entry system for the Notes is discontinued.

To facilitate subsequent transfers, all Notes deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Notes with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Notes; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Notes are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

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 Notes 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 Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Notes will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from 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 Notes at any time by giving reasonable notice to Issuer or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered to DTC.

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

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

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LEGAL MATTERS

LITIGATION

Milwaukee Public Schools, its board, 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. Milwaukee Public Schools does carry Commercial General Liability Insurance, Umbrella General Liability Insurance and School Teachers Error and Omissions Insurance. In §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 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 and which individually represent a maximum potential loss exposure in excess of \$1 million, existing on August 16, 2004.

Jamie S., et al v. Milwaukee Board of School Directors, et al, USDC Case number 01-C-0928. This is a federal civil rights suit, pending in the U.S. District Court, Eastern District of Wisconsin. It is filed on behalf of MPS special education students, alleging violations of the Individuals with Disabilities Education Act, the Rehabilitation Act of 1973 (Sec. 504) and Section 1983 of the Civil Rights Act of 1871 (42 U.S.C. 1983). The suit alleges that MPS violated the statutory and constitutional rights of the named plaintiffs as a result of MPS' delivery and/or failure to provide education and services to students protected under the referenced statutes. The plaintiffs have also brought claims against the State of Wisconsin, Department of Public Instruction, alleging that the State of Wisconsin has failed to properly monitor MPS and enforce federal and state laws. The suit originally sought certification of a class action of all MPS special education students, as well as students who have not been found eligible for special education, that number exceeded 16, 000 students. The class allegations assert MPS systematically violates the rights of all special education students, in a broad range of areas, as well as the rights of their parents and/or guardians. Plaintiffs seek equitable relief, including the entry of injunctions against MPS requiring MPS to ensure the District provide education and services and follow procedures called for under the federal statutes. Plaintiffs also seek undefined compensatory relief, in the form of compensatory education. It is unclear from the pleadings whether plaintiffs seek monetary relief, they do seek attorneys fees and expenses.

In May, 2003, the District Court significantly narrowed the class of plaintiffs, dismissing named plaintiffs and unnamed class plaintiffs that had failed to exhaust administrative remedies prior to commencing the federal court action. That decision was appealed to the Seventh Circuit Court of Appeals, which denied the appeal. The matter was remanded to the District Court. The plaintiffs have recently raised a motion to reconsider the class decision, and have submitted additional evidence in support of their motion. The defendants have responded and the matter is pending before the Court. Discovery continues until February 1, 2005 and the parties anticipate (unless the scope of the class is changed by the recent motion to reconsider) dispositive motions to be filed thereafter.

MBSD continues to defend rigorously on both substantive and procedural grounds. It is too early to determine the likelihood of an unfavorable outcome or the amount or range of potential loss.

Grindrod v. MBSD, Spence Korte, Howard Fuller, Barbara Horton, Robert Jasna, Alan Brown, USDC Case No. Case No. 01-C-1198. Ms. Grindrod seeks to bring claims under Title VII of the Civil Rights Act of 1964, as amended, 42 U.S.C. Sec. 1983 and 42 U.S.C. §1981. She brings claims against the named defendants in both their individual and official capacities. She claims that she has suffered reverse discrimination by not being selected as an Assistant Principal at MPS from 1996-2003; Ms. Grindrod is Caucasian. She claims that the system of recruitment and placement of Assistant Principals is unconstitutional. She also claims that MPS has a pattern or practice of placing Assistant Principals based upon race and the race of the student population at the school. Currently, several motions are pending; the Court has scheduled a trial date for October 2004. If successful on her claim at trial, Ms. Grindrod would be eligible to receive in judgment: back pay, compensatory damages, front pay (or reinstatement), punitive damages (regarding the individual capacity claims), and attorney's fees.

