

**PRELIMINARY OFFICIAL STATEMENT DATED MAY 12, 2010**

**NEW ISSUE  
BOOK ENTRY ONLY**

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

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



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

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

Due: February 15, 2027

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

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

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

**MATURITY SCHEDULE**

<u>Maturing</u> <u>February 15</u> <u>2027</u>	<u>Amount*</u> <u>\$38,000,000</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>Price</u>	<u>CUSIP <sup>(1)</sup></u> <u>602366__</u>
--	---------------------------------------	--------------------------------	--------------	--------------	--

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

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

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

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

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

**ELECTRONIC BIDS FOR THE BONDS WILL BE RECEIVED UNTIL  
11:00 A.M. (CENTRAL TIME) ON WEDNESDAY, MAY 26, 2010**

*\*Preliminary, Subject to Change.*

<sup>(1)</sup>The above-referenced CUSIP number has been assigned by an independent company not affiliated with the City and is included solely for the convenience of the holders of the Bonds. The City is not responsible for the selection or uses of such CUSIP number, and no representation is made as to its correctness on the Bonds, or as indicated above. The CUSIP number is subject to change after the issuance of the Bonds.

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

## **REGARDING THE USE OF THIS OFFICIAL STATEMENT**

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

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

## TABLE OF CONTENTS

	<u>Page</u>		<u>Page</u>
REGARDING THE USE OF THIS OFFICIAL.....	2	Budgetary Comparison Schedule - General Fund	
INTRODUCTION TO THE OFFICIAL STATEMENT.....	4	For The Years Ending December 31, 2004 Through 2008 .	28
Summary Statement.....	4	Assessed and Equalized Valuations .....	29
DESCRIPTION OF THE BONDS.....	6	Assessed Tax Rates .....	30
Authority and Purpose .....	6	Property Tax Levies and Collections.....	30
Security for the Bonds .....	6	COLLECTION PROCEDURES .....	31
Statutory Borrowing Limitation.....	6	INSURANCE.....	31
Maturity and Interest Payments .....	6	PENSION SYSTEM .....	32
Redemption Provisions.....	7	Employees' Retirement System.....	32
Redemption and Notice of Redemption.....	7	Firemen's Annuity and Benefit Fund.....	33
Mandatory Sinking Fund Deposits.....	8	Policemen's Annuity and Benefit Fund .....	33
INVESTMENT POLICIES OF THE CITY .....	8	Other Post-Employment Benefits .....	33
THE CITY .....	9	MILWAUKEE PUBLIC SCHOOLS .....	33
Location, Organization and Government.....	9	General .....	33
General .....	9	Borrowing-General Obligation Debt.....	33
Elected Officials .....	9	Borrowing-Revenue Bonds.....	34
City Officials .....	9	Borrowing-Future Financing.....	37
Common Council.....	9	Board of School Directors .....	37
Public Services and Facilities .....	10	Public Services and Facilities .....	38
Employee Relations.....	10	Enrollment .....	38
GENERAL, DEMOGRAPHIC AND ECONOMIC		Employee Relations .....	39
INFORMATION.....	11	Financial Information .....	39
General .....	11	Insurance .....	39
Building Permits.....	12	LEGAL MATTERS .....	40
Leading Business and Industrial Firms Located Within		Litigation Statement - City of Milwaukee.....	40
Milwaukee County.....	13	Litigation Statement - Milwaukee Public Schools .....	42
EMPLOYMENT AND INDUSTRY.....	14	Legal Opinion.....	43
Annual Unemployment Rates.....	14	RATINGS .....	43
Recent Monthly Unemployment Rates .....	14	TAX MATTERS.....	44
Ten Largest Taxpayers With 2009 Assessed Valuations.....	15	General .....	44
DEBT STRUCTURE.....	16	Certain United States Federal Income Tax Consequences ..	44
Legal Debt Limitations .....	16	Payments of Interest to United States Holders .....	45
Debt Margin .....	16	Original Issue Discount .....	45
Debt Refunded.....	17	Sale and Retirement of Bonds.....	45
Analysis of General Obligation Debt Outstanding		United States Federal Income Tax Considerations	
as of May 15, 2010.....	17	for Non-U.S. Holders.....	45
General Obligation Debt Service Requirements .....	18	Backup Withholding and Information Reporting.....	46
Trends of General Obligation Debt.....	19	Change of Law.....	47
Trends of Self-Sustaining General Obligation Debt.....	19	Circular 230 Disclaimer .....	47
Ratio of General Obligation Debt .....	20	CONTINUING DISCLOSURE .....	47
Computation of Net Direct and Overlapping Debt.....	21	FINANCIAL ADVISOR.....	47
Future Financing.....	21	UNDERWRITING.....	47
Commercial Paper Program.....	22	CLOSING DOCUMENTS AND CERTIFICATES .....	47
Auction Rate and Other Variable Rate Exposure.....	22	REPRESENTATIONS OF THE CITY .....	48
REVENUE BONDING.....	22	ADDITIONAL INFORMATION .....	48
TAX INCREMENT DISTRICT FINANCING .....	24		
FINANCIAL INFORMATION .....	24	APPENDICES	
Budgeting .....	24	Appendix A - Audited Financial Report of the City of Milwaukee,	
CITY CAPITAL IMPROVEMENTS PLAN .....	25	Wisconsin for the Year Ended December 31, 2008 - Selected	
Adopted Budget - Combined Revenues - 2010 .....	26	Sections of the Comprehensive Annual	
Adopted Budget - Combined Appropriations - 2010.....	27	Financial Report	
		Appendix B - Draft Form of Legal Opinion	
		Appendix C - Master Continuing Disclosure Certificate	
		Appendix D - Book-Entry Only System	
		Appendix E - Table of Redemption Values	
		Appendix F - Official Notice of Sale and Bid Form	

## INTRODUCTION TO THE OFFICIAL STATEMENT

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

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

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

### SUMMARY STATEMENT

Issuer:	City of Milwaukee, Wisconsin.
Issue:	Taxable General Obligation Corporate Purpose Bonds, Series 2010 M6, (Qualified School Construction Bonds-Direct Payment)
Dated Date:	The Expected Date of Delivery, which is anticipated to be June 15, 2010.
Maturity:	February 15, 2027
Principal:	\$38,000,000*
Interest Payment Dates:	Interest on the Bonds, will be payable semi-annually on February 15 and August 15 of each year, commencing on August 15, 2010 to the registered owners of the Bonds appearing of record in the bond register as of the close of business on the first day (whether or not a business day) of the calendar month.
Denominations:	\$5,000 or integral multiples thereof.
Purpose:	The Bonds are being issued for the purpose of financing various public school facility construction, rehabilitation, and repair projects.
Security:	Principal and interest on the Bonds will be payable out of receipts from an irrevocable ad-valorem tax levied on all taxable property within the City. The City has also pledged to make periodic payments into a sinking fund for the Bonds in order to accumulate sufficient funds to pay the Bonds at maturity. (See "THE BONDS - SECURITY FOR THE BONDS" herein).
Authority for Issuance:	The Common Council of the City has authorized the issuance and sale of the Bonds in accordance with the provisions of Chapters 65 and 67, including particularly Section 67.05(5) of the Wisconsin Statutes.
Form of Issuance:	The Bonds will be issued only as fully registered Bonds and will be registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as the securities depository of the Bonds. Individual purchases will be made in book-entry form only in denominations of \$5,000 principal amount or any integral multiple thereof. Purchasers will not receive certificates representing their interests. Payments on the Bonds will be made by the Fiscal Agent, to DTC for subsequent disbursement to DTC Participants who will remit such payments to the beneficial owners. (See "BOOK-ENTRY-ONLY SYSTEM" herein.)

*\*Preliminary, subject to change.*

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

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

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

Professionals:

Bond Counsel:	Katten Muchin Rosenman LLP Chicago, Illinois
	Hurtado, S.C. Wauwatosa, Wisconsin
Financial Advisor:	Robert W. Baird & Co. Milwaukee, Wisconsin
Fiscal Agent/Trustee:	Deutsche Bank National Trust Company Chicago, Illinois

Record Date: February 1 and August (whether or not a business day).

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

Reoffering: The public reoffering price or yield of the Bonds will be set forth on the front cover page of the Final Official Statement.

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

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

## **DESCRIPTION OF THE BONDS**

### **AUTHORITY AND PURPOSE**

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

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

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

### **SECURITY FOR THE BONDS**

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

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

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

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

### **STATUTORY BORROWING LIMITATION**

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

### **MATURITY AND INTEREST PAYMENTS**

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

## **REDEMPTION PROVISIONS**

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

### **Extra Ordinary Redemption Price**

*The following paragraph will be used if the Bonds are initially offered to the public at a price at or between 99.500 and 100.500 (expressed as a percentage of par).*

[The extra ordinary redemption price (the “Extra Ordinary Redemption Price”) shall be par plus accrued interest to the date of redemption.]

*The following paragraph will be used if the Bonds are initially offered to the public at a price at below 99.500 or above 100.500 (expressed as a percentage of par).*

[The extra ordinary redemption price (the “Extra Ordinary Redemption Price”) shall be the <accreted><amortized> value of the Bond on, plus accrued interest to, the date of redemption.]

### **Extra Ordinary Mandatory Redemption**

The Bonds are subject to extraordinary mandatory redemption, in part by lot, on any date from unexpended Available Project Proceeds as of the Expenditure Termination Date, at the Extra Ordinary Redemption Price on the redemption date.

### **Extra Ordinary Optional Redemption**

The Bonds are subject to extraordinary redemption at the option of the City, in whole, or in part by lot, at the Extra Ordinary Redemption Price on the redemption date, on any date on or after the date that: (i) a change has occurred to Section 54A, Section 54F or Section 6431 of the Internal Revenue Code of 1986, or to any guidance published by the Internal Revenue Service or the United States Treasury with respect to such sections or any other determination by the Internal Revenue Service or the United States Treasury, pursuant to which the City’s cash subsidy payment from the United States Treasury with respect to interest paid on the Bonds is reduced or eliminated; or (ii) the United States Treasury fails to make such a cash subsidy payment to which the City is entitled and such failure is not caused by any action by or failure to act by the City or agent of the City.

## **REDEMPTION AND NOTICE OF REDEMPTION**

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

## **MANDATORY SINKING FUND DEPOSITS**

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

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

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

## **INVESTMENT POLICIES OF THE CITY**

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

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

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

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

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

The objectives of the Fund are to provide (in order of priority) safety of principal, liquidity, and a reasonable rate of return. The Fund includes retirement trust funds cash balances pending longer-term investment by other investment divisions. The



Fund also acts as the State’s cash management fund and provides the State’s General Fund with liquidity for operating expenses. The Fund is strategically managed as a mutual fund with a longer average life than a money market fund. This strategic advantage is made possible by the mandatory investment of State funds for which the cash flow requirements can be determined significantly in advance. Because of the role played by the Fund, the cash balances available for investment vary daily as cash is accumulated or withdrawn from various funds.

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

## THE CITY

### LOCATION, ORGANIZATION AND GOVERNMENT

#### GENERAL

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

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

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

#### ELECTED OFFICIALS

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

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

#### CITY OFFICIALS

##### As of April 15, 2010

(initial year in office follows name)

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

#### COMMON COUNCIL

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

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

## **PUBLIC SERVICES AND FACILITIES**

The City, employing approximately 7,307 people (some in a seasonal capacity), is charged with primary responsibility for public safety (via its police, fire and health departments); public works (including refuse removal and a City-owned water utility); various cultural and recreational services including a library system; and general municipal administration. City government also participates in housing and neighborhood programs through separate housing and redevelopment authorities. These two latter authorities have the ability to borrow directly and issue revenue backed financings.

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

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

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

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

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

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

## **EMPLOYEE RELATIONS**

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

## GENERAL, DEMOGRAPHIC AND ECONOMIC INFORMATION

### GENERAL

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

### CITY OF MILWAUKEE SELECTED ECONOMIC DATA

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

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

## BUILDING PERMITS

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

### General Total

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

### Residential Building

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

### Commercial Building

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

### Public Building

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

### Alterations and Additions

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

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

LEADING BUSINESS AND INDUSTRIAL FIRMS  
LOCATED WITHIN MILWAUKEE COUNTY

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

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

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

## EMPLOYMENT AND INDUSTRY

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

### ANNUAL UNEMPLOYMENT RATES (Not Seasonally Adjusted)

<u>Year</u>	City of <u>Milwaukee</u>	Milwaukee - Waukesha-West Allis <u>Metropolitan Statistical Area</u>	State of <u>Wisconsin</u>	<u>United States</u>
2009	11.0%	8.7%	8.5%	9.3%
2008	6.6	4.8	4.7	5.8
2007	7.2	5.1	4.9	4.6
2006	7.0	4.9	4.7	4.6
2005	7.2	5.0	4.8	5.1

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

### RECENT MONTHLY UNEMPLOYMENT RATES (Not Seasonally Adjusted)

<u>Month</u>	City of <u>Milwaukee</u>	Milwaukee - Waukesha-West Allis <u>Metropolitan Statistical Area</u>	State of <u>Wisconsin</u>	<u>United States</u>
March 2010	12.3% <sup>(1)</sup>	9.8% <sup>(1)</sup>	9.8% <sup>(1)</sup>	10.2%

<sup>(1)</sup> Preliminary.

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

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

**TEN LARGEST TAXPAYERS WITH 2009 ASSESSED VALUATIONS**

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

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

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

## DEBT STRUCTURE

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

### LEGAL DEBT LIMITATIONS

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

#### DEBT MARGIN (Includes the Bonds)

Equalized Value of Taxable Property in the City		\$31,266,329,200
<b>Legal Debt Limitation for City Borrowing</b>		
5% of Equalized Value		\$1,563,316,460
General Obligation Debt Outstanding subject to 5% Limit as of May 15, 2010	\$975,210,000	
Plus: 2010 M6	38,000,000 <sup>(1)</sup>	
Less: Provision for current year maturities	<u>(40,250,000)</u>	
Net General Obligation Debt Outstanding subject to the 5% Limit as of May 15, 2010		\$972,960,000
Total Debt Margin for City Borrowing (in Dollars)		\$590,356,460
(As a percentage)		37.8%
(As a percentage excluding Cash Flow Notes)		47.2%
<b>Legal Debt Limitation for School Purpose Borrowing</b>		
2% of Equalized Value		\$625,326,584
General Obligation Debt Outstanding subject to 2% Limit as of May 15, 2010	14,774,150	
Less: Provision for current year maturities	<u>—</u>	
Net General Obligation Debt Outstanding subject to the 2% Limit as of May 15, 2010		\$14,774,150
Total Debt Margin for School Purpose Borrowing (in Dollars)		\$610,552,434
(As a percentage)		97.6%

<sup>(1)</sup> Preliminary, subject to change.



## DEBT REFUNDED

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

\$159,985,000 General Obligation Refunding Bonds, Series of 2002-A, dated October 15, 2002, for the purpose of refunding portions of seventeen general obligation issues, with a final escrow payment in 2011, with Bank of New York as escrow trustee.

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

None of the refunded debt is reflected in the "DEBT MARGIN" presentation above.

### ANALYSIS OF GENERAL OBLIGATION DEBT OUTSTANDING AS OF MAY 15, 2010

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

GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

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

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

<sup>(1)</sup> Assumes Sinking Fund Deposits in year due

<sup>(2)</sup> Assumes: the maximum interest rate of 12.0% on \$25,600,000 of variable rate debt (the tax levy requirement).

<sup>(3)</sup> Assumes an interest rate of 5.50%

\*Preliminary, subject to change.

TRENDS OF GENERAL OBLIGATION DEBT  
(THOUSANDS OF DOLLARS)

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

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

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

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

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

<sup>(2)</sup> Amount reflects the portion of GO Sewer Debt paid by the Sewer Utility.

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

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

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

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

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

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

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

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

<u>Governmental Unit</u>	<u>Debt Outstanding As of May 15, 2010</u>	<u>Approximate Percentage Applicable</u>	<u>Milwaukee's Share of Debt As of May 15, 2010</u>
City of Milwaukee <sup>(1)</sup>	\$840,734,150	100.00%	\$840,734,150
Area Board of Vocational, Technical and Adult Education, District No. 9 <sup>(2)</sup>	74,775,000	38.49	28,780,898
County of Milwaukee	666,783,652	46.78	311,921,392
Milwaukee Metropolitan Sewerage District <sup>(3)</sup>	858,864,669	50.21	431,235,950
<b>TOTAL NET DIRECT AND OVERLAPPING DEBT</b>	<u><u>\$2,441,157,471</u></u>		<u><u>\$1,612,672,390</u></u>

<sup>(1)</sup> Includes \$146 million general obligation debt outstanding, which financed Milwaukee Public Schools improvements. Figure includes the new issue and excludes provisions for current year maturities and cash flow promissory notes.

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

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

**FUTURE FINANCING**

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

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

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

## COMMERCIAL PAPER PROGRAM

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

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

## AUCTION RATE AND OTHER VARIABLE RATE EXPOSURE

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

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

## REVENUE BONDING

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The Milwaukee Economic Development Corporation had notes and debentures payable under the Small Business Administration’s Section 503 and 504 loan programs in the amount of \$10 million as of December 31, 2009.

## **TAX INCREMENT DISTRICT FINANCING**

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

The Redevelopment Authority of the City has approximately \$42 million of debt secured by tax increment revenues. One of those issues, in the approximate amount of \$20 million, has the Moral Obligation Pledge of the City. That bond issue is in variable rate mode secured by a Letter of Credit (“LOC”). The LOC expires in May, 2010, and the bank has indicated that it will not be renewing the LOC. RACM and the City are working on alternatives for the financing. The remaining debt is owed to developers of projects within the TID, with no recourse to the City in the event that tax increment revenues are insufficient to repay the obligations. In 1996, the Wisconsin Legislature passed a property tax relief measure which increased the portion of statewide school revenues funded by State equalization aid to two-thirds from approximately one-half of all funds’ budgets. The 2010 Assessed Tax Rate for Milwaukee Public Schools is \$10.66 per thousand dollars of assessed value, down from \$15.70 in 1995 (amounts are net of the school state tax credit). As a result, tax increment revenues for certain TIDs received by the City have been, and are expected to continue to be, reduced and therefore have the impact of either increasing the time needed to recover incurred project costs, including future debt service requirements; reducing the funding of active and proposed TIDs; or may require the City to fund TID cash flow deficiencies with other City revenues. In connection with the change in the School Aid formula, the State Legislature extended the allowable life of all TIDs established before October 1, 1995 from a maximum 23 years to a maximum 27 years to accommodate the lower school property tax rate. Pursuant to 2003 Wisconsin Acts 126, 127, 194 and 231 (enacted in February through April 2004), the allowable life of TIDs created between September 30, 1995 and October 1, 2004 for blight elimination and rehabilitation purposes is 27 years. The maximum lives for TIDs created after September 30, 2004 is 27 years for blighted and rehabilitation TIDs, and 20 years for mixed-use TIDs and industrial TIDs, which, for industrial TIDs represents a reduction from 23 years, though the new law also makes them eligible for a three-year extension. Extensions are available under certain circumstances. In any year in which total TID debt service requirements for the ensuing year are greater than total tax increments received, the shortfall is funded by the City’s general property tax levy.

## **FINANCIAL INFORMATION**

### **BUDGETING**

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



## CITY CAPITAL IMPROVEMENTS PLAN

The City's 2009-2014 Capital Improvements Plan ("CIP") describes planned capital improvement projects and programs, together with proposed financing. Some school purpose improvements are financed by the City for the Milwaukee Public Schools, but are not included in the CIP.

The six-year City CIP municipal spending plan totals \$1,352 million. About \$867 million or 64% of planned spending is intended to preserve the City's existing infrastructure facilities (streets, sewers, alleys, bridges, etc.). The remaining 36% is for expansion purposes.

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

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

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

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

ADOPTED BUDGET - COMBINED REVENUES - 2010

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

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

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

ADOPTED BUDGET – COMBINED APPROPRIATIONS – 2010

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

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

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND  
FOR THE YEARS ENDING DECEMBER 31, 2004 THROUGH 2008  
(Thousands of Dollars)

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

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

**CITY OF MILWAUKEE**  
**ASSESSED AND EQUALIZED VALUATIONS**

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

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

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

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

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

## **COLLECTION PROCEDURES**

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

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

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

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

The rate of current tax collections continues at an historically high level. Current collections for 2008 were approximately 96.8 percent of the total tax levied.

## **INSURANCE**

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

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

## PENSION SYSTEM

### EMPLOYEES' RETIREMENT SYSTEM

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

Membership in the System consists of specified classes of part-time and all full-time municipal employees including elected officials. Persons employed as teachers are specifically excluded from membership. Membership in the System totals 11,581 active, 11,082 retirees and beneficiaries, and 4,134 vested inactive members at December 31, 2008.

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

General Municipal <sup>(1)</sup>	5.5%
Elected Officials	7.0%
Police	7.0%
Fire	7.0%

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

The City pays the employee's share of the pension contributions as well as the employer's share of pension contributions, which are actuarially determined based upon normal cost and amortization of past service liability. Beginning in 2010, certain new employees will be responsible for the employee's share of the pension contributions. The actuarial cost method for determining these items was changed from the "aggregate cost method" to the "projected unit credit method" as of January 1, 1995.

For the year ended December 31, 2008, required member contributions totaled \$33.9 million and required employer contributions totaled zero dollars. As of December 31, 2008, Net Assets Held in Trust for Pension Benefits totaled \$3.4 billion, compared to \$5.2 billion on December 31, 2007. This decrease is primarily due to relatively unfavorable conditions in most of the financial markets during 2008. Total Assets Under Management as of December 31, 2009 were \$4.0 billion.

The Milwaukee City Charter requires that an actuarial study of the System be performed at least once every five (5) years for the purpose of reviewing assumptions. The last actuarial study was completed by Buck Consultants covering experience from January 1, 2002 to December 31, 2006.

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

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



### **FIREMEN’S ANNUITY AND BENEFIT FUND**

The Firemen’s Annuity and Benefit Fund was established in 1923 pursuant to Chapter 423 of the 1923 Laws of Wisconsin. In 1947, the Firemen’s Annuity and Benefit Fund was closed to new entrants. The final pre-1947 member retired in 1989.

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

### **POLICEMEN’S ANNUITY AND BENEFIT FUND**

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

### **OTHER POST-EMPLOYMENT BENEFITS**

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

## **MILWAUKEE PUBLIC SCHOOLS**

### **GENERAL**

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

### **BORROWING – GENERAL OBLIGATION DEBT**

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

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

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

<sup>(1)</sup> Assumes Sinking Fund Deposits in year due.

<sup>(2)</sup> Compound interest is included in year paid.

**BORROWING-REVENUE BONDS**

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

**Neighborhood Schools Initiative**

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

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

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

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

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

**Lease Revenue Bonds**

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

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

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

**Pension Obligation Bonds**

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

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

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

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

**Borrowing – Qualified Zone Academy Projects**

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

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

**BORROWING – FUTURE FINANCING**

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

**BOARD OF SCHOOL DIRECTORS**

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

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

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

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

## PUBLIC SERVICES AND FACILITIES

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

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

The following schools closed effective June, 2009:

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

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

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

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

### ENROLLMENT

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

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

## **EMPLOYEE RELATIONS**

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

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

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

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

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

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

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

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

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

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

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

All expired contracts are currently in negotiations.

## **FINANCIAL INFORMATION**

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

## **INSURANCE**

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

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

## LEGAL MATTERS

### LITIGATION STATEMENT-CITY OF MILWAUKEE

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

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

***Milwaukee Police Supervisors Organization (MPSO) v. City of Milwaukee and the Milwaukee Employes' Retirement System (ERS)***. This case is a clone of an earlier case that was filed and subsequently voluntarily dismissed. That case was brought by the Milwaukee Police Association (MPA represents police officers; the MPSO represents police supervisors.) The MPA case alleged that the ERS was prohibited by City Ordinance from spending more than \$3 million to purchase and install a computer information system. The suit alleged that the City was liable to pay any of those expenses in excess of \$3 million. It is estimated that the total cost of the ERS information system is approximately \$25 million. The dispute in the case was over the interpretation of a section of the City ordinance that transferred all administrative, operational, and investment expenses from the City to the ERS. This change was made as a part of a larger settlement of various disputes between the City and the MPA called the Global Pension Settlement. The MPA voluntarily dismissed the lawsuit in 2005. The MPSO has filed this lawsuit making the same allegations. Another union, the Association of Law Enforcement Allied Services Personnel (ALEASP) has joined this lawsuit as a plaintiff. Both the City and the ERS view the allegations as without merit and are vigorously defending the lawsuit. Discovery continues. On November 11, 2009, each defendant filed its motion for summary judgment. At the April 14, 2010 motion hearing, the judge recused himself. We are awaiting assignment of a new judge.

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

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



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

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

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

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

## LITIGATION STATEMENT-MILWAUKEE PUBLIC SCHOOLS

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

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

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

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

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

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

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

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

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

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

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

**Hybrid IEP Team:** The Court concluded that the eligibility determinations for compensatory education should be made by a "Hybrid IEP team" made up exclusively of MPS employees. When circumstances require it, "rotating members" may be added to make decisions for a particular student. The permanent members must have diverse

educational backgrounds and at least one member must be qualified to provide, or supervise specially designed instruction to meet the unique needs of children with disabilities.

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

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

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

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

#### **LEGAL OPINION**

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

#### **RATINGS**

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

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

## TAX MATTERS

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

### General

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

### Certain United States Federal Income Tax Consequences

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

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

### Payments of Interest to United States Holders

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

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

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

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

### **Original Issue Discount**

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

### **Sale and Retirement of the Bonds**

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

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

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

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

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

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

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

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

### **Backup Withholding and Information Reporting**

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

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

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

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

### **Change of Law**

The opinions of Bond Counsel and the descriptions of the tax law contained in this Official Statement are based on statutes, judicial decisions, regulations, rulings, and other official interpretations of law in existence on the date the Bonds were issued. There can be no assurance that such law or the interpretation thereof will not be changed or that new provisions of law will not be enacted or promulgated at any time while the Bonds are outstanding in a manner that would adversely affect the value or the tax treatment of ownership of the Bonds.

### **Circular 230 Disclaimer**

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

## **CONTINUING DISCLOSURE**

In order to assist the Underwriters in complying with SEC Rule 15c2-12 promulgated by the Securities and Exchange Commission (the "Commission"), pursuant to the Securities Exchange Act of 1934 (the "Rule"), the City shall covenant pursuant to a Resolution adopted by the Governing Body to enter into an undertaking (the "Undertaking") for the benefit of holders including beneficial holders of the Bonds to provide certain financial information and operating data relating to the City annually to a central repository designated by the Commission, currently the Municipal Securities Rulemaking Board (the "MSRB"), and to provide notices of the occurrence of certain events enumerated in the Rule electronically or in the manner otherwise prescribed by the MSRB to the MSRB. The MSRB has designated its Electronic Municipal Market Access ("EMMA") system as the system to be used for continuing disclosures to investors. The details and terms of the Undertaking, as well as the information to be contained in the annual report or the notices of material events, are set forth in the Continuing Disclosure Certificate to be executed and delivered by the City at the time the Bonds are delivered. Such Certificate will be in substantially the form attached hereto as Appendix C. The City has never failed to comply in all material respects with any previous undertakings under the Rule to provide annual reports or notices of material events. A failure by the City to comply with the Undertaking will not constitute an event of default on the Bonds (although holders will have the right to obtain specific performance of the obligations under the Undertaking). Nevertheless, such a failure must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Bonds and their market price.

## **FINANCIAL ADVISOR**

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

## **UNDERWRITING**

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

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

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

## **CLOSING DOCUMENTS AND CERTIFICATES**

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

- (1) a signature and no litigation certificate;
- (2) a tax certificate;
- (3) a certificate of delivery and payment;
- (4) the opinions as to the legality of the Bonds under Wisconsin law and as to the status of the Bonds as "qualified school construction bonds" with the meaning of Section 54A of the Code rendered by Katten Muchin Rosenman LLP, Chicago, Illinois, and Hurtado, S.C., Wauwatosa, Wisconsin, Bond Counsel to the City, in substantially the forms as set forth in Appendix B;
- (5) copies of this Official Statement issued in conjunction with the Bonds within seven business days after the award of the Bonds in accordance with SEC Rule 15c2-12(b)(3);
- (6) a Continuing Disclosure Certificate;

- (7) a statement to the effect that this Official Statement, to the best of its knowledge and belief as of the date of sale and the date of delivery, is true and correct in all material respects and does not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made herein, in light of the circumstances under which they were made, not misleading.

### **REPRESENTATIONS OF THE CITY**

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

### **ADDITIONAL INFORMATION**

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

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

/s/

---

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

\_\_\_ \_\_, 2010



**APPENDIX A**

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

**Selected Sections of the Comprehensive Annual Financial Report**

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

[www.milwaukee.gov](http://www.milwaukee.gov)

The independent auditor has not been engaged to perform, and has not performed since the date of its report (a portion of which is included herein), any procedures on the financial statements addressed in the report nor on this Official Statement.

*This Page Has Been Intentionally Left Blank*

## Table of Contents

### FINANCIAL SECTION

	Exhibit Or Table Number	Page Number
Form of Report of Independent Auditors .....		17
Management’s Discussion and Analysis .....		19
<b>BASIC FINANCIAL STATEMENTS:</b>		
Government-wide Financial Statements:		
Statement of Net Assets .....	1	36
Statement of Activities .....	2	38
Fund Financial Statements:		
Balance Sheet—Governmental Funds .....	A-1	42
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets .....	A-2	45
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds .....	A-3	46
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	A-4	49
Statement of Net Assets – Enterprise Funds .....	B-1	50
Statement of Revenues, Expenses, and Changes in Fund Net Assets – Enterprise Funds .....	B-2	53
Statement of Cash Flows – Enterprise Funds .....	B-3	54
Statement of Fiduciary Net Assets – Fiduciary Funds .....	C-1	56
Statement of Changes in Fiduciary Net Assets – Fiduciary Funds .....	C-2	57
Combined Statement of Net Assets – Component Units – Enterprise Funds .....	D-1	58
Combined Statement of Activities – Component Units – Enterprise Funds .....	D-2	60
NOTES TO THE FINANCIAL STATEMENTS .....		64
<b>REQUIRED SUPPLEMENTARY INFORMATION:</b>		
Budgetary Comparison Schedule - General Fund .....	E-1	96
Schedule of Funding Progress .....	E-2	97
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION .....		98

## **INTRODUCTORY SECTION**

Pages 2-16 Omitted



**KPMG LLP**  
777 East Wisconsin Avenue  
Milwaukee, WI 53202-5337

## **Independent Auditors' Report**

To the Honorable Members  
of the Common Council  
of the City of Milwaukee:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Milwaukee (the City) as of and for the year ended December 31, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Housing Authority of the City of Milwaukee, the Redevelopment Authority of the City of Milwaukee, the Milwaukee Economic Development Corporation, and the Neighborhood Improvement Development Corporation, which represents 100 percent of the assets and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the aggregate discretely presented component units, is based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of December 31, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

The management's discussion and analysis, budgetary comparison information, and schedule of funding progress on pages 10 through 34, 96 and 97, respectively, are not required parts of the basic financial statements, but are supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management



regarding the methods of measurement and presentation of this information. However, we did not audit this information and, accordingly, we express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual fund statements and schedules, miscellaneous financial data and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory section, miscellaneous financial data and statistical section have not been subjected to auditing procedures applied in the audit of the basic financial statements, and, accordingly, we express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated July 30, 2009, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in assessing the results of our audit.

KPMG LLP

Milwaukee, Wisconsin  
July 30, 2009, except for the financial statements and related  
note disclosures for the discretely presented component  
units as to which the date is October 7, 2009

CITY OF MILWAUKEE  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
FOR THE YEAR ENDED DECEMBER 31, 2008

Within this section of the City of Milwaukee Comprehensive Annual Financial Report, the City's management provides narrative discussion and analysis of the financial activities of the City for the fiscal year ended December 31, 2008. The City's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section. This *Management Discussion and Analysis* (MD&A) should be read in conjunction with the City's basic financial statements, which follow this discussion. Additional information is available in the letter of transmittal, which precedes Management's Discussion and Analysis. The MD&A focuses on the City's primary government and, unless otherwise noted, component units reported separately from the primary government are not included.

**FINANCIAL HIGHLIGHTS**

- The assets of the City of Milwaukee exceeded its liabilities at the close of fiscal year 2008 by \$972 million (net assets); \$307 million in governmental activities and \$665 million in business-type activities. Governmental activities' unrestricted assets are a deficit of \$396 million. This indicates that the City is financing long-term liabilities as they come due rather than when they are incurred. The City's net assets decreased 5.2% compared to the previous year of \$1,025 million.
- Net assets must be viewed in the context that the vast majority of the City's net assets are capital assets, and, that most capital assets do not generate revenues nor can they be sold to generate liquid capital. Total net assets are comprised of the following:
  - Capital assets, net of related debt, of \$1,166 million include property and equipment, net of accumulated depreciation, and reduced for outstanding debt related to the purchase or construction of capital assets.
  - Net assets of \$155 million are restricted by constraints imposed from outside the City such as debt covenants, grantors, laws, or regulations.
  - Unrestricted (\$349) million.
- The City's total 2008 year-end other post-employment benefits (OPEB) obligation is \$78.4 million; an increase of 105% from the 2007 obligation of \$38.2 million. The obligation is based on an actuarial valuation as of July 1, 2007, which indicates substantial increases through 2016.
- Total liabilities of the City increased by \$155 million to \$1,644 million. The long-term portion of total liabilities (\$1,031 million) consists of \$78 million for OPEB, \$892 for outstanding debt and \$61 million for compensated absences, claims, and judgments.
- The City had governmental expenses of \$695 million more than its combined program revenues. General revenues and transfers of \$628 million resulted in a \$67 million decrease of net assets for the year. Business-type activities had an increase of net assets of 2% over 2007; generating \$13 million of program revenues, general revenues and transfers greater than its expense at year end.
- For governmental activities, program revenue supported 19% of the total expenses for 2008. Property taxes and other taxes represented 30% of the primary government's governmental activities' expenses, state aids for the General Fund equaled 31% and miscellaneous revenues and transfers supported 12% of the expenses. As a result of 2008 activity, expenses exceeded revenues and transfers by 8%.
- For business-type activities, program revenue supported 131% of the expenses for 2008; and, in total exceeded the expenses by \$51 million. Miscellaneous revenue net of transfers out reduced this excess to \$13 million for the year.
- The City's total governmental funds reported total ending fund balances of \$203 million this year. Compared to the prior year ending fund balance of \$185 million, an increase of \$18 million resulted by year end 2008; a 10% increase.
- The General Fund reported a positive fund balance for the year of \$73 million. Compared to \$91 million in 2007; the 2008 balance decreased 20%. This decrease is a result of total expenditures and other financing uses totaling \$18 million more than the total actual revenues and other financing sources. This ending fund balance is 10% of the total General Fund expenditures including transfers, and 12% of the total General Fund revenues including transfers.
- The operating expenditures of the General Fund were \$1 million less than budgeted. This favorable variance is a result of savings from general government departments of nearly \$3 million with a combined savings in the aggregate of \$1 million in the culture and recreation departments, public safety departments, health department, and conservation and development department. These positive variances were offset by a deficit in the public works departments of nearly \$3

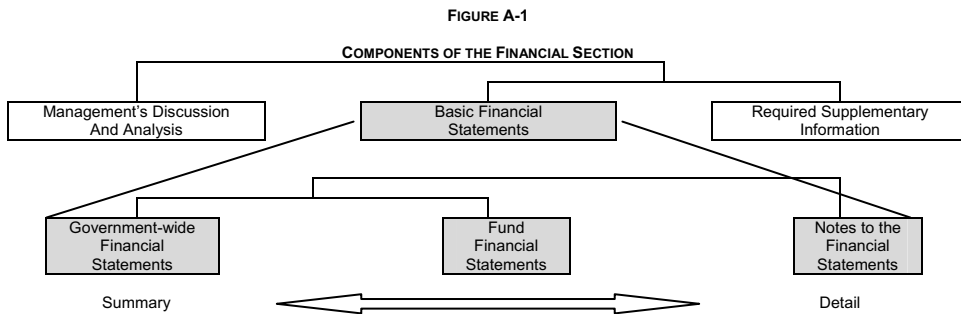
CITY OF MILWAUKEE  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
 FOR THE YEAR ENDED DECEMBER 31, 2008

million. The positive savings included \$.4 million due to unrealized claims and \$.3 million due to reduced payments for group life insurance premiums as a result of reduced salary levels. The combined savings from the Comptroller, Employees' Retirement and Department of Employee Relations resulted in a favorable variance in various fringe benefit costs that were allocated to capital projects rather than to general fund accounts, and thus saved \$1 million for the year. All other departments saved in the aggregate of \$1.3 million. The Department of Public Works Operations Department incurred a deficit of \$2.6 million relating to snow removal and cleanup efforts. December 2008 was the second snowiest December on record. Over 35.3 inches of snow fell in December compared to a normal average snow fall of 11.7 inches. The City plans to issue debt in 2009 to offset this deficit.

- General obligation bonds and notes payable increased by \$32 million during the current fiscal year from \$728 million to \$760 million. The key factors contributing to this increase were scheduled and early retirement of general obligation debt of \$207 million and the issuance of \$239 million in new general obligation bonds and notes for the continuing funding of capital projects and the issuance of debt on behalf of the Milwaukee Public Schools.
- The City issued General Obligation Cash-flow Promissory Notes for \$90 million rather than Revenue Anticipation Notes in advance of receipt of the State Shared Revenues. With the receipt of these revenues, an amount equal to the debt was transferred to the Debt Service Fund (the legal fund established to pay the debt).

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis serves as an introduction to the City's basic financial statements. The basic financial statements consist of three components: (1) **Government-wide** financial statements, (2) **Fund** financial statements, (3) **Notes** to the financial statements. This report also includes other (4) **Required Supplementary Information**. Figure A-1 shows how the required parts of the annual report are arranged and relate to one another.



The basic financial statements include two kinds of statements that present different views of the City.

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the City's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the City government, reporting the City's operations in more detail than the government-wide statements.
  - The governmental funds statements tell how general government services like public safety were financed in the short term as well as what remains for future spending.
  - Proprietary fund statements offer short- and long-term financial information about the activities that the government operates like businesses, such as the water and the sewer maintenance systems.
  - Fiduciary fund statements provide information about the financial relationships—like various benefit plans for the City's employees—in which the City is solely a trustee or agent for the benefit of others to whom the resources belong.

A summary of the major features of the City's financial statements, including the portion of the City government they cover and the types of information they contain are depicted in table Figure A-2. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.



CITY OF MILWAUKEE  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
 FOR THE YEAR ENDED DECEMBER 31, 2008

FIGURE A-2  
 MAJOR FEATURES OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

	Government-Wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire entity (except fiduciary funds)	The day-to-day operating activities of the city for basic governmental services	The day-to-day operating activities of the city for business-type enterprises	Instances in which the City administers resources on behalf of others, such as employee benefits
Required financial statements	* Statement of net assets * Statement of activities	* Balance Sheet * Statement of revenues, expenditures and changes in fund balances	* Statement of net assets * Statement of revenues, expenses, and changes in net assets * Statement of cash flows	* Statement of fiduciary net assets * Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual and current financial resources measurement focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus, except agency funds do not have measurement focus
Type of asset and liability information	All assets and liabilities, both financial and capital, short-term and long-term	Current assets and liabilities that come due during the year or soon thereafter; capital assets and long-term liabilities	All assets and liabilities, both financial and capital, short-term and long-term	All assets held in a trustee or agency capacity for others and all liabilities
Type of inflow and outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during the year or soon thereafter; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

**Government-wide Financial Statements**

The government-wide financial statements are designed to provide a broad overview of the City's finances, in a manner similar to a private-sector business and include both long-term and short-term information about the City's financial status. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid. All of the activities of the City, except those of a fiduciary nature, are included.

The two government-wide statements report the City's net assets and how they have changed. Net assets—the difference between the City's assets and liabilities—is one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net assets indicate whether its financial health is improving or deteriorating. Other non-financial factors, such as changes in the property tax base and the condition of the roads are also needed to assess the overall health of the City.

The government-wide financial statements of the City of Milwaukee are reported into three categories on these statements—governmental activities, business-type activities, and component units. A total column for the City is also provided.

- The *governmental activities* include the basic services of the City including general government (administration), police, fire, public works, health, culture, and development services. Taxes and general revenues generally support these activities.
- The *business-type activities* include the private sector type activities such as the water, sewer user charge, sewer maintenance, parking, and port. User charges or fees primarily support these activities.
- The *component units* include four other entities in its report. The Housing Authority and the Redevelopment Authority of the City of Milwaukee, Milwaukee Economic Development Corporation and the Neighborhood Improvement Development Corporation. Although legally separate, these component units are important because the City has financial accountability responsibility.

**Fund Financial Statements**

The City's major funds begin with Exhibit A-1. The fund financial statements provide detailed information about the most significant funds; not the City as a whole. The accounts of the City are organized on the basis of funds. Each fund is a separate fiscal and accounting entity with a self-balancing set of accounts including assets, liabilities, equities, revenues and expenditures or expenses, which is segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with specific regulations, restrictions or limitations.

CITY OF MILWAUKEE  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
FOR THE YEAR ENDED DECEMBER 31, 2008

The City has three fund types: governmental and proprietary which use the modified accrual and the accrual methods of accounting, respectively, and fiduciary funds.

- **Governmental funds:** Most of the City's basic services are reported in governmental funds, which focus on the modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps to determine if more or fewer financial resources are available to be spent in the near future to finance the City's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is described in the reconciliation at the bottom of the fund financial statements.
- **Proprietary funds:** Operations which are financed primarily by user charges or activities where periodic measurement of net income is appropriate for capital maintenance, public policy, management control and other purposes. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. The City's enterprise funds (a component of proprietary funds) are the same as the business-type activities reported in the government-wide statements, but provide more detail and additional information, such as cash flows, for proprietary funds.
- **Fiduciary funds:** The City is the trustee, or fiduciary, for its pension and other employee benefit trusts and various miscellaneous private purpose trusts. All of the City's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets in Exhibits C-1, C-2 and H-1. These activities are excluded from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

**Notes to the Financial Statements**

The notes which follow Exhibits 1 through D-2 provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Required Supplementary Information**

In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information to demonstrate legal budgetary compliance for each major fund for which an annual budget is adopted. Required supplementary information is presented in Exhibit E-1.

**Combining and Individual Fund Statements and Schedules and Miscellaneous Financial Data**

Combining schedules provide detail in connection with nonmajor governmental funds and nonmajor enterprise funds. Individual fund statements provide greater detail, presented as compared with the final amended budget for the General Fund, and each nonmajor special revenue fund. Capital Projects are also presented in detail by major category ( i.e. streets, sewers) within the Miscellaneous Financial Data Section. See Exhibits F-1 through I-9.

**FINANCIAL ANALYSIS OF THE CITY AS A WHOLE**

As year-to-year financial information is accumulated on a consistent basis, changes in net assets may be observed and used to discuss the changing financial position of the City as a whole. The net assets and net expenses of governmental and business-type activities are depicted separately below. Table 1 focuses on the net assets and Table 2 focuses on the changes in net assets.

CITY OF MILWAUKEE  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
 FOR THE YEAR ENDED DECEMBER 31, 2008

**Table 1**  
**Summary of Statement of Net Assets**  
*(Thousands of Dollars)*

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>
Current and other assets .....	\$ 741,042	\$ 796,030	\$ 110,140	\$ 109,611	\$ 851,182	\$ 905,641
Capital assets .....	941,943	955,475	721,340	755,598	1,663,283	1,711,073
Total assets .....	<u>1,682,985</u>	<u>1,751,505</u>	<u>831,480</u>	<u>865,209</u>	<u>2,514,465</u>	<u>2,616,714</u>
Long-term obligations .....	781,408	878,734	142,856	151,810	924,264	1,030,544
Other liabilities .....	527,822	565,616	36,936	48,277	564,758	613,893
Total liabilities .....	<u>1,309,230</u>	<u>1,444,350</u>	<u>179,792</u>	<u>200,087</u>	<u>1,489,022</u>	<u>1,644,437</u>
Net assets:						
Invested in Capital assets, net of related debt .....	558,328	559,343	581,594	607,122	1,139,922	1,166,465
Restricted .....	116,516	143,951	9,528	10,935	126,044	154,886
Unrestricted .....	<u>(301,089)</u>	<u>(396,139)</u>	<u>60,566</u>	<u>47,065</u>	<u>(240,523)</u>	<u>(349,074)</u>
Total net assets .....	<u>\$ 373,755</u>	<u>\$ 307,155</u>	<u>\$ 651,688</u>	<u>\$ 665,122</u>	<u>\$ 1,025,443</u>	<u>\$ 972,277</u>

Net assets of the City's governmental activities decreased 17.8% to \$307.2 million for 2008. These net assets are restricted as to use in the amount of \$143.9 million or are invested in capital assets in the amount of \$559.3 million (buildings, roads, bridges, etc) less any related debt used to acquire those assets that is still outstanding. The City uses these assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in capital assets are reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The unrestricted net assets deficit (\$396.1 million) at the end of the year does not mean that the City does not have adequate financial resources available to pay its bills next year. Instead, it is because the City's annual budgets do not include the full amounts needed to finance future liabilities arising from property and casualty claims, and to pay for unused employee vacation and sick days, and debt not issued for City capital assets. The City will include these amounts in future years' budgets as they come due.

The net assets of business-type activities increased 2.1% to \$665.1 million in 2008. The City generally can only use these net assets to finance the continuing operations of the specific enterprise activity it relates to.

Long-term obligations for both governmental and business-type activities increased 12.5% and 6.3% respectively from 2007 due primarily by an increase in the issuance of long-term debt and the recording of the OPEB obligation.

Total assets, including capital assets increased \$102.2 million or 4.1% from 2007. Capital assets of the primary government increased 2.9% from the previous year. For 2008, the Water Works and the Sewer Maintenance Funds have 92% of the City's total capital assets related to business-type activities. These are the City's two largest enterprise funds (business-type). The Water Works capital assets (51%) consist primarily of water mains and related water facilities and plants; and, the Sewer Maintenance Fund (41%) includes all the various sewer mains and connections.

**Changes in net assets.** The calculation of revenues less expenses is the change in net assets. The City's total program and general revenues totaled \$753.7 million for the governmental activities. Of revenues, 34% comes from property and other taxes and 46% comes from intergovernmental revenues (state aids, federal and state grants). Charges for services category represents only 12% of the total revenues, and the remaining 8% coming from licenses, permits, fines and forfeits and miscellaneous other sources.

The City's governmental activity expenses cover a range of services, with 37% related to public safety (fire and police, neighborhood services). The City's general expenses exceeded its program revenues for governmental activities by 81%; total general revenues combined with program revenue and transfers resulted in a negative change in net assets of \$66.6 million or 7.8% of total general expenses for governmental activities. The margin for business-type activities had 30.9% of program revenues greater than expenses and a 6.7% margin of total revenues more than expenses and transfers out. Chart 1 Expenses and Program Revenues – Governmental Activities and Chart 2 Expenses and Program Revenues – Business-type Activities depict this comparison.

CITY OF MILWAUKEE  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
 FOR THE YEAR ENDED DECEMBER 31, 2008

Table 2 and the narrative that follows consider the operations of governmental and business-type activities separately.