James Holzbauer, et al. v. Safway Steel Products, Inc. Milwaukee County Circuit Court Case No. 02-CV-003877. This is a personal injury lawsuit involving a painter employed by the Milwaukee Public Schools who fell approximately 15 feet from a scaffolding, seriously injuring his knee. Holzbauer was part of a painting crew involved in work at the Sherman Arts Elementary School in March 2001. In order to paint the auditorium at that school, MPS rented scaffolding from Safway Steel Products, Inc. Safway contends that pursuant to the rental agreement, MPS agreed to indemnify Safway for any and all damages suffered by Holzbauer, including any damages caused by Safway's negligence. Such an agreement allows Safway to circumvent the usual exclusive remedy protection that would be afforded to an employer under Wisconsin law and that would, in this case, have meant that Safway could not make any claim for contribution or indemnification against an employer like MPS. MPS has vigorously contested the scope and validity of the contract. On January 12, 2004, the presiding trial court judge ruled in Safway's favor holding that MPS must indemnify Safway. MPS filed a motion to reconsider, which has been denied. MPS is in the process of seeking interlocutory review in the court of appeals. MPS has paid approximately \$460,000 in medical and other expenses relating to Holzbauer's injury, and if Safway prevails on its motion, MPS would not only be unable to obtain reimbursement from Safway for these amounts, but would also have to pay the pain and suffering and attorneys fees relating to the plaintiff's claim against Safway and the defense of Safway. Those amounts would exceed \$1,000,000, perhaps even after a discounting for Holzbauer's contributory negligence. MPS does, however, have excess insurance for liabilities above \$250,000, exclusive of attorney's fees.

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 in individually or in the aggregate in a final judgment against Milwaukee Public Schools which would materially affect its financial position or its results of operations.

LEGAL OPINION

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

TAX STATUS

THE NOTES

In the opinion of Bond Counsel, under existing statutes and court decisions and assuming compliance with certain tax covenants described herein, interest on the Notes is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Code, as amended 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 Notes, 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 Notes 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 Notes. 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 taken in reliance upon an opinion of other counsel on the exclusion from gross income for Federal income tax purposes of interest on the Notes.

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 Notes in order that interest on the Notes 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 Notes, 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 Notes 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 Notes 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 Notes. It does not purport to deal with all aspects of Federal taxation that may be relevant to a particular owner of a Note. 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 Notes.

Prospective owners of the Notes 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 Notes 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 Notes will not have an adverse effect on the tax-exempt status or market price of the Notes.

STATE TAX MATTERS

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

NO DESIGNATION AS QUALIFIED TAX-EXEMPT OBLIGATIONS

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

CONTINUING DISCLOSURE

In order to assist the Underwriters in complying with SEC Rule 15c2-12 promulgated by the Securities and Exchange Commission, pursuant to the Securities Exchange Act of 1934 (the "Rule"), the Issuer shall covenant pursuant to a Resolution adopted by the Governing Body to enter into an undertaking (the "Undertaking") for the benefit of holders including beneficial holders of the Notes to provide notices of the occurrence of certain events enumerated in the Rule to certain information repositories or the Municipal Securities Rulemaking Board and to any state information depository. The detail and terms of the Undertaking, as well as the information to be contained in the notices of material events, are set forth in the Continuing Disclosure Certificate to be executed and delivered by the Issuer at the time the Notes are delivered in substantially the form attached hereto as Appendix B. The Issuer 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 Issuer to comply with the Undertaking will not constitute an event of default on the Notes (although holders will have the right to obtain specific performance of the obligations under the Undertaking). Nevertheless, such a failure must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Notes in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Notes and their market price.

RATINGS

The City has requested ratings on the Notes from Fitch Ratings, Moody's Investors Service, Inc. and from Standard & Poor's Ratings Group. Fitch Ratings has assigned a rating of "F1+" on the Notes. Moody's Investors Service, Inc. has assigned a rating of "MIG 1" on the Notes. Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. has assigned a rating of "SP1+" on the Notes.

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

FINANCIAL ADVISOR

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

UNDERWRITING

The Notes have been purchased at competitive bidding conducted on August 18, 2005.

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

The public reoffering yield on a portion of the Notes is detailed on the cover of the Final Official Statement.

LEGISLATION

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

CLOSING DOCUMENTS AND CERTIFICATES

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

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

REPRESENTATIONS OF THE CITY

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

ADDITIONAL INFORMATION

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

W. MARTIN MORICS
City Comptroller and Secretary
City of Milwaukee
Public Debt Commission
City Hall - Room 403
200 East Wells Street
Milwaukee, Wisconsin 53202
(414) 286-3321

/s/ _____
W. Martin Morics
Comptroller
City of Milwaukee, Wisconsin

August 3, 2005

APPENDIX A

MILWAUKEE PUBLIC SCHOOLS

Basic Financial Statements

Year Ended June 30, 2004 and Independent Auditors' Report

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**MILWAUKEE PUBLIC SCHOOLS
FINANCIAL STATEMENTS
For the Year Ended June 30, 2004
(Excerpts from Comprehensive Annual Financial Report)**

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APPENDIX B

Draft Form of Legal Opinion

APPENDIX C

Form of Continuing Disclosure Certificate

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