**Table 2**  
**Changes in Net Assets**  
*(Thousands of Dollars)*

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>
Revenues:						
Program revenues:						
Charges for services .....	\$ 76,496	\$ 86,410	\$ 187,493	\$ 203,512	\$ 263,989	\$ 289,922
Operating grants and contributions .....	75,074	77,032	-	-	75,074	77,032
Capital grants and contributions .....	-	-	6,062	10,203	6,062	10,203
General revenues:						
Property taxes and other taxes .....	243,654	257,210	-	-	243,654	257,210
State aids for General Fund .....	272,539	271,100	-	-	272,539	271,100
Miscellaneous .....	84,042	61,949	2,121	979	86,163	62,928
Total revenues .....	<u>751,805</u>	<u>753,701</u>	<u>195,676</u>	<u>214,694</u>	<u>947,481</u>	<u>968,395</u>
Expenses						
General government .....	204,724	208,608	-	-	204,724	208,608
Public safety .....	297,711	314,935	-	-	297,711	314,935
Public Works .....	157,701	174,629	-	-	157,701	174,629
Health .....	23,102	20,830	-	-	23,102	20,830
Culture and recreation .....	21,298	20,639	-	-	21,298	20,639
Conservation and development .....	70,025	61,693	-	-	70,025	61,693
Capital contribution to						
Milwaukee Public Schools .....	2,788	6,474	-	-	2,788	6,474
Contributions .....	21,915	22,177	-	-	21,915	22,177
Interest on long-term debt .....	30,536	28,368	-	-	30,536	28,368
Water .....	-	-	62,064	64,562	62,064	64,562
Sewer Maintenance .....	-	-	29,928	29,167	29,928	29,167
Parking .....	-	-	24,025	25,078	24,025	25,078
Port of Milwaukee .....	-	-	5,626	4,182	5,626	4,182
Metropolitan Sewerage District User Charges.	-	-	32,301	40,219	32,301	40,219
Total expenses .....	<u>829,800</u>	<u>858,353</u>	<u>153,944</u>	<u>163,208</u>	<u>983,744</u>	<u>1,021,561</u>
Increase in net assets before transfers .....	(77,995)	(104,652)	41,732	51,486	(36,263)	(53,166)
Transfers .....	36,483	38,052	(36,483)	(38,052)	-	-
Increase in net assets .....	(41,512)	(66,600)	5,249	13,434	(36,263)	(53,166)
Net assets – Beginning .....	415,267	373,755	646,439	651,688	1,061,706	1,025,443
Net assets – Ending .....	<u>\$ 373,755</u>	<u>\$ 307,155</u>	<u>\$ 651,688</u>	<u>\$ 665,122</u>	<u>\$ 1,025,443</u>	<u>\$ 972,277</u>

**Governmental Activities**

Revenues for the City's governmental activities were \$753.7 million, while total expenses were \$858.4 million for 2008. All revenues, excluding transfers, are supporting 87.8% of the total expenses; 92.2% with transfers. Comparable data for 2007 indicates 90.6% of all revenues, excluding transfers supported the 2007 expenses and, 95% with transfers.

Property taxes represent 34.1% of the total revenues for 2008 compared to 32.4% for 2007; a 5.6% increase in this category. The increase in revenues is primarily due to an increase in collections; however, the City of Milwaukee's share of the Tax Rate increased two cents (from \$7.99 in 2007 to \$8.01 in 2008 [per \$1,000 of Assessed Value]). State aids for the General Fund of \$271.1 million decreased from 2007 by \$1.4 million or .5%. The combined property taxes and state aids comprised approximately 70.1% of the total revenues for governmental funds in 2008 compared to 68.7% in 2007. Charges for services equaled 11.5% of the total revenues in 2008 compared to 10.2% in 2007.

CITY OF MILWAUKEE  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
 FOR THE YEAR ENDED DECEMBER 31, 2008

Governmental activities had expenses increase 3.4% in 2008 to \$858.4 million from \$829.8 million in 2007. Expenses for general government, which comprise 24.3% of the total expenses, increased 1.9% in 2008. Public safety expenses represent the largest category of governmental activities or 36.7% of the total expenses for 2008 which is an increase of 5.8% over 2007. Due to the excessive snowfall during 2008, public works expenses increased 10.7% over 2007.

**Chart 1**  
**2008 Expenses and Program Revenues - Governmental Activities**

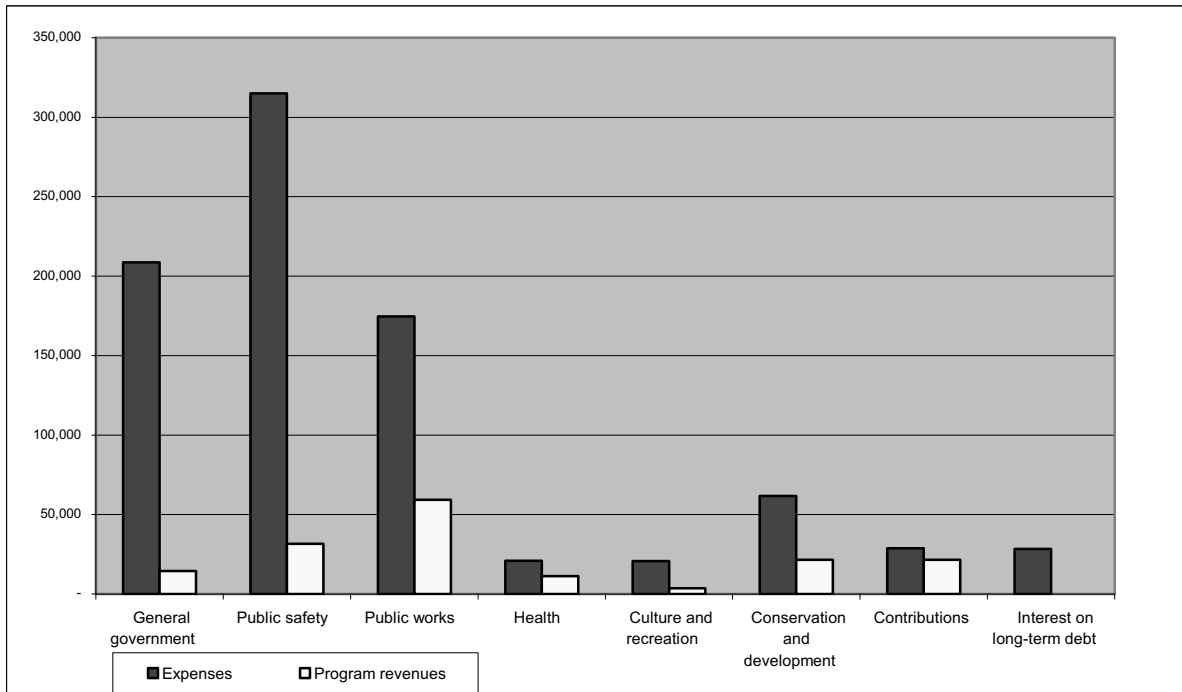


Table 3 presents the cost of each of the City's largest programs as depicted in the Chart 1 above, as well as each program's net costs (total cost less the revenues generated by the activities). General government includes most city departments, such as: Mayor, Common Council, Administration, Employee Relations, Municipal Court, City Attorney, Comptroller and Treasurer. Public safety includes Fire, Police and Neighborhood Services. The net cost shows the financial burden that was placed on the City's taxpayers by each of these functions.

CITY OF MILWAUKEE  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
 FOR THE YEAR ENDED DECEMBER 31, 2008

**Table 3**  
**Governmental Activities**  
*(Thousand of Dollars)*

	<b>Total Cost of Services</b>		<b>Net Cost of Services</b>	
	<b>2007</b>	<b>2008</b>	<b>2007</b>	<b>2008</b>
General government .....	\$ 204,724	\$ 208,608	\$ 190,243	\$ 194,038
Public safety .....	297,711	314,935	271,271	283,373
Public works .....	157,701	174,629	108,024	115,234
Health .....	23,102	20,830	10,375	9,556
Culture and recreation .....	21,298	20,639	17,244	17,120
Conservation and development .....	70,025	61,693	48,104	40,103
Contributions .....	24,703	28,651	2,433	7,119
Interest on long-term debt .....	30,536	28,368	30,536	28,368
<b>Total Governmental Activities .....</b>	<b>\$ 829,800</b>	<b>\$ 858,353</b>	<b>\$ 678,230</b>	<b>\$ 694,911</b>

The Table 3 above indicates that the cost of services not funded with direct program revenue for governmental activities increased in 2008 to \$694.9 million from \$678.2 million in 2007 or 2.5% change. For 2008, Public Safety's net cost of services represents the largest category of total expenses at 40.8%, an increase of 4.5% in net cost of services compared to 2007. The total costs of services for all governmental activities increased overall by 3.4%. This indicates that total program revenue for the purposes is not increasing in proportion to the total cost of governmental services.

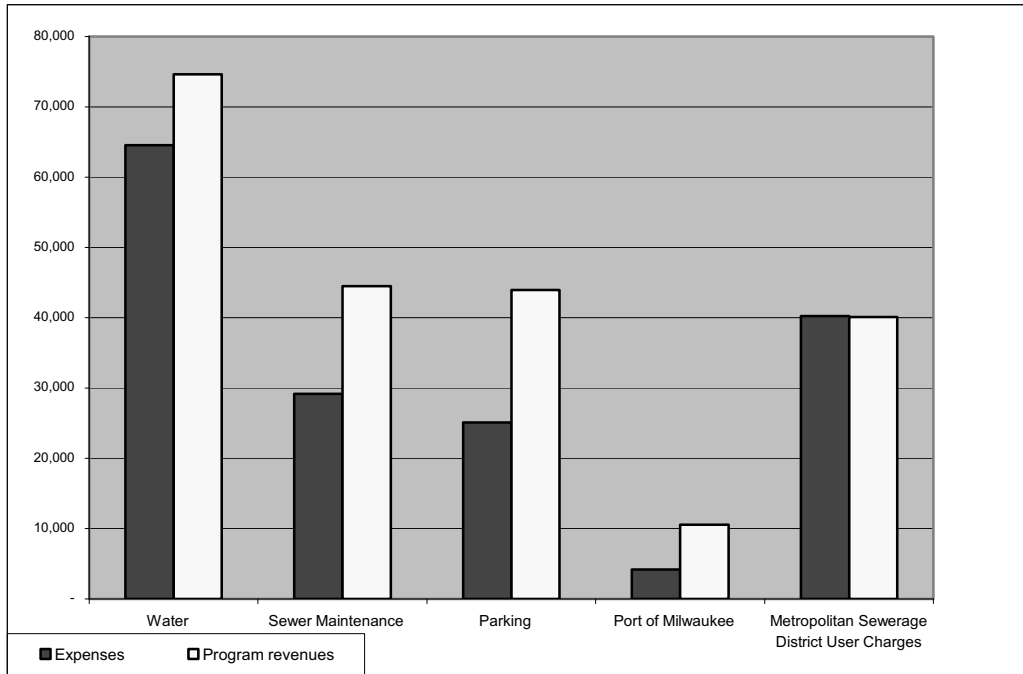
**Business-type Activities**

The three major enterprises or business-type activities are water, sewer maintenance and parking operations. The Water Works had operating expenses of \$63.4 million and operating income of \$10.2 million. The Sewer Maintenance had operating income of \$20.0 million after generating expenses of \$20.7 million. The City parking facilities operating expenses during 2008 were \$24.5 million with net operating income of \$19.1 million.

Total revenues on Table 2 shows an increase of \$19 million in 2008 compared to 2007, or 9.7%. Total expenses and transfers of all enterprise funds of the City increased \$10.9 million, from \$190.4 million in 2007 to \$201.3 million in 2008. This resulted in a change in net assets activity for the year 2008 of an increase of \$8.2 million compared to 2007. The 2008 year-end Total Net Assets increased by \$13.4 million or 2.1%.

CITY OF MILWAUKEE  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
 FOR THE YEAR ENDED DECEMBER 31, 2008

**Chart 2**  
**2008 Expenses and Program Revenues - Business-type Activities**



**FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

The City uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

**Governmental Funds**

Governmental Funds are reported in the fund statements with a short-term, inflow and outflow of spendable resources focus. This information is useful in assessing resources available at the end of the year in comparison with upcoming financing requirements. In particular, the Reserved for Tax Stabilization in the General Fund may serve as a useful measure for the City's net resources available for financing subsequent year's budget to help stabilize the tax rate. Types of Governmental Funds reported by the City include the General Fund, Special Revenue Funds, Debt Service Funds and Capital Project Funds.

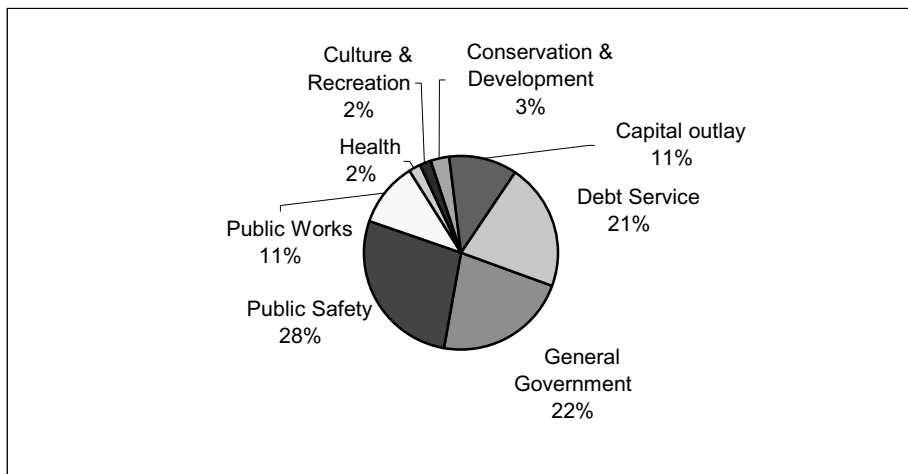
As the City completed the year, its Governmental Funds (as presented in the balance sheet on Exhibit A-1) reported a combined fund balance of \$202.9 million, an increase of \$17.8 million or 9.6% over last year. A major contributor to this increase was the issuance of additional general obligation debt in the Capital Projects Funds. As a result, the expenditures for various capital projects in advance of the issuance of debt produced a beginning of year net fund deficit of \$67.2 million but improved to a deficit fund balance at year end 2008 of \$37.4 million. Debt issued for capital projects totaled \$124.7 million in 2008 compared to \$21.3 million in 2007. At year end, the capital projects with a fund deficit were Bridges (\$1,922,000), Library (\$123,000), Public Buildings (\$1,450,000), Sewers (\$1,833,000), Urban Renewal (\$851,000), Streets (\$3,911,000), and Tax Incremental Districts (\$16,526,000). The fund balance deficit of \$12,158,000 for special assessment capital projects remained relatively unchanged. This deficit is due to the financing of capital projects prior to the issuance of the special assessment bills. If over \$125, these bills are payable over six years. Other capital projects such as fire, playgrounds and recreation, police and special projects netted a positive fund balance at year end of \$1,423,000.

The total reserves of the General Fund decreased 19.7% to \$73.0 million from \$90.9 million in 2007. Of this amount, \$22.4 will finance the 2009 budget, with \$20.0 available for 2010 and subsequent years' budgets. The year 2007 showed a \$14.3 million reduction.

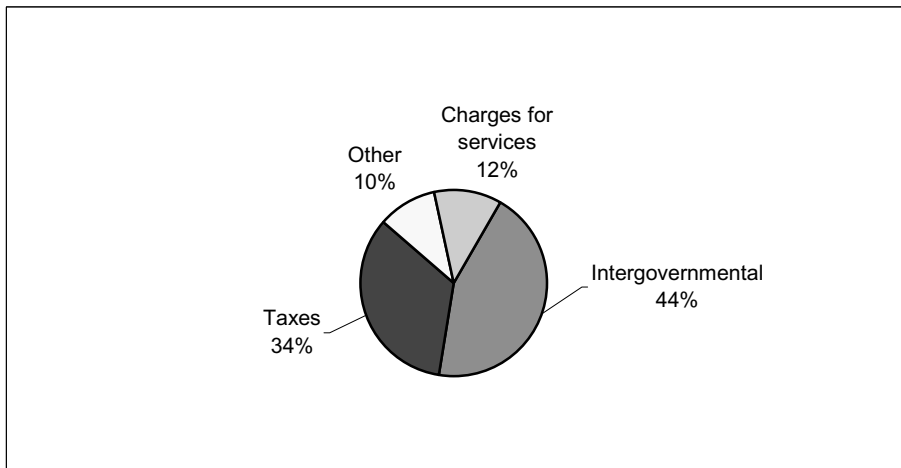
CITY OF MILWAUKEE  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
 FOR THE YEAR ENDED DECEMBER 31, 2008

Chart 3 and 4 graphically depict the spending by function and revenues by source for all governmental funds. Revenues for governmental functions overall totaled \$753.9 million in the fiscal year ended December 31, 2008, which represents an increase of approximately 0.8% compared to the fiscal year ended December 31, 2007. Expenditures for governmental funds totaled \$1,014.7 million, an increase of 3.6%. In the aggregate, expenditures exceeded revenues by \$260.8 million, or approximately 34.6%. Other financing sources closed the gap, leaving a total net increase in governmental fund balances of \$17.8 million for the year compared to a decrease of \$85.5 million in 2007. Other financing sources include proceeds from issuance of debt, transfers from enterprise funds and receipt of loans receivable transferred from the Neighborhood Improvement Development Corporation component unit.

**Chart 3**  
**2008 City Spending by Function - Governmental Funds**



**Chart 4**  
**2008 Revenues by Source - Governmental Funds**





CITY OF MILWAUKEE  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
 FOR THE YEAR ENDED DECEMBER 31, 2008

*Major Governmental Funds*

The General Fund is the City's primary operating fund and the largest funding source for day-to-day services. The fund balance of the General Fund decreased by \$17.8 million or 19.6%. Revenues and other financing sources totaled approximately \$695.1 million and expenditures and other financing uses totaled approximately \$712.9 million - detailed in Table 4 below. While revenues remained consistent with the prior year (increasing by 0.77% over 2007), expenditures increased 2.6% over 2007, with expenditures exceeding revenues by 11.6%. Other Financing Sources (consisting of debt proceeds and transfers in from other funds), exceeded Other Financing Uses (consisting of transfers out to other funds) by \$46.5 million. In addition, \$29.5 million was withdrawn from the Reserve for Tax Stabilization to fund the 2008 General Fund budget. This was an increase of \$6.3 million from 2007.

Total General Fund revenues for 2008 totaled \$556.5 million. The largest revenue category is intergovernmental at \$271.1 million with 48.7% of the total revenue. The second largest revenue source is Property Taxes with \$141.6 million or 25.4%. Charges for Services, which includes revenues for services provided by City departments, comprises 15.5% or \$86.4 million. These three categories combined comprise 89.7% of the total revenues for 2008. The largest increase in revenues compared to 2007 was the Charges for Services category with a 13.0% increase.

The following table (Table 4) presents a summary of revenues and expenditures of the General Fund compared to prior year:

**Table 4**  
**General Fund**  
**Summary of Revenues, Expenditures and Other Financing Sources and Uses**  
*(Thousands of Dollars)*

Revenues and Other Financing Sources				Expenditures and Other Financing Uses			
Revenues:	2007	2008	% Change	Expenditures:	2007	2008	% Change
Property taxes .....	\$ 137,253	\$ 141,573	3.15%	General government.....	\$ 222,781	\$ 221,023	-0.79%
Other taxes .....	5,311	4,839	-8.89%	Public safety.....	257,137	266,370	3.59%
Licenses and permits .....	13,704	12,918	-5.74%	Public works.....	93,956	103,149	9.78%
Intergovernmental .....	272,539	271,100	-0.53%	Health.....	10,359	10,118	-2.33%
Charges for services .....	76,496	86,410	12.96%	Culture and recreation .....	17,548	16,782	-4.37%
Fines and forfeits .....	5,800	5,277	-9.02%	Conservation and development .....	3,279	3,456	5.40%
Contributions received .....	22,270	21,532	-3.31%	-	-	-	-
Other .....	18,883	12,864	-31.88%	Total Expenditures ....	605,060	620,898	2.62%
<b>Total Revenues .....</b>	<b>552,256</b>	<b>556,513</b>	<b>0.77%</b>				
<b>Other Financing Sources</b>				<b>Other Financing Uses</b>			
Debt proceeds .....	66,000	91,600		Transfers out .....	68,079	92,080	35.25%
Transfers in .....	40,561	47,019	15.92%	<b>Total Expenditures and other Financing Uses .....</b>	<b>\$ 673,139</b>	<b>\$ 712,978</b>	<b>5.92%</b>
<b>Total Revenues and Other Financing Sources .</b>	<b>658,817</b>	<b>695,132</b>	<b>5.51%</b>				
<b>Excess of Revenues over Expenditures .....</b>	<b>(52,804)</b>	<b>(64,385)</b>	<b>21.93%</b>				
<b>Net Change in Fund Balance .....</b>	<b>\$ (14,322)</b>	<b>\$ (17,846)</b>	<b>24.61%</b>				

Beginning in 2006, the City began issuing General Obligation Cash-Flow Promissory Notes rather than Revenue Anticipation Notes in advance of receipt of the State Shared Revenues. For 2008, \$90 million was issued. With the receipt of these revenues, an amount equal to the debt was transferred to the Debt Service Fund (the legal fund established to pay the debt).

The City maintains two separate Debt Service Funds. The General Obligation Debt Fund accounts for resources accumulated and payments made for principal and interest on the City's outstanding long-term general obligation debt. The Public Debt Amortization Fund is governed by State Statutes Section 67.101 whereby accumulated resources can be used for the

CITY OF MILWAUKEE  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
FOR THE YEAR ENDED DECEMBER 31, 2008

retirement of the public debt. The General Obligation Debt Service Fund increased its fund balance from \$56.8 million to \$71.2 million or 25.5%. Total revenues of the General Obligation Debt Service increased from \$88.1 million in 2007 to \$102.0 million in 2008. Revenues combined with *Other Financing Sources* totaled \$247.7 million; expenditures combined with *Other Financing Uses* totaled \$233.2 million; resulting in a *Net Change in Fund Balance* for year end 2008 of \$14.5 million. The Public Debt Amortization Fund showed a decrease of 14.8% from \$70.2 million to \$59.8 million at year-end for its fund balance due to net transfers out of \$17.8 million combined with an overall increase of total revenues over expenditures of \$7.4 million.

Capital Projects Funds are used to account for the financial resources segregated for the acquisition, construction, or repair of major capital facilities other than those financed by proprietary funds. At year end, 2008 showed a fund balance deficit of \$37.4 million (an increase in the fund balance of \$29.8 million compared to a fund balance deficit of \$67.2 million in 2007). In 2008, total debt proceeds amounted to \$124.7 million as compared to \$21.3 million in 2007, a 485.5% increase. Total revenues decreased 28% from \$26.8 million to \$19.8 million; expenditures decreased from \$127.3 million to \$114.8 million or 9.8%. The issuance of bonds and notes during 2008 for capital purposes combined with revenues and transfers were sufficient to cover the current year's expenditures in total and thereby reduced the 2008 year end deficit in fund balance by \$29.8 million.

### **Proprietary Funds**

The proprietary fund statements share the same focus as the government-wide statements, reporting both short-term and long-term information about financial status, but in more detail.

At the end of the fiscal year, the total unrestricted net assets for all enterprise funds were \$47.1 million. This was a decrease from \$60.6 million at December 31, 2007 or 22.3%. This decrease consists of \$8.4 million in Water Works, \$7.4 million in Sewer Maintenance, and offset by an increase of \$0.8 million in Parking and \$1.5 million in the nonmajor enterprise funds.

Total operating revenues of the enterprise funds increased 8.6% from 2007 - \$186.8 million to \$202.9 million in 2008; total operating expenses increased to \$152.9 million in 2008 from \$143.7 million in 2007 or 6.4%. The Water Works is the largest enterprise activity for the City, comprising approximately 36.2% of the total operating revenues. The Sewer Maintenance Fund comprises 20.1% of the total operating revenues. Both funds primarily bill customers based on water consumption. For 2008 Water Works and Sewer Maintenance operating revenues increased 1.4% and 7.9%, respectively; all other enterprise funds combined increased by 15.9%. Water Works nonoperating revenues for 2008 are mainly composed of interest income. Investment income decreased by 60.7%, or \$1,037,000 from 2007. Other miscellaneous nonoperating revenue also decreased from \$304,000 to \$194,000 in 2008. These miscellaneous revenues (fees for servicing of branch water mains and water tapping services) decreased 36.2% from 2007.

The Water Works incurred total operating and nonoperating expenses of \$64.6 million for 2008 compared to \$62.1 million for 2007. Excluding depreciation expense, operating expenses increased over the previous year by \$2.5 million or 5.3%. The nonoperating expenses (interest expense) of the Water Works decreased by \$193,000 due to the declining principal balances on outstanding debt.

Excluding the Water Works, total operating expenses of all other enterprises funds increased 7.9% over 2007.

### **General Fund Budgetary Highlights**

Over the course of the year, the Common Council adopted five resolutions which increased the General Fund appropriations due to greater than anticipated revenues. These increased budgets provided departments additional appropriation authority due to revenue increases related to the additional spending. These appropriations were: \$116,059 and \$58,030 for the Department of City Clerk funding support of City Cable Channel equipment upgrades and other cable purposes; \$188,956 for the Department of Public Works from a Federal Emergency Management Agency (FEMA) grant to address a spring flood; \$440,650 for snow and ice removal costs for the February 2008 snow storm, and \$2,025,000 due to a rate increase relating to snow and ice control and apartment garbage collection fees.

The original budget for expenditures includes the adopted budget plus the encumbrances carried over from 2007 less the encumbrances carried over to 2009. The final budget includes the original budget as defined plus appropriations authorized for carryover from 2007 by the Common Council less those appropriations authorized for carryover to 2009. In addition, certain appropriations are budgeted in a general non-departmental account (i.e. contingency) and are only transferred from this non-departmental appropriation account to specific departments to expend after authorization by the Common Council. These appropriation adjustments are part of the final budget. As detailed in Required Supplementary Information Section,

CITY OF MILWAUKEE  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
FOR THE YEAR ENDED DECEMBER 31, 2008

Exhibit E-1 shows both the original 2008 General Fund expenditure budget of \$592.1 million and the final budget of \$600.0 million. This is a 2.3% increase over the final 2007 budget of \$586.5 million. The original General Fund revenue budget totaled \$535.6 million with the final budget increasing by \$2.8 million to \$538.4 million. This is a 2.6% increase over the final 2007 revenue budget of \$525.0 million.

For the fiscal year ended December 31, 2008, the General Fund revenue budget exceeded actual revenues by \$3.5 million. However, actual 2008 General Fund revenues exceeded that of the prior year. General Fund actual revenues totaled \$556.5 million in 2008, a \$4.2 million (+0.8%) increase over 2007. Property Taxes and Charges for Services increased by 3.2% and 13.0%, respectively. Noteworthy increases over 2007 actual revenue include a \$9.9 million increase in Charges for Services (\$3.6 million in snow and ice removal fees and \$0.9 million in pavement cut services provided to the Water Works and Sewer Maintenance enterprise funds). All other categories (Other Taxes, Licenses and permits, Intergovernmental, Fines and forfeits and Other) decreased in ranges of 0.5% to 31.9% for a total decrease of \$9.2 million. A major "Other" revenue decrease was interest on investments, declining by \$6.0 million or 31.9%. The average interest earnings rate was 2.743% compared to 5.095% in 2007 with a decrease in the average investable balance from \$244.2 million in 2007 to \$218.2 million in 2008.

The year 2008 also produced an unexpended budget surplus of \$1.2 million. The general government category contributed \$2.8 million; public works reduced the surplus by \$2.5, and public safety, health culture and recreation and conservation and development, in the aggregate, added \$0.9 million. Of the \$2.8 million saved by general government departments, \$0.4 million was saved by City Attorney collection contract due to unrealized claims. The combined savings from the Comptroller, Employees' Retirement and Department of Employee Relations resulted in a surplus in various fringe benefit costs that were allocated to capital projects rather than to general fund accounts, and thus saved \$1.1 million for the year. The Employees' Retirement incurred a budgetary savings of \$0.3 on Group Life Insurance Premiums due to reduced salary levels. Minor savings in other general government departments make up the remaining savings of \$1 million. The Department of Public Works Operations Department incurred a deficit of \$2.6 million relating to snow removal and cleanup efforts. December 2008 was another record setting year for snowfall.

The General Fund Schedule of Expenditures-Budget and Actual (Exhibit I-9) details current year expenditures by department.

The City's General Fund's beginning fund balance of \$90.9 million as reported on the General Fund Statement of Revenues, Expenditures and Changes in Fund Balance differs from the General Fund's budgetary fund balance reported in the budgetary comparison schedule by the amount of the budgeted withdrawal from the Reserve for Tax Stabilization of \$29.5 million. Also, for 2008, expenditures of the Public Works category exceeded appropriations in the General Fund in the net amount of \$2.5 million. Of this amount, the Department of Public Works-Operations Division's snow plowing operations were overdrawn \$2.6 million. The Council has approved the issuance of short-term promissory notes to fund this deficit in 2009.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

The City's capital assets for governmental and business-type activities as of December 31, 2008 total \$1,711.1 million (net of accumulated depreciation). Capital assets include land, buildings, infrastructure, improvements other than buildings, machinery and equipment, furniture and furnishings, non-utility property, and construction in progress. The total increase in the City's capital assets for the current fiscal year was \$47.8 million or 2.9%. Governmental activities' capital assets increased \$13.5 million or a 1.4% increase from 2007. Business-type activities' capital assets increased \$34.3 million or 4.8% at the end of 2008. A schedule comparing the assets by type for 2007 and 2008 for both governmental and business-type activities is depicted in Table 5 below. The net change in assets as detailed in Note 4 reports that additions were \$26.2 million and deletions were \$12.7 million for 2008 for governmental activities. The Sewer Maintenance Fund had a net change in capital assets that resulted in an increase of \$25.5 million. Of the sewer maintenance fund's net assets at year end, 84.3% relate to the sewer mains infrastructures. Infrastructure net assets of the Water Works comprise 65.9% of its total net assets with 27.8% consisting of machinery and equipment. The total net change in all water works net assets was an increase of 1.8%.

Debt issued to finance tax incremental districts (TID) consists of \$157.9 million outstanding at year end. The majority of these expenditures have no related assets for TID, so net increases in TID debt reduce unrestricted net assets by an equal amount. In addition, debt issued for school purposes at year end was \$87.8 million. The Milwaukee Public Schools (MPS) is a separate governmental entity. By State Statutes, MPS cannot issue its own debt. As a result, the City issues debt for schools purposes. The City has the option of providing funds from its treasury or issue debt to finance school construction, operations and/or maintenance. The City chooses to issue debt. The MPS's assets are not an asset of the City and, as a result, reduced unrestricted net assets by an equal amount.

CITY OF MILWAUKEE  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
 FOR THE YEAR ENDED DECEMBER 31, 2008

**Table 5**  
**Capital Assets**  
 (net of depreciation)  
 (Thousands of Dollars)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2007	2008	2007	2008	2007	2008
Capital assets not being depreciated:						
Land .....	\$ 163,769	\$ 163,797	\$ 16,115	\$ 18,167	\$ 179,884	\$ 181,964
Construction in progress .....	106,357	123,768	52,699	61,966	159,056	185,734
Capital assets being depreciated:.....						
Buildings .....	194,137	194,782	85,000	85,421	279,137	280,203
Infrastructure .....	1,337,345	1,355,649	664,521	713,333	2,001,866	2,068,982
Improvements other than buildings .....	11,198	11,573	27,300	7,717	38,498	19,290
Machinery and equipment .....	145,659	162,573	211,792	212,266	357,451	374,839
Nonutility property .....	-	-	5,316	5,509	5,316	5,509
Accumulated depreciation .....	<u>(1,016,522)</u>	<u>(1,056,667)</u>	<u>(341,403)</u>	<u>(348,781)</u>	<u>(1,357,925)</u>	<u>(1,405,448)</u>
 Total .....	 <u>\$ 941,943</u>	 <u>\$ 955,475</u>	 <u>\$ 721,340</u>	 <u>\$ 755,598</u>	 <u>\$ 1,663,283</u>	 <u>\$ 1,711,073</u>

**Debt**

At year-end, the City had \$760.6 million in general obligation bonds and notes, \$49.7 million in State loans, and \$61.2 million in revenue bonds outstanding as itemized in Table 6.

New debt (excluding refunding bonds) issued for general obligation bonds and notes totaled \$239.0 million, of which \$1.6 million related to Sewer Maintenance, Parking, and Port Enterprises.

The City continues to maintain high investment grade ratings from the three major rating agencies. A rating of AA+ from Fitch Ratings, AA from Standard and Poor's Corporation, and Aa2 from Moody's Investors Service, Inc, were received on the City's July 2008 general obligation bonds issues.

The City's gross general obligation debt per capita, excluding enterprise fund debt, was \$1,038 at the end of 2007, and \$1,127 at the end of 2008; a 8.6% increase from the prior year. As of December 31, 2008, the City's outstanding net general obligation debt for governmental activities was 2.09% of the City's total taxable value of property. (Statistical Section - Table 9) The legal debt limit is 7% of equalized property value, including Milwaukee Public Schools debt, which also is issued by the City. Excluding the 2% limit on School debt, the City has a 5% legal debt limit and has reached about 43.2% of this limit. The City issues general obligation notes to purchase a portion of General Fund delinquent taxes. During 2008, notes were issued in the amount of approximately \$21.1 million. Collections on these taxes and related interest will be used to meet the related debt service requirements.

CITY OF MILWAUKEE  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
 FOR THE YEAR ENDED DECEMBER 31, 2008

**Table 6**  
**Outstanding Debt**  
**General Obligation and Revenue Bonds**  
*(Thousand of Dollars)*

	Governmental Activities		Business-type Activities		Total Primary Government	
	2007	2008	2007	2008	2007	2008
General obligation bonds and notes (backed by the City) .....	\$ 669,404	\$ 725,670	\$ 58,936	\$ 34,970	\$ 728,340	\$ 760,640
State loans .....	-	-	14,369	49,653	14,369	49,653
Revenue bonds (backed by specific fee revenues) .....	-	-	64,711	61,170	64,711	61,170
<b>Total .....</b>	<b>\$ 669,404</b>	<b>\$ 725,670</b>	<b>\$ 138,016</b>	<b>\$ 145,793</b>	<b>\$ 807,420</b>	<b>\$ 871,463</b>

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

Total property taxes levied for all funds of the City in 2008 for 2009 purposes increased \$.08 per thousand dollars of assessed valuation to a rate of \$8.09. The 2007 for 2008 rate increased \$.02 (from \$7.99 to \$8.01).

The property tax levy will provide \$123.7 million revenue for the general city purposes budget in 2009. This represents an increase of \$19.7 million from 2008 or 18.9%. The total City tax levy increased from \$227.5 million for 2008 to \$237 million for 2009 or a \$7.4 million increase. The 2009 budget includes \$87.2 million in revenue from charges for services, an increase of \$6.6 million. This category of funding encompasses revenue received for services provided by City operating departments. The Solid Waste Fee is the largest revenue source in this category and is expected to generate \$28.5 million for 2009. This fee represents 32.7% of the total charges for services in the 2009 budget. The Street Sweeping and Leaf Collection Fee is expected to generate \$10.1 million for 2009; a 102% increase from 2008 due to a rate increase. This Fee now comprises 11.5% of the total charges for services for 2009 compared to 6.2% in 2008.

Estimated intergovernmental revenues, primarily from the State of Wisconsin, are projected to total \$272.3 million; a slight increase of \$1 million from 2008 or less than one-half of one percent.

The 2009 adopted City Budget is about \$1.4 billion with the budget for the General Fund at \$667.1 million. The General Fund budget increased 3.9% over the 2008 budget of \$642.1 million. In 2009, the City will expend \$114.9 million for health insurance and related costs compared to \$109.9 million budgeted for 2008, an increase of 4.6%. Another major increase from 2008 is the cost of salaries and wages, including pending labor contract settlements and cost of living rate increases, direct salaries, vacation pay, holiday pay and other salary related payments. This increase totals \$13 million over 2008, or a plus 3.6%. Estimated Full-time Equivalent (FTE) employment for all General Fund departments reflects a decrease of 66 FTE with the Fire Department having a decrease of 36 FTE and the Library Department decreasing by 21 FTE's for 2009.

The City remains in sound financial condition, as demonstrated by the financial statements and schedules included in this report. However, the General Fund reserve for tax stabilization decreased from its 12/31/07 balance of \$62.7 million to \$42.4 million at 12/31/08. With expected limitations on additional state shared revenues, a potential increase in the City contribution to the Employees Retirement System and record snowfalls resulting in a shortfall for this purpose of over \$2.6 million, the City is currently taking action to restrain spending and increase revenues in 2009. Initiatives include a hiring freeze, significant fee increases and a mandatory furlough during 2009. This plan is further explained in the Letter of Transmittal section of this report.

The unemployment rate for 2008 is 7.9%, a 21.5% increase over the previous year. The per capita income for the most recent fiscal year available (2007) was \$35,852 - a 5.1% increase from 2006.

CITY OF MILWAUKEE  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
FOR THE YEAR ENDED DECEMBER 31, 2008

The City's population over the last five years is depicted in the table below. This data is estimated from the Wisconsin Department of Revenue used in the distribution of State Shared Taxes and differs from the U.S. Census Bureau.

2004	593,920
2005	592,765
2006	590,370
2007	590,190
2008	590,870

**CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it received. If you have questions about this report or need additional financial information, contact the City of Milwaukee, Office of the City Comptroller, Office, City Hall, 200 East Wells Street Room 404, Milwaukee, WI 53202.

**BASIC  
FINANCIAL  
STATEMENTS**

**GOVERNMENT-WIDE  
FINANCIAL STATEMENTS**

CITY OF MILWAUKEE  
**STATEMENT OF NET ASSETS**  
 December 31, 2008  
 (Thousands of Dollars)

Exhibit 1

	<u>Primary Government</u>			<b>Component Units</b>
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	
<b>Assets</b>				
Cash and cash equivalents .....	\$ 244,043	\$ 51,823	\$ 295,866	\$ 57,404
Investments .....	6,126	-	6,126	3,559
Receivables (net):				
Taxes .....	198,563	-	198,563	-
Accounts .....	18,745	38,562	57,307	1,983
Unbilled accounts .....	1,135	14,629	15,764	-
Special assessments .....	14,216	-	14,216	-
Notes and loans .....	53,700	-	53,700	90,920
Accrued interest .....	606	38	644	3,689
Due from component units .....	18,434	-	18,434	-
Due from primary government .....	-	-	-	118
Due from other governmental agencies .....	230,513	1,073	231,586	17,552
Inventory of materials and supplies .....	7,519	2,331	9,850	-
Inventory of property for resale .....	26	-	26	7,925
Prepaid items .....	354	447	801	897
Deferred charges .....	2,050	422	2,472	1,115
Other assets .....	<u>-</u>	<u>286</u>	<u>286</u>	<u>504</u>
<b>Total Noncapital Assets .....</b>	<b><u>796,030</u></b>	<b><u>109,611</u></b>	<b><u>905,641</u></b>	<b><u>185,666</u></b>
Capital assets:				
Capital assets not being depreciated:				
Land .....	163,797	18,167	181,964	54,187
Construction in progress .....	123,768	61,966	185,734	2,301
Capital assets being depreciated:				
Buildings .....	194,782	85,421	280,203	480,524
Infrastructure .....	1,355,649	713,333	2,068,982	789
Improvements other than buildings .....	11,573	7,717	19,290	1,531
Machinery and equipment .....	162,573	212,266	374,839	3,277
Nonutility property .....	-	5,509	5,509	-
Accumulated depreciation .....	<u>(1,056,667)</u>	<u>(348,781)</u>	<u>(1,405,448)</u>	<u>(232,498)</u>
<b>Total Capital Assets .....</b>	<b><u>955,475</u></b>	<b><u>755,598</u></b>	<b><u>1,711,073</u></b>	<b><u>310,111</u></b>
<b>Total Assets .....</b>	<b><u>1,751,505</u></b>	<b><u>865,209</u></b>	<b><u>2,616,714</u></b>	<b><u>495,777</u></b>



CITY OF MILWAUKEE  
**STATEMENT OF NET ASSETS**  
 December 31, 2008  
 (Thousands of Dollars)

Exhibit 1 (Continued)

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>LIABILITIES</b>				
Accounts payable .....	\$ 43,413	\$ 16,205	\$ 59,618	\$ 7,066
Accrued expenses .....	32,871	3,199	36,070	6,512
Accrued interest payable .....	10,737	1,027	11,764	-
Internal balances .....	(27,795)	27,795	-	-
Due to component units .....	118	-	118	-
Due to other governmental agencies .....	502	-	502	2,175
Deferred revenue .....	295,770	51	295,821	1,146
Revenue anticipation notes payable .....	210,000	-	210,000	-
Other payables .....	-	-	-	-
Other liabilities .....	-	-	-	6,937
Due to primary government:				
Due within one year .....	-	-	-	765
Due in more than one year .....	-	-	-	17,669
Long-term obligations:				
Due within one year .....	94,417	11,250	105,667	5,278
Due in more than one year .....	<u>784,317</u>	<u>140,560</u>	<u>924,877</u>	<u>134,381</u>
<b>Total Liabilities .....</b>	<b><u>1,444,350</u></b>	<b><u>200,087</u></b>	<b><u>1,644,437</u></b>	<b><u>181,929</u></b>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt .....	559,343	607,122	1,166,465	186,985
Restricted for:				
Debt Service .....	143,778	10,935	154,713	14,196
Temporarily restricted .....	-	-	-	8,184
Other purposes .....	173	-	173	-
Unrestricted .....	<u>(396,139)</u>	<u>47,065</u>	<u>(349,074)</u>	<u>104,483</u>
<b>Total Net Assets .....</b>	<b><u>\$ 307,155</u></b>	<b><u>\$ 665,122</u></b>	<b><u>\$ 972,277</u></b>	<b><u>\$ 313,848</u></b>

*The notes to the financial statements are an integral part of this statement.*

CITY OF MILWAUKEE  
**STATEMENT OF ACTIVITIES**  
 FOR THE YEAR ENDED DECEMBER 31, 2008  
*(Thousands of Dollars)*

Exhibit 2

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary government:</b>				
Governmental Activities:				
General government .....	\$ 208,608	\$ 12,589	\$ 1,981	\$ -
Public safety .....	314,935	17,998	13,564	-
Public works .....	174,629	53,348	6,047	-
Health .....	20,830	644	10,630	-
Culture and recreation .....	20,639	1,443	2,076	-
Conservation and development .....	61,693	388	21,202	-
Capital contribution to Milwaukee Public				
Schools .....	6,474	-	-	-
Contributions .....	22,177	-	21,532	-
Interest on long-term debt .....	28,368	-	-	-
Total Governmental Activities .....	<u>858,353</u>	<u>86,410</u>	<u>77,032</u>	<u>-</u>
Business-type Activities:				
Water .....	64,562	73,731	-	900
Sewer Maintenance .....	29,167	40,724	-	3,779
Parking .....	25,078	43,961	-	-
Port of Milwaukee .....	4,182	5,017	-	5,524
Metropolitan Sewerage District				
User Charges .....	40,219	40,079	-	-
Total Business-type Activities .....	<u>163,208</u>	<u>203,512</u>	<u>-</u>	<u>10,203</u>
Total Primary Government .....	<u>\$ 1,021,561</u>	<u>\$ 289,922</u>	<u>\$ 77,032</u>	<u>\$ 10,203</u>
<b>Component units:</b>				
Housing Authority .....	\$ 85,254	\$ 19,876	\$ 48,509	\$ 11,833
Redevelopment Authority .....	11,772	5,997	5,021	3,263
Milwaukee Economic Development Authority	4,830	3,505	772	-
Neighborhood Improvement Development Corporation .....	636	459	1,296	-
Total Component Units .....	<u>\$ 102,492</u>	<u>\$ 29,837</u>	<u>\$ 55,598</u>	<u>\$ 15,096</u>
General revenues:				
Property taxes and other taxes .....				
State aids for General Fund .....				
Miscellaneous .....				
Transfers .....				
Total General Revenues and Transfers .....				
Change in Net Assets .....				
Net Assets - Beginning, as restated (note 1w) .....				
<b>Net Assets - Ending .....</b>				

*The notes to the financial statements are an integral part of this statement.*

<b>Net (Expenses) Revenue and Changes in Net Assets</b>			
<b>Primary Government</b>			
<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	<b>Component Units</b>
\$ (194,038)		\$ (194,038)	
(283,373)		(283,373)	
(115,234)		(115,234)	
(9,556)		(9,556)	
(17,120)		(17,120)	
(40,103)		(40,103)	
(6,474)		(6,474)	
(645)		(645)	
<u>(28,368)</u>		<u>(28,368)</u>	
<u>(694,911)</u>		<u>(694,911)</u>	
-	\$ 10,069	10,069	
-	15,336	15,336	
-	18,883	18,883	
-	6,359	6,359	
-			
<u>-</u>	<u>(140)</u>	<u>(140)</u>	
<u>-</u>	<u>50,507</u>	<u>50,507</u>	
<u>(694,911)</u>	<u>50,507</u>	<u>(644,404)</u>	
			\$ (5,036)
			2,509
			(553)
			<u>1,119</u>
			<u>(1,961)</u>
257,210	-	257,210	-
271,100	-	271,100	-
61,949	979	62,928	7,695
<u>38,052</u>	<u>(38,052)</u>	<u>-</u>	<u>-</u>
<u>628,311</u>	<u>(37,073)</u>	<u>591,238</u>	<u>7,695</u>
(66,600)	13,434	(53,166)	5,734
<u>373,755</u>	<u>651,688</u>	<u>1,025,443</u>	<u>308,114</u>
<u>\$ 307,155</u>	<u>\$ 665,122</u>	<u>\$ 972,277</u>	<u>\$ 313,848</u>

This page left blank intentionally.



CITY OF MILWAUKEE  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
 DECEMBER 31, 2008  
 (Thousands of Dollars)

Exhibit A-1

	General
<b>ASSETS</b>	
Assets:	
Cash and cash equivalents .....	\$ 74,671
Investments .....	173
Receivables (net):	
Taxes .....	128,946
Accounts .....	17,764
Unbilled accounts .....	1,135
Special assessments .....	-
Notes and loans .....	70
Accrued interest .....	490
Due from other funds .....	58,576
Due from component units .....	1,018
Due from other governmental agencies .....	4,753
Advances to other funds .....	13,367
Inventory of materials and supplies .....	7,222
Inventory of property for resale .....	26
Prepaid items .....	354
<b>Total Assets</b> .....	<b><u>\$ 308,565</u></b>
<b>LIABILITIES AND FUND BALANCES</b>	
Liabilities:	
Accounts payable .....	\$ 27,539
Accrued expenses .....	32,477
Due to other funds .....	1,438
Due to component units .....	1
Due to other governmental agencies .....	-
Deferred revenue .....	174,103
Revenue anticipation notes payable .....	-
Advances from other funds .....	-
<b>Total Liabilities</b> .....	<b><u>235,558</u></b>
Fund Balances:	
Reserved for debt service .....	-
Reserved for delinquent taxes receivable .....	-
Reserved for economic development .....	-
Reserved for encumbrances, prepaids, and carryovers .....	22,865
Reserved for inventory .....	7,248
Reserved for mortgage trust .....	173
Reserved for environmental remediation .....	303
Reserved for tax stabilization - 2009 .....	22,379
Reserved for tax stabilization - 2010 and subsequent years' budgets and advances to other funds .....	20,039
Unreserved:	
Undesignated .....	-
Special assessment (deficit) .....	-
<b>Total Fund Balances</b> .....	<b><u>73,007</u></b>
<b>Total Liabilities and Fund Balances</b> .....	<b><u>\$ 308,565</u></b>

*The notes to the financial statements are an integral part of this statement.*

General Obligation Debt Service	Public Debt Amortization	Capital Projects	Nonmajor Governmental Funds	Total
\$ 112,942	\$ 33,849	\$ 7,058	\$ 15,523	\$ 244,043
-	5,953	-	-	6,126
55,576	-	3,826	10,215	198,563
-	-	595	386	18,745
-	-	-	-	1,135
-	-	14,216	-	14,216
13,855	20,005	-	19,770	53,700
74	42	-	-	606
-	-	-	-	58,576
16,889	-	457	70	18,434
210,000	-	3,872	11,888	230,513
-	-	-	-	13,367
-	-	297	-	7,519
-	-	-	-	26
-	-	-	-	354
<b><u>\$ 409,336</u></b>	<b><u>\$ 59,849</u></b>	<b><u>\$ 30,321</u></b>	<b><u>\$ 57,852</u></b>	<b><u>\$ 865,923</u></b>
\$ 7	\$ -	\$ 11,895	\$ 3,972	\$ 43,413
20	-	191	183	32,871
2,840	-	18,987	7,516	30,781
-	-	60	57	118
-	-	-	502	502
125,229	-	23,172	9,514	332,018
210,000	-	-	-	210,000
-	-	13,367	-	13,367
<b><u>338,096</u></b>	<b><u>-</u></b>	<b><u>67,672</u></b>	<b><u>21,744</u></b>	<b><u>663,070</u></b>
71,240	59,849	-	12,689	143,778
-	-	-	8,213	8,213
-	-	-	737	737
-	-	1,423	-	24,288
-	-	297	-	7,545
-	-	-	-	173
-	-	-	-	303
-	-	-	-	22,379
-	-	-	-	20,039
-	-	(26,913)	14,469	(12,444)
-	-	(12,158)	-	(12,158)
71,240	59,849	(37,351)	36,108	202,853
<b><u>\$ 409,336</u></b>	<b><u>\$ 59,849</u></b>	<b><u>\$ 30,321</u></b>	<b><u>\$ 57,852</u></b>	<b><u>\$ 865,923</u></b>

This page left blank intentionally.



CITY OF MILWAUKEE  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
 TO THE STATEMENT OF NET ASSETS**  
 DECEMBER 31, 2008  
*(Thousands of Dollars)*

Exhibit A-2

Fund balances - total governmental funds \$ 202,853

Amounts reported for governmental activities in the statement of net assets (Exhibit A-1) are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of:

Land	\$ 163,797	
Buildings, net of \$74,784 accumulated depreciation	119,998	
Infrastructure, net of \$883,878 accumulated depreciation	471,771	
Improvements other than buildings, net of \$7,469 accumulated depreciation	4,104	
Machinery and equipment, net of \$90,536 accumulated depreciation	72,037	
Construction in progress	<u>123,768</u>	
		955,475

Deferred charges for debt issuance costs are not available to pay for current-period expenditures and therefore are deferred in the funds. 2,050

Some revenues are deferred in the funds because they are not available to pay current period's expenditures.

Taxes to be collected after year-end	9,471	
Special assessments to be collected after year-end	12,922	
Notes and loans receivable to repay long-term bonds and notes	<u>13,855</u>	
		36,248

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities - both current and long-term - are reported in the statement of net assets.

Accrued interest payable	(10,737)	
Bonds and notes payable	(725,670)	
Deferred amount on refunding	5,197	
Unamortized premiums	(22,882)	
Compensated absences	(31,208)	
Net other postemployment benefits obligation	(75,705)	
Claims and judgments	<u>(28,466)</u>	
		<u>(889,471)</u>

Total net assets of governmental activities (Exhibit 1) **\$ 307,155**

*The notes to the financial statements are an integral part of this reconciliation.*

CITY OF MILWAUKEE  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
 FOR THE YEAR ENDED DECEMBER 31, 2008  
 (Thousands of Dollars)

Exhibit A-3

	<b>General</b>
<b>Revenues:</b>	
Property taxes .....	\$ 141,573
Other taxes .....	4,839
Special assessments .....	-
Licenses and permits .....	12,918
Intergovernmental .....	271,100
Charges for services .....	86,410
Fines and forfeits .....	5,277
Contributions received .....	21,532
Other .....	<u>12,864</u>
<b>Total Revenues</b> .....	<b><u>556,513</u></b>
<b>Expenditures:</b>	
<b>Current:</b>	
General government .....	221,023
Public safety .....	266,370
Public works .....	103,149
Health .....	10,118
Culture and recreation .....	16,782
Conservation and development .....	3,456
Capital outlay .....	-
<b>Debt Service:</b>	
Principal retirement .....	-
Interest .....	-
Bond issuance costs .....	-
<b>Total Expenditures</b> .....	<b><u>620,898</u></b>
<b>Excess (Deficiency) of Revenues over Expenditures</b> .....	<b><u>(64,385)</u></b>
<b>Other Financing Sources (Uses):</b>	
General obligation bonds and notes issued .....	91,600
Loans receivable activities .....	-
Issuance premium .....	-
Transfers in .....	47,019
Transfers out .....	<u>(92,080)</u>
<b>Total Other Financing Sources and Uses</b> .....	<b><u>46,539</u></b>
<b>Net Change in Fund Balances</b> .....	<b>(17,846)</b>
Fund Balances - Beginning .....	<u>90,853</u>
<b>Fund Balances - Ending</b> .....	<b><u>\$ 73,007</u></b>

*The notes to the financial statements are an integral part of this statement.*

General Obligation Debt Service	Public Debt Amortization	Capital Projects	Nonmajor Governmental Funds	Total
\$ 74,201	\$ -	\$ 7,206	\$ 4,657	\$ 227,637
20,187	2,720	-	-	27,746
-	-	3,631	-	3,631
-	-	-	-	12,918
1,067	-	7,048	54,130	333,345
1,814	-	-	-	88,224
-	-	-	-	5,277
-	-	-	-	21,532
<u>4,722</u>	<u>4,727</u>	<u>1,916</u>	<u>9,334</u>	<u>33,563</u>
<u>101,991</u>	<u>7,447</u>	<u>19,801</u>	<u>68,121</u>	<u>753,873</u>
296	4	-	3,121	224,444
-	-	-	13,564	279,934
-	-	-	6,047	109,196
-	-	-	10,630	20,748
-	-	-	2,076	18,858
-	-	-	28,340	31,796
-	-	114,825	-	114,825
181,102	-	-	-	181,102
33,637	-	-	-	33,637
147	-	-	-	147
<u>215,182</u>	<u>4</u>	<u>114,825</u>	<u>63,778</u>	<u>1,014,687</u>
<u>(113,191)</u>	<u>7,443</u>	<u>(95,024)</u>	<u>4,343</u>	<u>(260,814)</u>
-	-	124,693	21,075	237,368
-	-	-	(518)	(518)
3,694	-	-	-	3,694
142,003	11,192	859	-	201,073
<u>(18,044)</u>	<u>(28,981)</u>	<u>(686)</u>	<u>(23,230)</u>	<u>(163,021)</u>
<u>127,653</u>	<u>(17,789)</u>	<u>124,866</u>	<u>(2,673)</u>	<u>278,596</u>
14,462	(10,346)	29,842	1,670	17,782
<u>56,778</u>	<u>70,195</u>	<u>(67,193)</u>	<u>34,438</u>	<u>185,071</u>
<u>\$ 71,240</u>	<u>\$ 59,849</u>	<u>\$ (37,351)</u>	<u>\$ 36,108</u>	<u>\$ 202,853</u>

This page left blank intentionally.

CITY OF MILWAUKEE  
**RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES**  
FOR THE YEAR ENDED DECEMBER 31, 2008  
*(Thousands of Dollars)*

Exhibit A-4

Net change in fund balances - total governmental funds (Exhibit A-3)		\$ 17,782
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay (\$60,561) exceeded depreciation expense (\$46,556) in the current period less loss on disposals (\$473)		13,532
Notes and loans receivable to repay long-term bonds and notes		(1,074)
Revenues in the statement of activities that do not provide current financial resources are reported as deferred revenue in the funds.		
Taxes accrued in prior years	\$ 1,827	
Special assessments deferred revenue beginning of the year \$13,930 less deferred at end of the year \$12,922	<u>(1,008)</u>	
		819
The issuance of long-term debt (bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
Debt issued:		
Bonds and notes issued	(237,368)	
Issuance premiums	(3,694)	
Repayments:		
Principal retirement	181,102	
Bond issuance costs	147	
Amortization:		
Issuance costs	(418)	
Premiums	6,587	
Deferred amount on refunding	<u>(1,256)</u>	
		(54,900)
Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather as it accrues. The adjustment combines the net changes of the following balances.		
Compensated absences	(424)	
Net other postemployment benefits obligation	(38,828)	
Claims and judgments	(3,445)	
Accrued interest on bonds and notes	<u>(62)</u>	
		<u>(42,759)</u>
Changes in net assets of governmental activities (Exhibit 2)		<b>\$ (66,600)</b>

*The notes to the financial statements are an integral part of this reconciliation.*

CITY OF MILWAUKEE  
**STATEMENT OF NET ASSETS**  
**ENTERPRISE FUNDS**  
 DECEMBER 31, 2008  
 (Thousands of Dollars)

Exhibit B-1

	Water Works	Sewer Maintenance	Parking	Nonmajor Enterprise Funds	Total
<b>ASSETS</b>					
Current Assets:					
Cash and cash equivalents .....	\$ 18,897	\$ -	\$ 21,991	\$ -	\$ 40,888
Restricted cash and cash equivalents .....	655	1,548	-	-	2,203
Receivables (net):					
Accounts .....	13,603	12,079	4	12,876	38,562
Unbilled accounts .....	9,668	2,268	-	2,693	14,629
Accrued interest .....	34	4	-	-	38
Due from other funds .....	4,278	537	-	534	5,349
Due from other governmental agencies .....	-	-	-	1,073	1,073
Inventory of materials and supplies .....	2,331	-	-	-	2,331
Prepaid items .....	447	-	-	-	447
Deferred charges .....	-	422	-	-	422
Other assets .....	286	-	-	-	286
Total Current Assets .....	<u>50,199</u>	<u>16,858</u>	<u>21,995</u>	<u>17,176</u>	<u>106,228</u>
Noncurrent assets:					
Restricted cash and cash equivalents .....	-	8,732	-	-	8,732
Capital assets:					
Capital assets not being depreciated:					
Land .....	1,936	-	8,440	7,791	18,167
Construction in progress .....	10,975	46,304	4,687	-	61,966
Capital assets being depreciated:					
Buildings .....	21,292	-	50,645	13,484	85,421
Infrastructure .....	331,142	366,635	-	15,556	713,333
Improvements other than buildings .....	-	-	5,429	2,288	7,717
Machinery and equipment .....	201,582	4,320	1,645	4,719	212,266
Nonutility property .....	5,509	-	-	-	5,509
Accumulated depreciation .....	<u>(188,676)</u>	<u>(106,720)</u>	<u>(32,260)</u>	<u>(21,125)</u>	<u>(348,781)</u>
Net Capital Assets .....	<u>383,760</u>	<u>310,539</u>	<u>38,586</u>	<u>22,713</u>	<u>755,598</u>
Total Noncurrent Assets .....	<u>383,760</u>	<u>319,271</u>	<u>38,586</u>	<u>22,713</u>	<u>764,330</u>
Total Assets .....	<u>433,959</u>	<u>336,129</u>	<u>60,581</u>	<u>39,889</u>	<u>870,558</u>

CITY OF MILWAUKEE  
**STATEMENT OF NET ASSETS**  
**ENTERPRISE FUNDS**  
 DECEMBER 31, 2008  
 (Thousands of Dollars)

Exhibit B-1 (Continued)

	Water Works	Sewer Maintenance	Parking	Nonmajor Enterprise Funds	Total
<b>LIABILITIES</b>					
Current Liabilities:					
Accounts payable .....	\$ 3,663	\$ 2,116	\$ 1,309	\$ 9,117	\$ 16,205
Accrued expenses .....	1,769	676	576	178	3,199
Accrued interest payable .....	313	-	193	52	558
Compensated absences .....	1,108	-	-	-	1,108
Due to other funds .....	7,954	12,880	-	12,310	33,144
Deferred revenue .....	-	-	51	-	51
General obligation debt payable - current .....	1,989	268	1,722	508	4,487
Revenue bonds payable - current .....	915	-	-	-	915
<b>Total Current Liabilities</b> .....	<u>17,711</u>	<u>15,940</u>	<u>3,851</u>	<u>22,165</u>	<u>59,667</u>
Current Liabilities Payable from Restricted Assets:					
Revenue bonds payable .....	-	4,740	-	-	4,740
Accrued interest payable .....	-	469	-	-	469
<b>Total Current Liabilities Payable from     Restricted Assets</b> .....	<u>-</u>	<u>5,209</u>	<u>-</u>	<u>-</u>	<u>5,209</u>
Noncurrent Liabilities:					
General obligation debt .....	15,455	3,666	9,071	2,750	30,942
Revenue bonds payable .....	9,400	97,523	-	-	106,923
Other post employment benefits obligation .....	1,581	580	437	97	2,695
<b>Total Noncurrent Liabilities</b> .....	<u>26,436</u>	<u>101,769</u>	<u>9,508</u>	<u>2,847</u>	<u>140,560</u>
<b>Total Liabilities</b> .....	<u>44,147</u>	<u>122,918</u>	<u>13,359</u>	<u>25,012</u>	<u>205,436</u>
<b>Net Assets:</b>					
Invested in capital assets, net of related debt .....	356,001	203,873	27,793	19,455	607,122
Restricted for Debt Service .....	655	10,280	-	-	10,935
Unrestricted .....	33,156	(942)	19,429	(4,578)	47,065
<b>Total Net Assets</b> .....	<u>\$ 389,812</u>	<u>\$ 213,211</u>	<u>\$ 47,222</u>	<u>\$ 14,877</u>	<u>\$ 665,122</u>

*The notes to the financial statements are an integral part of this statement.*

This page left blank intentionally.



CITY OF MILWAUKEE  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**  
**ENTERPRISE FUNDS**  
 FOR THE YEAR ENDED DECEMBER 31, 2008  
 (Thousands of Dollars)

Exhibit B-2

	Water Works	Sewer Maintenance	Parking	Nonmajor Enterprise Funds	Total
<b>Operating Revenues:</b>					
<b>Charges for Services:</b>					
Water sales .....	\$ 59,626	\$ -	\$ -	\$ -	\$ 59,626
Statutory sewer user fee .....	-	-	-	38,968	38,968
Sewer maintenance fee .....	-	40,724	-	-	40,724
Rent .....	-	-	7,842	5,017	12,859
Fire protection service .....	6,384	-	-	-	6,384
Parking meters .....	-	-	3,803	-	3,803
Parking permits .....	-	-	3,014	-	3,014
Vehicle towing .....	-	-	6,725	-	6,725
Parking forfeitures .....	-	-	22,223	-	22,223
Other .....	7,527	-	-	1,111	8,638
<b>Total Operating Revenues .....</b>	<b>73,537</b>	<b>40,724</b>	<b>43,607</b>	<b>45,096</b>	<b>202,964</b>
<b>Operating Expenses:</b>					
Milwaukee Metropolitan Sewerage District charges ..	-	-	-	35,429	35,429
Employee services .....	-	8,179	7,437	1,888	17,504
Administrative and general .....	6,631	-	-	42	6,673
Depreciation .....	13,117	4,409	2,060	1,219	20,805
Transmission and distribution .....	19,875	-	-	3,318	23,193
Services, supplies, and materials .....	-	8,155	15,015	1,051	24,221
Water treatment .....	13,698	-	-	-	13,698
Water pumping .....	7,271	-	-	-	7,271
Billing and collection .....	2,789	-	-	1,333	4,122
<b>Total Operating Expenses .....</b>	<b>63,381</b>	<b>20,743</b>	<b>24,512</b>	<b>44,280</b>	<b>152,916</b>
<b>Operating Income .....</b>	<b>10,156</b>	<b>19,981</b>	<b>19,095</b>	<b>816</b>	<b>50,048</b>
<b>Nonoperating Revenues (Expenses):</b>					
Investment income .....	670	309	-	-	979
Interest expense .....	(1,181)	(3,424)	(550)	(120)	(5,275)
Gain (Loss) on disposal of fixed assets .....	-	-	(16)	-	(16)
Other .....	194	(5,000)	354	(1)	(4,453)
<b>Total Nonoperating Revenues (Expenses) .....</b>	<b>(317)</b>	<b>(8,115)</b>	<b>(212)</b>	<b>(121)</b>	<b>(8,765)</b>
<b>Income before Contributions and Transfers.....</b>	<b>9,839</b>	<b>11,866</b>	<b>18,883</b>	<b>695</b>	<b>41,283</b>
Capital contributions .....	900	3,779	-	5,524	10,203
Transfers in .....	-	-	-	667	667
Transfers out .....	(8,696)	(9,310)	(18,695)	(2,018)	(38,719)
<b>Change in Net Assets .....</b>	<b>2,043</b>	<b>6,335</b>	<b>188</b>	<b>4,868</b>	<b>13,434</b>
<b>Total Net Assets - Beginning .....</b>	<b>387,769</b>	<b>206,876</b>	<b>47,034</b>	<b>10,009</b>	<b>651,688</b>
<b>Total Net Assets - Ending .....</b>	<b>\$ 389,812</b>	<b>\$ 213,211</b>	<b>\$ 47,222</b>	<b>\$ 14,877</b>	<b>\$ 665,122</b>

The notes to the financial statements are an integral part of this statement.

CITY OF MILWAUKEE  
**STATEMENT OF CASH FLOWS**  
**ENTERPRISE FUNDS**  
 FOR THE YEAR ENDED DECEMBER 31, 2008  
 (Thousands of Dollars)

Exhibit B-3

	Water Works	Sewer Maintenance	Parking	Nonmajor Enterprise Funds	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>					
Receipts from customers and users .....	\$ 73,075	\$ 39,831	\$ 43,771	\$ 41,644	\$ 198,321
Payments to suppliers .....	(19,611)	(6,801)	(14,999)	(41,178)	(82,589)
Payments to employees .....	(24,061)	(7,829)	(7,162)	(1,810)	(40,862)
Payments from other funds .....	-	7,429	-	3,348	10,777
Payments to other funds .....	(6,610)	-	-	(391)	(7,001)
<b>Net Cash Provided by Operating Activities.....</b>	<b><u>22,793</u></b>	<b><u>32,630</u></b>	<b><u>21,610</u></b>	<b><u>1,613</u></b>	<b><u>78,646</u></b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>					
Miscellaneous nonoperating revenue .....	194	-	-	-	194
Other nonoperating expenses .....	-	(5,000)	-	-	(5,000)
Transfers from other funds .....	-	-	-	667	667
Transfers to other funds .....	(8,696)	(9,310)	(18,695)	(2,018)	(38,719)
<b>Net Cash Used for Noncapital Financing Activities .....</b>	<b><u>(8,502)</u></b>	<b><u>(14,310)</u></b>	<b><u>(18,695)</u></b>	<b><u>(1,351)</u></b>	<b><u>(42,858)</u></b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>					
Capital contributions .....	-	200	-	379	579
Proceeds from sale of bonds and notes .....	-	36,217	1,228	54	37,499
Proceeds from sale of revenue bonds .....	-	-	-	-	-
Acquisition of property, plant, and equipment .....	(19,708)	(26,326)	(1,218)	(32)	(47,284)
Retirement of bonds, notes, and revenue bonds .....	(3,737)	(23,284)	(2,219)	(483)	(29,723)
Interest paid .....	(1,243)	(4,063)	(554)	(180)	(6,040)
Other .....	-	-	354	-	354
<b>Net Cash Used for Capital and Related Financing Activities .....</b>	<b><u>(24,688)</u></b>	<b><u>(17,256)</u></b>	<b><u>(2,409)</u></b>	<b><u>(262)</u></b>	<b><u>(44,615)</u></b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>					
Investment income .....	767	331	-	-	1,098
<b>Net Increase (Decrease) in Cash and Cash Equivalents .....</b>	<b><u>(9,630)</u></b>	<b><u>1,395</u></b>	<b><u>506</u></b>	<b><u>-</u></b>	<b><u>(7,729)</u></b>
Cash and Cash Equivalents - Beginning .....	29,182	8,885	21,485	-	59,552
<b>Cash and Cash Equivalents - Ending .....</b>	<b><u>\$ 19,552</u></b>	<b><u>\$ 10,280</u></b>	<b><u>\$ 21,991</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 51,823</u></b>

CITY OF MILWAUKEE  
**STATEMENT OF CASH FLOWS**  
**ENTERPRISE FUNDS**  
 FOR THE YEAR ENDED DECEMBER 31, 2008  
 (Thousands of Dollars)

Exhibit B-3 (Continued)

	Water Works	Sewer Maintenance	Parking	Nonmajor Enterprise Funds	Total
Cash and Cash Equivalents at Year-End Consist of:					
Unrestricted Cash .....	\$ 18,897	\$ -	\$ 21,991	\$ -	\$ 40,888
Restricted Cash .....	<u>655</u>	<u>10,280</u>	<u>-</u>	<u>-</u>	<u>10,935</u>
	<u>\$ 19,552</u>	<u>\$ 10,280</u>	<u>\$ 21,991</u>	<u>\$ -</u>	<u>\$ 51,823</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:					
Operating income .....	\$ 10,156	\$ 19,981	\$ 19,095	\$ 816	\$ 50,048
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:					
Depreciation .....	13,117	4,409	2,060	1,219	20,805
Changes in assets and liabilities:					
Receivables .....	(901)	(1,642)	142	(3,379)	(5,780)
Due from other funds .....	(80)	748	-	583	1,251
Due from other governmental agencies .....	-	-	-	(73)	(73)
Inventories .....	14	-	-	-	14
Prepaid items .....	(354)	-	-	-	(354)
Other assets .....	(182)	-	-	-	(182)
Accounts payable .....	625	1,354	15	(5)	1,989
Accrued liabilities .....	398	351	275	78	1,102
Due to other funds .....	-	7,429	-	2,374	9,803
Deferred revenue .....	<u>-</u>	<u>-</u>	<u>23</u>	<u>-</u>	<u>23</u>
Net Cash Provided by Operating Activities .....	<u>\$ 22,793</u>	<u>\$ 32,630</u>	<u>\$ 21,610</u>	<u>\$ 1,613</u>	<u>\$ 78,646</u>

Non-cash Activities:

During the year, water mains and related property, installed by others were deeded to the Water Works in the amount of \$.9 million.

During the year, the Sewer Maintenance Fund removed infrastructure assets costing \$109,497 with a net value of \$0, and, received donated assets in the amount of \$3.779 million.

*The notes to the financial statements are an integral part of this statement.*

CITY OF MILWAUKEE  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
 DECEMBER 31, 2008  
 (Thousands of Dollars)

Exhibit C-1

	Pension and Other Employee Benefit Trusts	Private- Purpose Trusts	Agency Funds
<b>ASSETS</b>			
Cash and cash equivalents .....	\$ 357	\$ 2,812	\$ 327,148
Investments .....	<u>-</u>	<u>3,140</u>	<u>-</u>
Total Assets .....	<u>357</u>	<u>5,952</u>	<u>\$ 327,148</u>
<b>LIABILITIES</b>			
Liabilities:			
Accounts payable .....	6	2	1,312
Due to other governmental agencies .....	<u>-</u>	<u>-</u>	<u>325,836</u>
Total Liabilities .....	<u>6</u>	<u>2</u>	<u>\$ 327,148</u>
Net Assets			
Employees' pension benefits and other purposes .....	<u>\$ 351</u>	<u>\$ 5,950</u>	
<i>The notes to the financial statements are an integral part of this statement.</i>			

CITY OF MILWAUKEE  
**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
 FOR THE YEAR ENDED DECEMBER 31, 2008  
*(Thousands of Dollars)*

Exhibit C-2

	<b>Pension and Other Employee Benefit Trusts</b>	<b>Private- Purpose Trusts</b>
<b>Additions</b>		
Contributions:		
Plan members .....	\$ 1,366	\$ -
Private donations .....	<u>-</u>	<u>1,027</u>
<b>Total Contributions</b> .....	<u>1,366</u>	<u>1,027</u>
Investment earnings:		
Net appreciation in fair value of investments, dividends and interest .....	<u>-</u>	<u>323</u>
<b>Total Additions</b> .....	<u>1,366</u>	<u>1,350</u>
<b>Deductions</b>		
Benefits .....	1,288	-
Fees remitted from Trust .....	-	598
Other .....	<u>-</u>	<u>217</u>
<b>Total Deductions</b> .....	<u>1,288</u>	<u>815</u>
<b>Change in Net Assets</b> .....	78	535
Net Assets - Beginning .....	<u>273</u>	<u>5,415</u>
Net Assets - Ending .....	<u><b>\$ 351</b></u>	<u><b>\$ 5,950</b></u>

*The notes to the financial statements are an integral part of this statement.*

CITY OF MILWAUKEE  
**COMBINING STATEMENT OF NET ASSETS**  
**COMPONENT UNITS**  
 DECEMBER 31, 2008  
*(Thousands of Dollars)*

Exhibit D-1

	Housing Authority	Redevelopment Authority	Milwaukee Economic Development Corporation	Neighborhood Improvement Development Corporation	Total
<b>ASSETS</b>					
Current Assets:					
Cash and cash equivalents .....	\$ 24,779	\$ 27,286	\$ 3,589	\$ 1,750	\$ 57,404
Investments .....	2,959	300	-	300	3,559
Receivables (net):					
Accounts .....	1,581	261	69	72	1,983
Notes and loans .....	32,944	18,000	39,491	485	90,920
Accrued interest .....	3,306	76	196	111	3,689
Due from primary government .....	-	118	-	-	118
Due from other governmental agencies .....	1,594	366	15,592	-	17,552
Inventory of property for resale .....	-	3,888	1,540	2,497	7,925
Prepaid items .....	852	45	-	-	897
Deferred charges .....	256	859	-	-	1,115
Other assets .....	403	-	101	-	504
Total Noncapital Assets .....	<u>68,674</u>	<u>51,199</u>	<u>60,578</u>	<u>5,215</u>	<u>185,666</u>
Capital assets:					
Capital assets not being depreciated:					
Land and land improvements .....	40,704	13,483	-	-	54,187
Construction in progress .....	2,301	-	-	-	2,301
Capital assets being depreciated:					
Buildings .....	387,536	92,988	-	-	480,524
Infrastructure .....	-	789	-	-	789
Improvements other than buildings .....	731	800	-	-	1,531
Machinery and equipment .....	3,085	-	192	-	3,277
Accumulated depreciation .....	<u>(226,625)</u>	<u>(5,764)</u>	<u>(109)</u>	<u>-</u>	<u>(232,498)</u>
Total Capital Assets, Net of Depreciation .....	<u>207,732</u>	<u>102,296</u>	<u>83</u>	<u>-</u>	<u>310,111</u>
Total Assets .....	<u>276,406</u>	<u>153,495</u>	<u>60,661</u>	<u>5,215</u>	<u>495,777</u>

CITY OF MILWAUKEE  
**COMBINING STATEMENT OF NET ASSETS**  
**COMPONENT UNITS**  
 DECEMBER 31, 2008  
 (Thousands of Dollars)

Exhibit D-1 (Continued)

	Housing Authority	Redevelopment Authority	Milwaukee Economic Development Corporation	Neighborhood Improvement Development Corporation	Total
<b>LIABILITIES</b>					
Current Liabilities:					
Accounts payable .....	\$ 3,424	\$ 2,837	\$ 492	\$ 313	\$ 7,066
Accrued expenses .....	3,929	2,583	-	-	6,512
Due to other governmental agencies .....	1,069	956	150	-	2,175
Deferred revenue .....	20	894	-	232	1,146
Other liabilities .....	<u>2,989</u>	<u>2,648</u>	<u>969</u>	<u>331</u>	<u>6,937</u>
Total Current Liabilities .....	<u>11,431</u>	<u>9,918</u>	<u>1,611</u>	<u>876</u>	<u>23,836</u>
Due to primary government:					
Due within one year .....	706	-	-	59	765
Due in more than one year .....	<u>-</u>	<u>16,257</u>	<u>1,412</u>	<u>-</u>	<u>17,669</u>
Total Due to Primary Government .....	<u>706</u>	<u>16,257</u>	<u>1,412</u>	<u>59</u>	<u>18,434</u>
Long-term obligations:					
Due within one year .....	5,278	-	-	-	5,278
Due in more than one year .....	<u>43,887</u>	<u>86,347</u>	<u>4,147</u>	<u>-</u>	<u>134,381</u>
Total Noncurrent Liabilities .....	<u>49,165</u>	<u>86,347</u>	<u>4,147</u>	<u>-</u>	<u>139,659</u>
Total Liabilities .....	<u>61,302</u>	<u>112,522</u>	<u>7,170</u>	<u>935</u>	<u>181,929</u>
<b>NET ASSETS:</b>					
Invested in capital assets, net of related debt ...	161,161	25,824	-	-	186,985
Restricted .....	8,687	4,324	-	1,185	14,196
Temporarily restricted .....	-	-	8,184	-	8,184
Unrestricted .....	<u>45,256</u>	<u>10,825</u>	<u>45,307</u>	<u>3,095</u>	<u>104,483</u>
<b>Total Net Assets .....</b>	<b><u>\$ 215,104</u></b>	<b><u>\$ 40,973</u></b>	<b><u>\$ 53,491</u></b>	<b><u>\$ 4,280</u></b>	<b><u>\$ 313,848</u></b>

*The notes to the financial statements are an integral part of this statement.*

CITY OF MILWAUKEE  
**COMBINING STATEMENT OF ACTIVITIES**  
**COMPONENT UNITS**  
 FOR THE YEAR ENDED DECEMBER 31, 2008  
 (Thousands of Dollars)

Exhibit D-2

	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Housing Authority</b>				
Low income housing .....	\$ 85,254	\$ 19,876	\$ 48,509	\$ 11,833
<b>Redevelopment Authority</b>				
Prevention and elimination of blight .....	11,772	5,997	5,021	3,263
<b>Milwaukee Economic Development Corporation</b>				
Increase employment and expansion of business .	4,830	3,505	772	-
<b>Neighborhood Improvement Development Corp.</b>				
Housing improvements .....	<u>636</u>	<u>459</u>	<u>1,296</u>	<u>-</u>
 Total Component Units .....	 <u>\$102,492</u>	 <u>\$ 29,837</u>	 <u>\$ 55,598</u>	 <u>\$ 15,096</u>

General revenues:

Miscellaneous .....

Total General Revenues .....

Change in Net Assets .....

Net Assets - Beginning.....

Net Assets - Ending .....

*The notes to the financial statements are an integral part of this statement.*



<b>Net (Expense) Revenue and Changes in Net Assets</b>				
<b>Housing Authority</b>	<b>Redevelopment Authority</b>	<b>Milwaukee Economic Development Corporation</b>	<b>Neighborhood Improvement Development Corporation</b>	<b>Total</b>
\$ (5,036)	\$ -	\$ -	\$ -	\$ (5,036)
-	2,509	-	-	2,509
-	-	(553)	-	(553)
<u>-</u>	<u>-</u>	<u>-</u>	<u>1,119</u>	<u>1,119</u>
<u>(5,036)</u>	<u>2,509</u>	<u>(553)</u>	<u>1,119</u>	<u>(1,961)</u>
<u>6,664</u>	<u>615</u>	<u>379</u>	<u>37</u>	<u>7,695</u>
<u>6,664</u>	<u>615</u>	<u>379</u>	<u>37</u>	<u>7,695</u>
1,628	3,124	(174)	1,156	5,734
<u>213,476</u>	<u>37,849</u>	<u>53,665</u>	<u>3,124</u>	<u>308,114</u>
<b><u>\$ 215,104</u></b>	<b><u>\$ 40,973</u></b>	<b><u>\$ 53,491</u></b>	<b><u>\$ 4,280</u></b>	<b><u>\$ 313,848</u></b>

This page left blank intentionally.

**NOTES  
TO THE  
FINANCIAL  
STATEMENTS**

CITY OF MILWAUKEE  
**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED DECEMBER 31, 2008

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying basic financial statements have been prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB). The following is a summary of the significant accounting policies.

**A. Reporting Entity**

The City of Milwaukee (the "City") was incorporated on January 31, 1846, and operates under a Council-Mayor form of government. These financial statements present the City (the primary government) and other organizations, including component units, for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The component units discussed below are legally separate organizations for which the elected officials of the City are accountable. The City is considered financially accountable if it appoints a voting majority of the organization's governing body and is able to impose its will on the organization, or there is a potential for the organization to provide specific financial benefits to or burdens on the City. The City may be financially accountable if an organization is fiscally dependent on the primary government.

**Discretely Presented Component Units**

The component units columns in the government-wide financial statements includes the financial data of the City's component units. They are reported in a separate column to emphasize that they are legally separate from the City. The City has the following discretely presented component units:

*Housing Authority* - This entity is used to account for the Federal and State grants relating primarily to low-income housing and rental assistance programs. The entire governing board is appointed by the Mayor of the City. The daily operations of the Housing Authority of the City of Milwaukee (HACM) are managed by City employees.

*Redevelopment Authority* - The Redevelopment Authority of the City of Milwaukee (RACM) is responsible for activities related to the prevention and elimination of blighted conditions in the City. The City appoints all members of the Board and approves the budget.

*Milwaukee Economic Development Corporation* - The Milwaukee Economic Development Corporation (MEDC) is a non-profit organization formed to promote economic development within the City. The principal objective of the corporation is to benefit the community by fostering increased employment through expansion of business and industry within the metropolitan Milwaukee area. MEDC's primary source of funds is interest on loans originally granted through the City.

*Neighborhood Improvement Development Corporation* - The Neighborhood Improvement Development Corporation (NIDC) is a nonprofit organization established to promote reinvestment in both housing and commercial structures within the City. NIDC programs encourage private lending institutions and property owners to make improvements to the community's homes and businesses. Corporate officers of NIDC are provided by the City and daily operations are managed by City employees.

Financial statements of the individual component units can be obtained from their respective administrative offices. Addresses of the component units are as follows: HACM, 809 North Broadway, 3<sup>rd</sup> Floor, Milwaukee, Wisconsin 53202; RACM, 809 North Broadway, 2<sup>nd</sup> Floor, Milwaukee, Wisconsin 53202; MEDC, 809 North Broadway, 2<sup>nd</sup> Floor, Milwaukee, Wisconsin 53202; and NIDC, 841 North Broadway, Room 105, Milwaukee, Wisconsin 53202.

The basic financial statements exclude the accounts of the Wisconsin Center District, Milwaukee Public Schools, the Milwaukee Metropolitan Sewerage District, World Festivals Inc. ("Summerfest") and the Employees' Retirement System of the City of Milwaukee, because these entities operate with separate governing boards and do not meet the criteria established by the GASB Statement 14 as component units of the City. The Milwaukee Metropolitan Sewerage District (MMSD) is a special purpose municipal corporation created to provide sewerage treatment services in the Milwaukee metropolitan area. The City is responsible for paying usage charges within its jurisdiction. These amounts, in turn, are billed by the City to its water customers. The City has no equity interest in MMSD. Financial statements for MMSD can be obtained from its administrative office.

CITY OF MILWAUKEE  
**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED DECEMBER 31, 2008

**Related Organizations**

*Milwaukee Area Workforce Investment Board*

The Milwaukee Area Workforce Investment Board (MAWIB) was established to provide job training, employment services, and workforce development within Milwaukee County. MAWIB acts as the recipient, dispenser, and administer of funding provided under the Workforce Development Act for Milwaukee County.

The Governor designated the Mayor of the City of Milwaukee as Milwaukee County's chief local elected officer for the Workforce Investment Act of 1998. The directors of the MAWIB are appointed by the Mayor in accordance with the Workforce Investment Act. The City is not legally obligated for any of MAWIB obligations or debt. The City is not entitled to access funds of the Milwaukee Area Workforce Investment Board.

**B. Basis of Presentation**

**Government-wide Statements.** The government-wide statement of net assets and statement of activities report the overall financial activity of the City, excluding fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities of the City. These statements distinguish between the *governmental* and *business-type* activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include (a) fines, fees, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

**Fund Financial Statements.** The fund financial statements provide information about the City's funds, including fiduciary funds. Separate statements for each fund category—governmental, proprietary, and fiduciary are presented. The emphasis on fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

The City reports the following major governmental funds:

**General Fund** – The General Fund is used to account for all financial resources, except those required to be accounted for in another fund.

**General Obligation Debt** – This fund accounts for the resources accumulated and payments made for principal and interest on the City's outstanding long-term general obligation debt.

**Public Debt Amortization** – This fund accounts for one-third of all interest on general City investments and interest on Fund investments for the retirement of debt. The Public Debt Amortization Fund is governed by Section 67.101 of the Wisconsin Statutes for the retirement of the public debt. See Note 7 for further discussion.

**Capital Projects Fund** – The Capital Projects Fund is used to account for the financial resources segregated for the acquisition or construction of major capital expenditures other than those financed by proprietary funds.

CITY OF MILWAUKEE  
**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED DECEMBER 31, 2008

The City reports the following major enterprise funds:

**Water Works** – All activities necessary to provide water services to residents of the City and outlying areas. Fund activities include administration, billing and collection, operations, maintenance and financing.

**Sewer Maintenance** – This fund accounts for the maintenance of the City's sewer system. Wisconsin State Statutes Section 66.076, permit municipalities to implement sewer fees to recover the costs of operation, maintenance, repair, and depreciation of sewer collection and transportation facilities. Sewer maintenance costs are recovered through a user fee rather than through the property tax.

**Parking** – This fund accounts for revenues derived from parking meters, parking permits, rentals and leasing of parking facilities, and other revenues attributable to parking. The revenues are used to defray administrative and operational costs related to parking operations, and to acquire landscape and construct parking lots and structures.

Additionally, the City reports the following fiduciary fund types:

**Pension and Other Employee Benefit Trusts** – This fund accounts for resources for employee flexible spending plans.

**Private Purpose Trust** – These funds account for resources legally held in trust for use by various individuals, governmental entities, and nonpublic corporations. All resources of these funds, including any earnings on invested resources, may be used to support each trust's initiatives.

**Agency** – These funds account for taxes and deposits collected by the City, acting in the capacity of an agent, for distribution to other governmental units or designated beneficiaries.

**C. Basis of Accounting**

The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flow takes place. Non-exchange transactions, in which the City receives value without directly giving equal value in return, include property tax revenue, grants, and other contributions. On an accrual basis, revenue from property taxes is recognized in the period for which the levy is intended to finance, which is the year after the taxes are levied. Taxes levied in 2008 that will be collected in 2009 are recorded as receivable and deferred revenue. Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Revenue from grants and other contributions are recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the City must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the City on a reimbursement basis.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues, excluding property taxes, to be available if they are collected within 90 days of the end of the current year. Property taxes are considered to be available if they are collected within 60 days of the end of the current year. Expenditures generally are recorded when the liability is incurred, as under accrual accounting. However, principal and interest on general long-term debt, claims and judgments, and compensated absences are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Significant revenue sources, which are susceptible to accrual include property taxes, state shared revenues, grants, contributions, and interest. All other revenue sources including licenses, permits, fines, and forfeits are considered to be measurable and available only when cash is received.

CITY OF MILWAUKEE  
**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED DECEMBER 31, 2008

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the GASB. The City also has the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

**D. Cash and Cash Equivalents**

For purposes of the statements of cash flows, all highly liquid investments (including restricted cash and investments) purchased with a maturity of three months or less are considered to be cash equivalents. The City manages a cash and investment pool to maximize return on funds while providing liquidity to meet day-to-day obligations. Each fund's equity in the City's investment pool is considered to be a cash equivalent, since the funds can deposit or effectively withdraw cash at anytime without prior notice or penalty. The Housing Authority considers amounts on deposit with fiscal agents to be investments and not cash equivalents due to their restrictive nature.

**E. Investments**

Investments, primarily consisting of fixed income securities, are reported at fair value based on quoted market prices. Commercial paper, which is short term, defined as having an original maturity of one year or less, and highly liquid is carried at amortized cost. Investment transactions are recorded on the trade date. Under Wisconsin Statutes, one-third of all interest on pooled cash and investments is allocated to the Public Debt Amortization Fund. The remaining two-thirds is credited to the General Fund. Each fund type's portion of pooled cash and investments is included in the cash and cash equivalents line on the Statement of Net Assets/Balance Sheet.

Wisconsin Statutes permit the City to invest funds not immediately needed in any of the following:

- Time deposits maturing within three years in any credit union, bank, savings bank, trust company, or savings and loan association, which are authorized to transact business in the State of Wisconsin.
- Bonds or securities issued or guaranteed by the Federal government.
- Bonds or securities of any county, city, drainage district, technical college district, village, town, or school district of the State of Wisconsin, as well as bonds issued by a local exposition district, a local professional baseball park district, or the University of Wisconsin Hospitals and Clinics Authority.
- Local Government Investment Pool - Investment Fund of the State of Wisconsin. The Local Government Pooled Investment Fund is an external investment pool administered by the State of Wisconsin. The fair value of the City's investment in the fund is the same as the value of the pooled shares. Although not subject to direct regulatory oversight, the fund is administered in accordance with the provisions of Section 25.50 of the Wisconsin Statutes.
- Repurchase agreements with public depositories, if the agreement is secured by federal bonds or securities.
- Any Security that matures or that may be tendered for purchase at the option of the holder within not more than seven years of the date on which it is acquired, if that security has a rating, which is the highest or second highest rating category assigned by Standard & Poor's Corporation, Moody's Investors Service, Inc., or other similar nationally recognized rating agency or if that security is senior to, or on a parity with, a security of the same issuer which has such a rating.
- Securities of open-end management investment companies or investment trusts (mutual funds) if the portfolio is limited to (a) bonds and securities issued by the federal government or a commission, board, or other instrumentality of the federal government, (b) bonds that are guaranteed as to principal and interest by the federal government or a commission, board, or other instrumentality of the federal government, and (c) repurchase agreements that are fully collateralized by these bonds or securities.

CITY OF MILWAUKEE  
**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED DECEMBER 31, 2008

**F. Property Taxes**

Property taxes are recorded as receivables and deferred revenues in the taxing fund in the year levied because the taxes are restricted to funding the succeeding year's budget appropriations. Property tax payments received prior to year-end are also reflected in the taxing fund. Property taxes are recognized in the appropriate funds as revenues in the succeeding year when they are collected and available to finance City services. If not collected at year-end, the delinquent property taxes are reflected as receivables and deferred revenues. Delinquent property taxes and related interest are recognized as revenues when collected.

The allowance for uncollectible property taxes is based on an analysis of the delinquent property taxes and, in management's judgment, represents an amount adequate to provide for potential uncollectible taxes. The allowance is increased by provisions charged against revenues and is reduced by taxes receivable written off.

The City, through its Special Revenue Fund - Delinquent Tax, issues general obligation short-term promissory notes to finance the purchase of the most recent delinquent taxes from its General Fund. Collections on these delinquencies are used for the associated debt service requirements.

**G. Accounts Receivable**

Accounts receivables are presented net of allowances. The amount of the General Fund allowance as of December 31, 2008 is \$2,280,000.

**H. Unbilled Services**

Unbilled water and sewer services at year-end are recognized as revenues and receivables in the accompanying financial statements.

**I. Special Assessments**

Special assessments consist of capital projects constructed through non-special assessment debt. In governmental fund financial statements, special assessments are recorded as receivables and deferred revenues when the related capital outlays are made and are recorded as revenues when due and payable. In the government-wide financial statements, special assessments are recorded as receivables and capital contribution revenue when the capital outlays are made. All special assessments are due when billed and may be paid on an installment basis with interest. Special assessment receivables that become delinquent are added to the general tax roll. The method of enforcing collections is the same as for general city taxes with like force and effect.

**J. Notes and Loan Receivables**

The General Fund, the Special Revenue Fund - Community Development Block Grant, and Neighborhood Improvement Development Corporation hold notes and loans receivable from individuals, small businesses, and corporations in the Milwaukee area that are secured by primary or secondary security interests in real estate or other assets. The City periodically analyzes the collectibility of the notes and loans that are not insured and provides allowances as considered necessary. The amount of the allowance in the nonmajor governmental fund is \$9,362,000 as of December 31, 2008.

The City creates tax incremental districts (TID) to issue debt to fund redevelopment projects. Pursuant to a cooperation agreement between the City, the Redevelopment Authority of the City of Milwaukee (Authority), and the Milwaukee Economic Development Corporation (Corporation), the City provides the Authority and the Corporation with the funds necessary to carry out the loan to a private developer to finance the redevelopment projects. Loan repayments to the Authority and the Corporation from the private developer, including interest income as well as other project income, are transferred to the City until the City's loan has been repaid or the TID expires. The City reflects these loans as notes receivable and deferred revenue in governmental fund financial statements based on an amount estimated to be repaid from the Authority and the Corporation.



CITY OF MILWAUKEE  
**NOTES TO THE FINANCIAL STATEMENTS**  
 FOR THE YEAR ENDED DECEMBER 31, 2008

**K. Inventories**

Inventories of materials and supplies are stated at moving average cost, based upon perpetual recordkeeping systems and periodic cycle counts of quantities on hand. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Inventories in governmental funds are reserved for in fund balance, because inventories are not expendable available financial resources.

**L. Prepaid Items**

Cash payments benefiting future periods have been recorded as prepaid items. They will be reflected as expenditures or expenses when incurred in the subsequent year. Prepaid items in governmental funds are reserved for in fund balance, because prepaids are not expendable available financial resources.

**M. Capital Assets**

Capital assets, which includes property, plant, and equipment, and infrastructure, are reported at cost or estimated historical cost. Contributed assets are reported at estimated fair value at the time received. General infrastructure assets, such as roads, bridges, curbs, gutters, streets, sidewalks, and drainage and lighting systems, acquired prior to January 1, 2002 are reported at estimated historical cost using deflated replacement cost. Capital assets are depreciated using the straight-line method. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset's lives are not capitalized.

Major capital outlays for capital assets of business-type activities are included as part of the capitalized value of the assets constructed. Interest expenses incurred during construction were not capitalized as part of the additions to capital assets.

Capitalization thresholds and the estimated useful lives for the City and component units are as follows:

Capital Asset Category	Capitalization Threshold	Estimated Useful Life
Infrastructure	\$ 5,000	5-50 years
Land	5,000	N/A
Land Improvements	5,000	N/A
Site Improvements	5,000	3-50
Buildings	5,000	10-60
Building Improvements	5,000	10-45
Machinery and equipment	5,000	3-25
Works of Art, Historical Treasures	5,000	N/A

**N. Pension Contributions**

The employer's share of the annual contribution is recorded in the proprietary funds and government-wide financial statements as an expense when the liability is incurred and in the governmental funds as an expenditure when the liability is liquidated with expendable available financial resources.

**O. Compensated Absences**

The liability for compensated absences reported in the government-wide, proprietary, and fiduciary fund financial statements consists of unpaid, accumulated vacation, and sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. The liability has been calculated based on the employees' current salary level and include salary related costs (e.g. social security and Medicare tax). A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

City employees accrue sick leave in accordance with labor agreements or Section 350-37 of the Code of Ordinances.

CITY OF MILWAUKEE  
**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED DECEMBER 31, 2008

**P. Claims and Judgments**

The liability for claims and judgments is reported in the government-wide, proprietary, and fiduciary fund financial statements when they are both probable and estimable. A liability for claims and judgments is reported in governmental funds only if they have matured (i.e. are due). The City accrues environmental remediation obligations when related liabilities are probable and reasonably estimable. These accruals generally are recognized no later than completion of a remedial feasibility study and are adjusted as further information develops or circumstances change. Costs of future expenditures for environmental remediation obligations are not discounted to their present value.

**Q. Bond Premiums, Discounts, and Issuance Costs**

In the government-wide and proprietary fund financial statements, bond premiums and discounts, as well as issuance costs are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums on debt issuance are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. The City records bond premiums for governmental fund types in the General Obligation Debt Service Fund.

**R. Advance Refundings of Debt**

In the government-wide and proprietary fund financial statements, gains and losses from advance refundings of debt resulting in defeasance are deferred and amortized as a component of interest expense over the shorter of the remaining life of the old debt or the life of the new debt using the effective interest method. Bonds payable are reported net of the applicable deferred amount.

**S. Fund Balances**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for specific purposes.

**T. Net Assets**

In the government-wide and proprietary fund financial statements, equity is displayed in three components as follows:

**Invested in Capital Assets, Net of Related Debt** – This consists of capital assets, net of accumulated depreciation, less the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

**Restricted** – This consists of net assets that are legally restricted by outside parties or by law through constitutional provisions or enabling legislation. When both restricted and unrestricted resources are available for use, generally it is the City's policy to use restricted resources first, then unrestricted resources when they are needed.

**Unrestricted** – This consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

**U. Interfund Transactions**

The City has the following types of interfund transactions:

**Loans** – amounts provided with a requirement for repayment. Interfund loans are reported as interfund receivables (i.e. due from other funds) in lender funds and interfund payables (i.e. due to other funds) in borrower funds. The noncurrent portions of long-term interfund loans receivable are reported as advances.

CITY OF MILWAUKEE  
**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED DECEMBER 31, 2008

**Services provided and used** – sales and purchases of goods and services between funds for a price approximating their external exchange value. Interfund services provided and used are reported as revenues in seller funds and expenditures or expenses in purchaser funds. Unpaid amounts are reported as interfund receivables and payables in the fund balance sheets or fund statements of net assets.

**Reimbursements** – repayments from the funds responsible for particular expenditures or expenses to the funds that initially paid for them. Reimbursement is reported as expenditures in the reimbursing fund and as a reduction of expenditures in the reimbursed fund.

**Transfers** – flows of assets (such as cash or goods) without equivalent flows of assets in return, including payments in lieu of taxes, and without a requirement for repayment. In governmental funds, transfers are reported as other financing uses in the funds making transfers and as other financing sources in the funds receiving transfers. In proprietary funds, transfers are reported after nonoperating revenues and expenses.

**V. Use of Estimates**

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**W. New Accounting Pronouncements**

In 2008, the City implemented GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. This Statement addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. As a result of implementing this standard, the City recorded a liability for Pollution remediation obligations of \$2,413,000 as of January 1, 2008. This resulted in a reduction of beginning net assets for governmental activities from \$376,168,000 to \$373,755,000.

In June, 2007, the GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. This Statement requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. The City will implement this Statement beginning with the year ending December 31, 2010; however, the City does not expect the implementation of the Statement to have a significant impact on its financial statements.

In June, 2008, the GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. This Statement addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. The City will implement this Statement beginning with the year ending December 31, 2010; however, the City does not expect the implementation of the Statement to have a significant impact on its financial statements.

In February, 2009, the GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement establishes fund balance classifications that comprise a hierarchy primarily based on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. This Statement provides guidance for classifying stabilization amounts on the face of the balance sheet and requires disclosure of certain information about stabilization arrangements in the notes to the financial statements. This Statement also clarifies the definitions of the general fund, special revenue fund type, capital projects fund type, debt service fund type, and permanent fund type. The City will implement this Statement beginning with the year ending December 31, 2011.

**X. Reclassifications**

Certain 2007 amounts have been reclassified to conform to the 2008 presentation.

CITY OF MILWAUKEE  
**NOTES TO THE FINANCIAL STATEMENTS**  
 FOR THE YEAR ENDED DECEMBER 31, 2008

**2. DEPOSITS AND INVESTMENTS**

**A. Primary Government**

The description of the City's deposit and investment policy is discussed in Note 1 D and E.

As of December 31, 2008, the City's deposits and investments are as follows:

	<b>Investment Maturities (in Years)</b>				<b>Credit Rating</b>
	<b>Fair Value</b>	<b>Less than 1</b>	<b>1-5</b>	<b>6-10</b>	
<b>Governmental and Business-type activities:</b>					
<i>Investment type</i>					
Pooled Deposits and Investments .....	\$ 189,731	189,731	-	\$ -	see below
Segregated Deposits and Investments					
Interest Checking .....	15,878	15,878	-	-	not rated
Wisconsin Local Government					
Investment Pool .....	81,699	81,699	-	-	not rated
U.S. Treasury strips .....	5,952	3,232	2,194	526	AAA
Treasuries (Fiscal Agent) .....	<u>8,732</u>	<u>8,732</u>	<u>-</u>	<u>-</u>	AAA
	<u>\$ 301,992</u>	<u>\$ 299,272</u>	<u>\$ 2,194</u>	<u>\$ 526</u>	
<b>Fiduciary activities:</b>					
<i>Investment type</i>					
Investments in the Pool .....	\$ 329,896	329,896	\$ -	\$ -	see below
Other Deposits .....	300	300	-	-	not rated
Segregated Deposits and Investments					
Wisconsin Local Government					
Investment Pool .....	121	121	-	-	not rated
U.S. Treasury strips .....	<u>3,140</u>	<u>424</u>	<u>1,617</u>	<u>1,099</u>	AAA
	<u>\$ 333,457</u>	<u>\$ 330,741</u>	<u>\$ 1,617</u>	<u>\$ 1,099</u>	

CITY OF MILWAUKEE  
**NOTES TO THE FINANCIAL STATEMENTS**  
 FOR THE YEAR ENDED DECEMBER 31, 2008

**Pooled Deposits and Investments**

The City maintains a cash and investment pool (Pool) that is available for use by all the funds, except for Debt Service Funds, Water Works Enterprise Fund, and component entities. Each fund's share of pooled cash and investments is included in the cash and cash equivalents line on the Statement of Net Assets/Balance Sheet.

As of December 31, 2008, the City had the following investments and maturities in the Pool:

	Investment Maturities (in Years)				Credit Rating
	Fair Value	Less than 1	1-5	6-10	
<i>(Thousands of Dollars)</i>					
<b>Pooled Deposits and Investments</b>					
Bank Demand Deposits .....	\$ 65,657	\$ 65,657	\$ -	\$ -	not rated
Other Deposits .....	888	888	-	-	not rated
Deposits and Investments					
Interest Checking .....	399,867	399,867	-	-	not rated
Wisconsin Local Government					
Investment Pool .....	42,658	42,658	-	-	not rated
Government Money Market .....	108	108	-	-	AAA
Certificates of Deposits .....	<u>17,500</u>	<u>17,500</u>	<u>-</u>	<u>-</u>	not rated
	<u>\$ 526,678</u>	<u>\$ 526,678</u>	<u>\$ -</u>	<u>\$ -</u>	

**Custodial Credit Risk – Deposits**

Custodial credit risk for deposits is the risk that in the event of a financial institution failure, the City's deposits may not be returned. Per Common Council the City Treasurer shall require collateralization of certificates of time deposit (including interest checking) at financial institutions when the total amount of such certificates of deposit with any institution exceeds the combined insured limit of \$650,000. As of December 31, 2008, the City's bank balances of \$456,000 were subject to custodial credit risk as they were neither insured nor collateralized.

**Interest Rate Risk**

Interest rate risk is the risk that the fair value of the City's investments will decrease as a result of an increase in interest rates. The City's investment policy does not explicitly limit investment maturities. However, the City manages its exposure to interest risk based on the anticipated cash flow needs of the City and limiting the amount of pooled investments to \$60,000,000 with maturities greater than one year.

**Credit risk**

Credit risk is the risk that the City will not recover its investments due to the ability of the counterparty to fulfill its obligations. Wisconsin Statutes expressly limit the City to invest in certain allowable investments as listed in Note 1. E. The City's investment policy generally does not further limit its investment choices.

**B. Component Units**

**Deposits and Investments**

Deposits in each local and area bank are insured by the FDIC in the amount of \$100,000 for interest bearing accounts and \$100,000 for noninterest bearing accounts. An additional \$400,000 is covered by the State Deposit Guarantee Fund.

**Interest Rate Risk**

Interest rate risk is the risk that the fair value of the Component Unit investments are exposed to losses as a result of increases in interest rates.

CITY OF MILWAUKEE  
**NOTES TO THE FINANCIAL STATEMENTS**  
 FOR THE YEAR ENDED DECEMBER 31, 2008

**Credit Risk**

Credit risk is the risk that an issuer or other counter party to an investment will not fulfill its obligation.

The component units have the following investments on December 31, 2008:

	<b>Investment Maturities (in Years)</b>					<b>Credit Rating</b>
	<i>(Thousands of Dollars)</i>					
<b>Component Units:</b>	<b>Fair value</b>	<b>Less than 1</b>	<b>1-2</b>	<b>10-15</b>	<b>15 and greater</b>	
Local Government Investment Pool	\$ 26,774	\$ 26,774	-	-	-	not rated
U.S. Treasury Money Market Fund	8,966	8,966	-	-	-	Aaa
U.S. Agencies						
Government National Mortgage Association	876	-	-	876	-	Aaa
Certificates of Deposit	300	300	-	-	-	N/A
	<u>\$ 36,916</u>	<u>\$ 36,040</u>	<u>\$ -</u>	<u>\$ 876</u>	<u>\$ -</u>	

**Custodial Credit Risk**

Custodial credit risk is the risk that in the event of a financial institution failure, the Component Units deposits may not be returned.

As of December 31, 2008 Component Units bank balances exposed to Custodial Credit Risk are as follows:

	<b>Bank Balance</b>	<b>Uninsured and Uncollateralized</b>
Housing Authority	\$ 10,202,248	\$ 2,363,807
Redevelopment Authority	7,355,849	6,253,091
Milwaukee Economic Development Corporation	3,150,405	1,748,566
Neighborhood Improvement Development Corporation	2,093,365	849,165

For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty the component unit will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

As of December 31, 2008, the Housing Authority had investments of \$876,000 exposed to custodial credit risk as neither insured nor registered and held by the counterparty. The Redevelopment Authority had \$8,966,000 of investments exposed to custodial credit risk as uninsured and uncollateralized as of December 31, 2008.

CITY OF MILWAUKEE  
**NOTES TO THE FINANCIAL STATEMENTS**  
 FOR THE YEAR ENDED DECEMBER 31, 2008

**3. PROPERTY TAXES**

The City's property taxes are levied on or before December 31, on the assessed (taxable) value as of the prior January 1, for all general property located in the City. Taxes become a lien against the property upon filing the roll in the Office of the City Clerk. This generally takes place in December. The taxes are due January 31, but may be paid in ten monthly installments without interest from January through October. Foreclosure can be commenced after one year from date of delinquency.

The City purchases property taxes receivable from other taxing authorities at the unpaid amounts to facilitate the collection of the taxes. The purchases are a financing arrangement and are not included in property tax revenues. Also, delinquent water and sewer charges and special assessment receivables are transferred to the General Fund at the unpaid amounts.

At December 31, 2008, delinquent property taxes include delinquent sewer and water charges and special assessments by year levied, tax deeded property, and allowance for uncollectible taxes. These delinquent property taxes are reported as part of taxes receivable in the General Fund and Special Revenue Fund - Delinquent Tax and consist of the following:

	<b>City Levy</b>	<b>Purchased Taxes Receivable</b>	<b>Total</b>
<i>(Thousands of Dollars)</i>			
2003 and prior .....	\$ 960	\$ 1,391	\$ 2,351
2004 .....	497	723	1,220
2005 .....	656	984	1,640
2006 .....	2,278	3,516	5,794
2007 .....	<u>9,484</u>	<u>15,187</u>	<u>24,671</u>
 Total delinquent property taxes receivable .....	 <u>\$ 13,875</u>	 <u>\$ 21,801</u>	 35,676
 Property taxes receivable on foreclosed property .....			 14,864
 Less: Allowance for uncollectible taxes .....			 <u>(16,434)</u>
 Net delinquent property taxes receivable, including tax deeded property			 <u>\$ 34,106</u>

CITY OF MILWAUKEE  
**NOTES TO THE FINANCIAL STATEMENTS**  
 FOR THE YEAR ENDED DECEMBER 31, 2008

**4. CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2008 was as follows:

	<b>Balance 01-01-08</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance 12-31-08</b>
		<i>(Thousands of Dollars)</i>		
<b>Governmental activities</b>				
<i>Capital assets not being depreciated:</i>				
Land .....	\$ 163,769	\$ 408	\$ 380	\$ 163,797
Construction in progress .....	<u>106,357</u>	<u>29,592</u>	<u>12,181</u>	<u>123,768</u>
Total capital assets not being depreciated .....	<u>270,126</u>	<u>30,000</u>	<u>12,561</u>	<u>287,565</u>
<i>Capital assets being depreciated:</i>				
Buildings .....	194,137	1,730	1,085	194,782
Infrastructure.....	1,337,345	19,852	1,548	1,355,649
Improvements other than buildings .....	11,198	664	289	11,573
Machinery and equipment .....	<u>145,659</u>	<u>20,496</u>	<u>3,582</u>	<u>162,573</u>
Total capital assets being depreciated .....	<u>1,688,339</u>	<u>42,742</u>	<u>6,504</u>	<u>1,724,577</u>
Less accumulated depreciation for:				
Buildings .....	71,381	4,487	1,084	74,784
Infrastructure .....	855,033	30,394	1,549	883,878
Improvements other than buildings .....	7,427	323	281	7,469
Machinery and equipment .....	<u>82,681</u>	<u>11,352</u>	<u>3,497</u>	<u>90,536</u>
Total accumulated depreciation .....	<u>1,016,522</u>	<u>46,556</u>	<u>6,411</u>	<u>1,056,667</u>
Total capital assets being depreciated, net ....	<u>671,817</u>	<u>(3,814)</u>	<u>93</u>	<u>667,910</u>
<b>Government activity capital assets, net .....</b>	<b><u>\$ 941,943</u></b>	<b><u>\$ 26,186</u></b>	<b><u>\$ 12,654</u></b>	<b><u>\$ 955,475</u></b>
Depreciation expense for governmental activities was charged to functions as follows:				
General government .....				\$ 344
Public safety .....				7,125
Public works .....				38,377
Health .....				172
Culture and recreation .....				<u>538</u>
Total .....				<u>\$ 46,556</u>



CITY OF MILWAUKEE  
**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED DECEMBER 31, 2008

<b>Business-type activities</b>	<b>Balance 01-01-08</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance 12-31-08</b>
		<i>(Thousands of Dollars)</i>		
<b>Water Works</b>				
<i>Capital assets not being depreciated:</i>				
Land .....	\$ 1,568	\$ 368	\$ -	\$ 1,936
Construction in progress .....	12,249	17,122	18,396	10,975
Total capital assets not being depreciated .....	<u>13,817</u>	<u>17,490</u>	<u>18,396</u>	<u>12,911</u>
<i>Capital assets being depreciated:</i>				
Buildings .....	21,292			21,292
Infrastructure .....	318,139	14,261	1,258	331,142
Machinery and equipment .....	201,182	4,135	3,735	201,582
Nonutility property .....	5,317	2,524	2,332	5,509
Total capital assets being depreciated .....	<u>545,930</u>	<u>20,920</u>	<u>7,325</u>	<u>559,525</u>
Less accumulated depreciation for:				
Buildings .....	13,988	675		14,663
Infrastructure .....	75,947	3,644	1,267	78,324
Machinery and equipment .....	89,788	8,798	3,680	94,906
Nonutility property .....	2,926	193	2,336	783
Total accumulated depreciation .....	<u>182,649</u>	<u>13,310</u>	<u>7,283</u>	<u>188,676</u>
Total capital assets being depreciated, net ....	<u>363,281</u>	<u>7,610</u>	<u>42</u>	<u>370,849</u>
Water Works capital assets, net .....	<u>377,098</u>	<u>25,100</u>	<u>18,438</u>	<u>383,760</u>
<b>Sewer Maintenance</b>				
<i>Capital assets not being depreciated:</i>				
Construction in progress .....	36,800	23,292	13,788	46,304
Total capital assets not being depreciated .....	<u>36,800</u>	<u>23,292</u>	<u>13,788</u>	<u>46,304</u>
<i>Capital assets being depreciated:</i>				
Infrastructure .....	346,382	20,363	110	366,635
Machinery and equipment .....	4,282	38	-	4,320
Total capital assets being depreciated .....	<u>350,664</u>	<u>20,401</u>	<u>110</u>	<u>370,955</u>
Less accumulated depreciation for:				
Infrastructure .....	100,802	4,073	110	104,765
Machinery and equipment .....	1,619	336	-	1,955
Total accumulated depreciation .....	<u>102,421</u>	<u>4,409</u>	<u>110</u>	<u>106,720</u>
Total capital assets being depreciated, net ....	<u>248,243</u>	<u>15,992</u>	<u>-</u>	<u>264,235</u>
Sewer Maintenance capital assets, net .....	<u>285,043</u>	<u>39,284</u>	<u>13,788</u>	<u>310,539</u>

CITY OF MILWAUKEE  
**NOTES TO THE FINANCIAL STATEMENTS**  
 FOR THE YEAR ENDED DECEMBER 31, 2008

	Balance 01-01-08	Additions	Deletions	Balance 12-31-08
		<i>(Thousands of Dollars)</i>		
<b>Parking</b>				
<i>Capital assets not being depreciated:</i>				
Land .....	\$ 8,440	\$ -	\$ -	\$ 8,440
Construction in progress .....	3,650	1,037	-	4,687
Total capital assets not being depreciated .....	<u>12,090</u>	<u>1,037</u>	<u>-</u>	<u>13,127</u>
<i>Capital assets being depreciated:</i>				
Buildings .....	50,645	-	-	50,645
Improvements other than buildings .....	5,429	-	-	5,429
Machinery and equipment .....	1,496	182	33	1,645
Total capital assets being depreciated .....	<u>57,570</u>	<u>182</u>	<u>33</u>	<u>57,719</u>
Less accumulated depreciation for:				
Buildings .....	26,234	1,769	-	28,003
Improvements other than buildings .....	3,252	142	-	3,394
Machinery and equipment .....	731	149	17	863
Total accumulated depreciation .....	<u>30,217</u>	<u>2,060</u>	<u>17</u>	<u>32,260</u>
Total capital assets being depreciated, net ....	<u>27,353</u>	<u>(1,878)</u>	<u>16</u>	<u>25,459</u>
Parking capital assets, net .....	<u>39,443</u>	<u>(841)</u>	<u>16</u>	<u>38,586</u>
<b>Other business-type activities:</b>				
<i>Capital assets not being depreciated:</i>				
Land .....	4,853	2,938	-	7,791
Construction in progress .....	-	-	-	-
Total capital assets not being depreciated .....	<u>4,853</u>	<u>2,938</u>	<u>-</u>	<u>7,791</u>
<i>Capital assets being depreciated:</i>				
Buildings .....	13,063	421	-	13,484
Infrastructure-port.....	19,609	1,603	5,656	15,556
Improvements other than buildings .....	3,516	142	1,370	2,288
Machinery and equipment .....	4,831	30	142	4,719
Total capital assets being depreciated .....	<u>41,019</u>	<u>2,196</u>	<u>7,168</u>	<u>36,047</u>
Less accumulated depreciation for:				
Buildings .....	6,385	411	-	6,796
Infrastructure-port.....	14,281	500	6,045	8,736
Improvements other than buildings .....	1,509	133	26	1,616
Machinery and equipment .....	3,941	175	139	3,977
Total accumulated depreciation .....	<u>26,116</u>	<u>1,219</u>	<u>6,210</u>	<u>21,125</u>
Total capital assets being depreciated, net ....	<u>14,903</u>	<u>977</u>	<u>958</u>	<u>14,922</u>
Other business-type activities, net .....	<u>19,756</u>	<u>3,915</u>	<u>958</u>	<u>22,713</u>
<b>Business-type activity capital assets, net .....</b>	<b><u>\$ 721,340</u></b>	<b><u>\$ 67,458</u></b>	<b><u>\$ 33,200</u></b>	<b><u>\$ 755,598</u></b>

CITY OF MILWAUKEE  
**NOTES TO THE FINANCIAL STATEMENTS**  
 FOR THE YEAR ENDED DECEMBER 31, 2008

	Balance 01-01-08	Additions	Deletions	Balance 12-31-08
		<i>(Thousands of Dollars)</i>		
<b>Component Units</b>				
<i>Capital assets not being depreciated:</i>				
Land .....	\$ 57,966	\$ 5,486	\$ 9,265	\$ 54,187
Construction in Progress .....	49,206	5,561	52,466	2,301
Total capital assets not being depreciated .....	<u>107,172</u>	<u>11,047</u>	<u>61,731</u>	<u>56,488</u>
<i>Capital assets being depreciated:</i>				
Buildings .....	425,639	55,366	481	480,524
Infrastructure .....	-	789	-	789
Improvements other than buildings .....	599	932	-	1,531
Machinery and equipment .....	4,241	390	1,354	3,277
Total capital assets being depreciated .....	<u>430,479</u>	<u>57,477</u>	<u>1,835</u>	<u>486,121</u>
Less accumulated depreciation for:				
Buildings .....	217,666	12,908	1,000	229,574
Infrastructure .....	-	13	-	13
Improvements other than buildings .....	128	79	-	207
Machinery and equipment .....	3,728	276	1,300	2,704
Total accumulated depreciation .....	<u>221,522</u>	<u>13,276</u>	<u>2,300</u>	<u>232,498</u>
Total capital assets being depreciated, net ....	<u>208,957</u>	<u>44,201</u>	<u>(465)</u>	<u>253,623</u>
<b>Component units capital assets, net .....</b>	<b><u>\$ 316,129</u></b>	<b><u>\$ 55,248</u></b>	<b><u>\$ 61,266</u></b>	<b><u>\$ 310,111</u></b>

**5. DEFERRED REVENUE**

Deferred revenue is recorded in the governmental funds for amounts not yet available and for resources received prior to being earned by the City. Related revenue is recognized when these amounts become available or when earned. The composition of the deferred revenue balances in the governmental funds as of December 31, 2008 is as follows:

	General	General Obligation Debt Service	Capital Projects	Nonmajor Governmental Funds	Total
		<i>(Thousands of Dollars)</i>			
Current property taxes .....	\$ 164,784	\$ 94,485	\$ 6,506	\$ -	\$ 265,775
Delinquent property taxes .....	7,469	-	-	2,002	9,471
Unearned revenue .....	1,850	-	3,744	7,509	13,103
Long-term receivables .....	-	30,744	-	3	30,747
Unbilled special assessments .....	-	-	12,922	-	12,922
Total .....	<u>\$ 174,103</u>	<u>\$ 125,229</u>	<u>\$ 23,172</u>	<u>\$ 9,514</u>	<u>\$ 332,018</u>

CITY OF MILWAUKEE  
**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED DECEMBER 31, 2008

**6. SHORT-TERM DEBT**

During 2008, the City issued and repaid \$90,000,000 of General Obligation Cash Flow Promissory Notes, Series 2008 R5 (G.O. CFNs). The G.O. CFNs were issued for the purpose of financing the City's operating budget on an interim basis pending receipt of State of Wisconsin shared revenue payments due in November, 2008.

As of December 31, 2007, the City had outstanding \$188,000,000 of short-term Revenue Anticipation Notes (RANs) on behalf of Milwaukee Public Schools. In 2008, the City repaid the outstanding balance and issued \$210,000,000 short-term RANs for the same purpose. The new notes bear interest at the rate of 3% and will mature on September 3, 2009. The liability and related receivable to repay the revenue anticipation notes are recorded in the Debt Service Fund.

CITY OF MILWAUKEE  
**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED DECEMBER 31, 2008

**7. LONG-TERM OBLIGATIONS**

**A. Changes in Long-Term Obligations**

Changes in long-term obligations for the year ended December 31, 2008 were as follows:

	<b>Balance</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance</b>	<b>Amounts</b>
	<b>01-01-08</b>	<i>(Thousands of Dollars)</i>		<b>12-31-08</b>	<b>Due within</b>
					<b>One Year</b>
<b>Governmental activities:</b>					
General obligation bonds and notes					
City .....	\$ 575,900	\$ 231,968	\$ 169,971	\$ 637,897	\$ 75,852
Milwaukee Public Schools .....	93,504	5,400	11,131	87,773	10,376
Deferred amount on refundings .....	(6,453)	-	(1,256)	(5,197)	-
Unamortized premiums .....	25,775	3,694	6,587	22,882	-
Compensated absences .....	30,784	424	-	31,208	2,434
Net other postemployment benefits obligation .....	36,877	69,801	30,973	75,705	-
Claims and judgments .....	25,021	11,245	7,800	28,466	5,755
Total governmental activities .....	<u>\$ 781,408</u>	<u>\$ 322,532</u>	<u>\$ 225,206</u>	<u>\$ 878,734</u>	<u>\$ 94,417</u>
<b>Business-type activities</b>					
<b>Water Works</b>					
General obligation bonds and notes .....	\$ 19,896	\$ -	\$ 2,846	\$ 17,050	\$ 1,989
Deferred amount on refundings .....	(519)	-	(162)	(357)	-
Unamortized premiums .....	942	-	191	751	-
Revenue bonds .....	11,206	-	891	10,315	915
Compensated absences .....	1,025	83	-	1,108	1,108
Net other postemployment benefits obligation .....	790	1,903	1,112	1,581	-
Total Water Works .....	<u>33,340</u>	<u>1,986</u>	<u>4,878</u>	<u>30,448</u>	<u>4,012</u>
<b>Sewer Maintenance</b>					
General obligation bonds and notes .....	23,635	369	20,070	3,934	268
State Loans .....	14,369	35,848	564	49,653	2,000
Revenue bonds .....	53,505	-	2,650	50,855	2,740
Unamortized premiums .....	1,987	-	232	1,755	-
Net other postemployment benefits obligation .....	274	735	429	580	-
Total Sewer Maintenance .....	<u>93,770</u>	<u>36,952</u>	<u>23,945</u>	<u>106,777</u>	<u>5,008</u>
<b>Parking</b>					
General obligation bonds and notes .....	11,733	1,228	2,218	10,743	1,722
Deferred amount on refundings .....	(193)	-	(40)	(153)	-
Unamortized premiums .....	257	-	54	203	-
Net other postemployment benefits obligation .....	214	536	313	437	-
Total Parking .....	<u>12,011</u>	<u>1,764</u>	<u>2,545</u>	<u>11,230</u>	<u>1,722</u>
<b>Other Enterprise Funds</b>					
General obligation bonds and notes .....	3,672	54	483	3,243	508
Deferred amount on refundings .....	(45)	-	(9)	(36)	-
Unamortized premiums .....	63	-	12	51	-
Net other postemployment benefits obligation .....	45	125	73	97	-
Total Other Enterprise .....	<u>3,735</u>	<u>179</u>	<u>559</u>	<u>3,355</u>	<u>508</u>
Total business-type activities .....	<u>\$ 142,856</u>	<u>\$ 40,881</u>	<u>\$ 31,927</u>	<u>\$ 151,810</u>	<u>\$ 11,250</u>

CITY OF MILWAUKEE  
**NOTES TO THE FINANCIAL STATEMENTS**  
 FOR THE YEAR ENDED DECEMBER 31, 2008

Component Units	Balance 01-01-08	New Issues	Repayments	Balance 12-31-08	Amounts Due within One Year
			<i>(Thousands of Dollars)</i>		
Revenue bonds .....	\$ 111,137	\$ -	\$ 13,938	\$ 97,199	\$ 495
Unamortized discounts .....	(110)	-	(6)	(104)	-
Notes payable .....	25,742	15,077	100	40,719	4,527
Advance from other organizations .....	-	-	-	-	-
Compensated Absences.....	765	89	-	854	256
Net other postemployment benefits.....	500	491	-	991	-
Total component units .....	<u>\$ 138,034</u>	<u>\$ 15,657</u>	<u>\$ 14,032</u>	<u>\$ 139,659</u>	<u>\$ 5,278</u>

**B. General Obligation Bonds**

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities for the City and for Milwaukee Public Schools. General obligation bonds have been issued for both governmental and business-type activities. General obligation bonds are secured by the full faith and unlimited taxing power of the City. The debt for governmental activities will be retired by future property tax levies and other resources accumulated in the Debt Service Funds. The debt for business-type activities (i.e. Water Works, Sewer Maintenance, Parking, and Port of Milwaukee Enterprise Funds) will be retired by revenues from those operations or, if the revenues are not sufficient, by future tax levies. During the year ended December 31, 2008, general obligation bonds totaling \$6,497,505 were issued to finance capital improvements.

Use of Public Debt Amortization Fund for retirement of the public debt is governed by the Wisconsin Statutes. The Statutes provide that when total principal and accrued interest in the Public Debt Amortization Fund is substantially equal to the outstanding general obligation bonds and notes, the resources in the fund shall be applied to make annual interest and principal payments on that debt to maturity. The Statutes provide, in part, that "The Public Debt Commission may, however, at any time, apply the fund, not to exceed in any one year 40% of the balance in said fund on the preceding December 31, to acquire for cancellation general obligation bonds or notes prior to their maturity dates at prices not to exceed principal plus accrued interest to date of maturity, but the fund shall not be decreased below \$2,000,000 as a result of such purchases and cancellations." Principal sources of revenue are one-third of all interest on general City investments and interest on Fund investments. As authorized by the Statutes, the Public Debt Amortization Fund may purchase for investment or for cancellation, notes issued by the General Fund to fund operations.

Through 2008, \$153,109,402 has been borrowed and outstanding for forty-seven tax incremental districts (TID). Total debt service requirements associated with these debt issues amounts to \$198,299,783. Tax increments received through 2008 total \$197,725,798. In any year in which TID debt service requirements for the ensuing year are greater than total tax increments received, the shortfall is funded by the property tax levy.

Under the Wisconsin Statutes, the City is required, if requested by the Board of Milwaukee Public Schools, and if approved by referendum, to issue general obligation bonds to finance purchases of school sites and to construct or remodel school buildings. No such bonds are currently outstanding. The \$87,773,000 of Milwaukee Public School long-term debt outstanding at December 31, 2008 consists of a portion of the City's general obligation bonds and notes that has been designated for school purposes. Under the Wisconsin Statutes, the City has title to the land and buildings of the Milwaukee Public Schools. However, the City does not control the use of the assets or receive the proceeds upon disposition of the assets. At June 30, 2008, the historical costs of the land and buildings as reported by Milwaukee Public Schools was approximately \$975,825,000. These assets are excluded from the financial statements of the City.

CITY OF MILWAUKEE  
**NOTES TO THE FINANCIAL STATEMENTS**  
 FOR THE YEAR ENDED DECEMBER 31, 2008

**C. Revenue Bonds**

The City issues revenue bonds to provide funds for water and sewer improvements. As such, they are not backed by the general credit or taxing powers of the City. During 2008, the City received loans from the State for the Clean Water Fund Program permitted under State Statutes to provide financial assistance for specific Sewer Maintenance Enterprise Fund projects for a total of \$35,848,000. The loans will be repaid from revenues of the Sewer Maintenance Enterprise Fund.

**D. Notes Payable**

The City issues installment notes to provide funds for various public improvement projects, cash flow for the school district, and purchases of delinquent taxes. During the year ended December 31, 2008, installment loans totaling \$37,125,000 were issued to provide the school district cash flow, finance building projects, and purchase 2007's delinquent taxes.

During 2008, the City issued General Obligation Commercial Paper Promissory Notes 2008 Program Series C2. Notes were issued to finance various public improvements projects and fiscal requirements of the City. The notes are a direct general obligation of the City payable from taxes levied without limitation as to rate or amount. Following is a summary of the General Obligation Commercial Paper Promissory Notes issued (in thousands), which is included in the totals for the general obligation bonds and note in the long-term obligation table in footnote 7(a) above:

<b>Balance 01-01-08</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance 12-31-08</b>
-	124,600	20,000	104,600

In order to provide a source for payment of the principal and interest on the General Obligation Commercial Paper Promissory Notes, on January 1, 2008, the City entered into an irrevocable letter of credit and reimbursement agreement with a bank. The letter of credit and reimbursement agreement has an authorized maximum draw of \$125 million, and expires on December 1, 2012. Each advance on the letter of credit is due and payable on the 60<sup>th</sup> day following the date of the draw; however, the agreement allows the bank to make a three-year term loan available upon each advance not repaid within 60 days, for which payments will begin one year after the date the term loan began. Principal payments on the term loan shall be made quarterly. Interest is required to be paid monthly, and the rate varies based on the period the advance is outstanding, as follows:

<u>Period Outstanding</u>	<u>Interest Rate</u>
30 days or less	Prime rate
31 days to 60 days	Prime rate plus 1%
Greater than 60 days (term loan)	Prime rate plus 2%

Further, under the terms of the letter of credit agreement, the City has agreed to meet various covenants, which includes maintaining an above investment grade rating on its outstanding indebtedness. As of December 31, 2008, the City had no outstanding draws on the letter of credit.

CITY OF MILWAUKEE  
**NOTES TO THE FINANCIAL STATEMENTS**  
 FOR THE YEAR ENDED DECEMBER 31, 2008

**E. Debt Service Requirements**

The maturities of the outstanding principal and related interest requirements are as follows:

Year	General Obligation Debt		Revenue Bonds Payable		Total Debt Service
	Principal	Interest	Principal	Interest	
<i>(Thousands of Dollars)</i>					
<b>Governmental activities</b>					
2009 .....	\$ 86,228	\$ 30,702	\$ -	\$ -	\$ 116,930
2010 .....	72,131	26,070	-	-	98,201
2011 .....	61,112	22,761	-	-	83,873
2012 .....	56,973	19,843	-	-	76,816
2013 .....	53,598	17,079	-	-	70,677
2014-2018 .....	300,701	50,357	-	-	351,058
2019-2023 .....	85,192	9,638	-	-	94,830
2024-2028 .....	9,735	229	-	-	9,964
Total .....	<u>\$ 725,670</u>	<u>\$ 176,679</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 902,349</u>
<b>Business-type activities</b>					
<b>Water Works</b>					
2009 .....	\$ 1,989	\$ 850	\$ 915	\$ 260	\$ 4,014
2010 .....	2,492	753	939	236	4,420
2011 .....	2,966	634	964	211	4,775
2012 .....	2,492	494	989	185	4,160
2013 .....	2,101	359	1,015	158	3,633
2014-2018 .....	4,988	450	5,493	370	11,301
2019-2020 .....	22	1	-	-	23
Total .....	<u>\$ 17,050</u>	<u>\$ 3,541</u>	<u>\$ 10,315</u>	<u>\$ 1,420</u>	<u>\$ 32,326</u>
<b>Sewer Maintenance</b>					
2009 .....	\$ 268	\$ 176	\$ 4,740	\$ 3,552	\$ 8,736
2010 .....	269	164	4,888	3,391	8,712
2011 .....	272	153	5,038	3,218	8,681
2012 .....	273	141	5,198	3,031	8,643
2013 .....	293	129	5,374	2,829	8,625
2014-2018 .....	1,451	447	29,987	10,744	42,629
2019-2023 .....	1,108	111	31,233	4,396	36,848
2024-2028 .....	-	-	14,050	811	14,861
Total .....	<u>\$ 3,934</u>	<u>\$ 1,321</u>	<u>\$ 100,508</u>	<u>\$ 31,972</u>	<u>\$ 137,735</u>
<b>Parking</b>					
2009 .....	\$ 1,722	\$ 519	\$ -	\$ -	\$ 2,241
2010 .....	1,319	422	-	-	1,741
2011 .....	1,251	360	-	-	1,611
2012 .....	1,094	300	-	-	1,394
2013 .....	973	248	-	-	1,221
2014-2018 .....	3,313	611	-	-	3,924
2019-2023 .....	1,071	100	-	-	1,171
Total .....	<u>\$ 10,743</u>	<u>\$ 2,560</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,303</u>



CITY OF MILWAUKEE  
**NOTES TO THE FINANCIAL STATEMENTS**  
 FOR THE YEAR ENDED DECEMBER 31, 2008

Year	General Obligation Debt		Revenue Bonds Payable		Total Debt Service
	Principal	Interest	Principal	Interest	
<i>(Thousands of Dollars)</i>					
<b>Other Enterprise</b>					
2009 .....	\$ 508	\$ 158	\$ -	\$ -	\$ 666
2010 .....	429	133	-	-	562
2011 .....	429	111	-	-	540
2012 .....	388	89	-	-	477
2013 .....	350	70	-	-	420
2014-2018 .....	967	133	-	-	1,100
2019-2023 .....	172	12	-	-	184
Total .....	<u>\$ 3,243</u>	<u>\$ 706</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,949</u>
<b>Total Component Units</b>					
2009 .....	\$ 4,527	\$ 1,239	\$ 495	\$ 3,355	\$ 9,616
2010 .....	131	1,180	515	3,330	5,156
2011 .....	142	1,172	535	3,305	5,154
2012 .....	149	1,162	570	3,277	5,158
2013 .....	162	1,152	600	3,247	5,161
2014-2018 .....	6,223	5,505	1,300	15,735	28,763
2019-2023 .....	2,512	4,845	6,784	14,751	28,892
2024-2028 .....	246	4,535	19,005	13,515	37,301
2029-2033 .....	340	4,335	-	13,176	17,851
2034-2038 .....	2,361	3,752	-	13,176	19,289
2039-2043 .....	4,898	3,100	67,395	4,389	79,782
2044-2048 .....	16,547	1,599	-	-	18,146
2049-2053 .....	36	378	-	-	414
2054-2058 .....	2,445	220	-	-	2,665
Total .....	<u>\$ 40,719</u>	<u>\$ 34,174</u>	<u>\$ 97,199</u>	<u>\$ 91,256</u>	<u>\$ 263,348</u>

**F. Debt Limit**

Wisconsin Statutes limit direct general obligation borrowing in the amount equivalent to 7% of the equalized valuation of taxable property. The Statutes further provide that within the 7% limitation, borrowing for school construction purposes may not exceed 2% of the equalized valuation and borrowing for general city purposes may not exceed 5% of the equalized valuation. At December 31, 2008, the City's legal debt margin was \$1,542,702,000. Of this amount, \$637,744,000 was for school purposes and \$904,958,000 was for City purposes.

**G. Refundings**

In prior years, the City defeased certain general obligation bonds by placing the proceeds from new general obligation bonds in an irrevocable trust to provide all future debt service payments on the bonds. Accordingly, the trust account assets and liability for the defeased bonds are not included in the City's financial statements. At December 31, 2008, \$144,000,000 of bonds outstanding are considered defeased, which includes debt defeased during the current year.

**H. Conduit Debt**

From time to time, the City has issued revenue bonds in order to provide financing to private sector entities for the purpose of acquiring, constructing, or rehabilitating housing units and for retiring the existing debt associated with housing units. These obligations are primarily secured by mortgage or revenue agreements on the associated projects and, together with the interest obligation, are payable solely by the developers from leased rentals and other funds or revenues. In addition, these obligations do not constitute indebtedness of the City, as the City has no responsibility for the debt beyond the resources provided by related leases or loans. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. The aggregate amount of all revenue bonds outstanding at December 31, 2008 is approximately \$48,900,441 for the City and \$560,000,000 for RACM.

CITY OF MILWAUKEE  
**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED DECEMBER 31, 2008

**8. RETIREMENT PLANS**

**Pension Benefits**

*Plan Description* – The City makes contributions to the Employees' Retirement System of the City of Milwaukee (the "System"), a cost-sharing multiple-employer defined benefit pension plan, on behalf of all eligible City employees. The System provides retirement, disability, and death benefits to plan members and beneficiaries. The City Charter assigns the authority to establish and amend benefit provisions. The System issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Employees' Retirement System of the City of Milwaukee, 200 East Wells Street, Room 610, Milwaukee, WI 53202.

*Funding Policy* – Plan members are required to contribute, or have contributed on their behalf, a percentage of their annual earnable compensation equal to 5.5%, 7%, 7%, and 7% for general City employees, police officers, firefighters, and elected officials, respectively. New hires who are not sworn police/fire must pay 1.6% of pensionable earnings for 8 years to fund the cost of benefit escalators due to the Global Pension Settlement. The City is required to contribute the actuarially determined amount. The City Charter assigns the authority to establish and amend contribution requirements. The City's contributions to the System for the years ending December 31, 2008, 2007, and 2006, were \$23,532,000, \$23,330,000, and \$22,751,000, respectively, equal to the required contributions on behalf of the plan members for each year.

**Other Postemployment Benefits**

The City provides other postemployment benefits (OPEB) to its retirees for health and life insurance.

*Plan Description.* The City provides a single-employer defined benefit healthcare plan and life insurance administered by both the City and Milwaukee's Employee Retirement System (MERS). The City provides medical insurance benefits for substantially all retirees in accordance with terms set forth in labor contracts or by Common Council resolution. Retirees are eligible to enroll in any of the group plans offered by the City. Aside from the Basic Plan, this includes a Health Maintenance Organization (HMO) plan currently offered to active employees. The City provides full health insurance coverage to general City employees who retire at age 55, but less than age 65, with 30 years of creditable service or at age 60, but less than age 65, with 15 years of creditable service until the age of 65. Management employees retiring beginning in 2004 at age 55, but less than 65, pay a portion of health insurance the same as active management employees. In accordance with a "percentage formula" as provided in labor agreements, the City provides between 65% and 100% of the cost of the Basic Plan coverage for firefighters and police officers who retire with 25 years of creditable service and having attained at least the age of 52 but less than 60. Upon reaching the age of 60 but prior to the age of 65, the City provides full health insurance coverage for firefighters and police officers with single enrollment status. The City contribution for firefighters and police officers between the ages of 60 and 65 with family enrollment status is the greater of 100% of the cost of single enrollment in the Basic Plan or an amount determined using the "percentage formula." The "percentage formula" used to determine the City contribution in the labor agreements is based on the amount of unused sick leave at retirement.

After attaining the age of 65 and having completed a minimum of 15 years of creditable service, all retirees are eligible to enroll in a "subsidized plan" for medical insurance. Under this plan, the City contributes 25% of the base rate toward retirees enrolled in the Basic Plan, while the retiree pays 75% of the base rate and 100% of the major medical rate. For those retirees enrolled in an HMO, the City contributes a 25% subsidy of the applicable HMO premium.

In addition to medical insurance, the City allows its employees to continue life insurance coverage under the Group Life Insurance Plan offered to active employees in accordance with Section 350-25 of the Code of Ordinances. The base amount of coverage for general City employees is equal to the employee's annual basic salary to the next higher thousand dollars. The base amount of coverage for firefighters and police officers is equal to one and one-half the employee's annual basic salary to the next higher thousand dollars.

General City employees retiring at age 55 or older with 20 years of service or at age 60 regardless of years of service and covered under the group life insurance plan at retirement are eligible to continue coverage at the level on the date prior to their date of retirement. Firefighters and police officers retiring at age 52 or older with 20 years of service or at age 57 regardless of years of service and covered under the group life insurance plan at retirement are eligible to continue coverage up to their base amount of coverage on the date prior to their date of retirement. Prior to age 65, all retirees are required to pay the full premium rates as established by the insurance carrier, less an adjustment for estimated dividends. The rates established are group rates applied consistently to all employees, without regard to age or health. Upon reaching the age of 65, those retirees still part of the group life plan have their coverage reduced in accordance with the reduction schedule in effect on their last day physically at work, with the City assuming all future premiums.

CITY OF MILWAUKEE  
**NOTES TO THE FINANCIAL STATEMENTS**  
 FOR THE YEAR ENDED DECEMBER 31, 2008

*Funding Policy.* The contribution of plan members and the City are established and may be amended by the City. The required contribution for medical, and life insurance for retirees is based on a pay-as-you-go financing. Medical benefits provided through the basic health care plan are self-insured. For 2008, the City and plan members receiving benefits paid approximately \$31,820,000 and \$1,080,000, respectively, toward medical and life insurance for retirees.

Annual OPEB Cost and Net OPEB Obligation. The City's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45 *Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan (pay-as-you basis), and the changes in the City's net OPEB obligation:

ARC .....	\$ 72,900,000
Interest on Net OPEB Obligation .....	1,700,000
Adjustment to ARC .....	<u>(1,500,000)</u>
Annual OPEB Cost .....	73,100,000
Contribution made .....	<u>32,900,000</u>
Increase in net OPEB Obligation .....	40,200,000
Net OPEB obligation - beginning of year .....	<u>38,200,000</u>
Net OPEB obligation - end of year .....	<u>\$ 78,400,000</u>

The City annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation were as follows:

**Annual Cost and Net OPEB Liability**

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/2007	\$ 67,600,000	43.5%	\$ 38,200,000
12/31/2008	73,100,000	45.0%	78,400,000

*Funded Status and Funding Progress.* As of July 1, 2008, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$880,700,000, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$880,700,000. The covered payroll (annual payroll of active employees covered by the plan) was \$425,400,000 and the ratio of the UAAL to the covered payroll was 207 percent.

Actuarial valuations of an ongoing plan involve estimates of value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

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

The OPEB valuation uses a discount rate assumption of 4.5% based on the City's projected short-term investment rate of return. The healthcare cost trends rate is 10% initially, and reduced by decrements to the ultimate rate of 4.5% after 10 years. The actuarial assumption for inflation is 3% and wage inflation is 3.5%. The amortization of the unfunded actuarial accrued liability is based on a level percentage of pay over a 30-year open amortization period.

CITY OF MILWAUKEE  
**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED DECEMBER 31, 2008

**Terminal Leave Payments**

Upon retirement, employees receive a portion of their unused sick leave as terminal leave, in accordance with labor contracts and Section 350-38 of the Code of Ordinances. Firefighters whose normal hours of work exceed 40 hours per week receive between \$45 and \$65 for each work shift equivalent of unused sick leave. Firefighters whose normal hours of work average 40 hours per week receive between \$21 and \$30 for each work shift equivalent of unused sick leave. Police officers receive payment for up to 55 days of unused sick leave at base pay. Management pay plan employees are entitled to payment of 30% of unused sick leave (maximum 960 hours) plus one-half of the sick leave days accumulated during the last twelve months of service for up to six additional days for a total maximum of 42 days at the rate of pay at retirement. Substantially all remaining City employees receive up to 30 days for unused sick leave as terminal leave, although some bargaining units receive slightly different benefits in accordance with related labor agreements. In 2008, approximately \$9,564,000 was paid for sick leave from all funds. At December 31, 2008, accumulated sick leave earned but not taken totaled approximately \$167,133,000 determined on the basis of current salary rates.

Terminal leave pay is funded on a pay-as-you-go basis and provided for in the salary budgets of the respective departments annually. In 2008, terminal leave payments totaled \$1,715,000 to employees retiring during the year. As of December 31, 2008, the City has accrued approximately \$15,112,000 in the government-wide statements for future terminal leave payments. This amount is included under the unfunded compensated absences of \$31,208,000 with the remainder accrued vacation leave of \$16,096,000.

**9. FUND EQUITY**

**Reserved for Tax Stabilization and Advances to Other Funds**

The Reserved for Tax Stabilization, \$42,418,000 at December 31, 2008, is governed by the City's Code of Ordinances. This reserve includes an amount for advances of \$13,367,000 from the general fund to the capital projects fund. The general fund has advanced this amount to fund special assessment projects. The availability of the \$13,367,000 for Tax Stabilization is contingent upon future collection of the special assessments receivable. All General Fund appropriation balances not encumbered or carried over are reserved for tax stabilization in subsequent years. The total amount that can be withdrawn from the Reserved for Tax Stabilization in any one year is an amount that prevents an increase of more than 3% in the City's property tax rate, as defined, and is anticipated to be available as of April 15 of the year covered by the budget. Such amount must be included in the adopted budget, which requires a majority affirmative vote of the Common Council. Fund withdrawals not needed to stabilize the tax rate can be made for up to 50% of the available balance, but require a three-fourths affirmative vote of the Common Council.

**Fund deficit**

The Capital Projects Fund had a deficit fund balance of \$37,351,000 as of December 31, 2008, which is the result of expending funds for construction in advance of issuing general obligation bonds. The City plans to eliminate the fund deficit through the issuance of general obligation bonds in 2009.

CITY OF MILWAUKEE  
**NOTES TO THE FINANCIAL STATEMENTS**  
 FOR THE YEAR ENDED DECEMBER 31, 2008

**10. INTERFUND RECEIVABLE AND PAYABLE BALANCES AND NET TRANSFERS**

The individual interfund receivable and payable balances at December 31, 2008:

		Due From				
		General Fund	Water Works	Sewer Maintenance Fund	Nonmajor Enterprise Funds	Total
		<i>(Thousands of Dollars)</i>				
Due To	General Fund .....	\$ -	\$ 1,438	\$ -	\$ -	\$ 1,438
	General Obligation Debt .....	-	2,840	-	-	2,840
	Capital Projects .....	18,987	-	-	-	18,987
	Nonmajor Governmental Funds .....	7,516	-	-	-	7,516
	Water Works .....	6,883	-	537	534	7,954
	Sewer Maintenance .....	12,880	-	-	-	12,880
	Nonmajor Enterprise Funds ...	<u>12,310</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,310</u>
Totals .....	<u>\$ 58,576</u>	<u>\$ 4,278</u>	<u>\$ 537</u>	<u>\$ 534</u>	<u>\$ 63,925</u>	

Balances resulted from the timing differences between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, (3) payments between funds are made, and (4) funds overdraw their share of pooled cash or when there are transactions between funds where one fund does not participate in the City's pooled cash.

CITY OF MILWAUKEE  
**NOTES TO THE FINANCIAL STATEMENTS**  
 FOR THE YEAR ENDED DECEMBER 31, 2008

Interfund transfers for the year ended December 31, 2008 were as follows:

Funds Transferred To	Fund Transferred From	Amount	Purpose
<b>General Fund</b>	General Obligation Debt	\$ 10,421	Funding for debt payments
	Nonmajor Governmental Funds	7,725	Subsidize uncollected property taxes
	Water Works	8,696	Payment in Lieu of taxes
	Parking	1,159	Payment in Lieu of taxes
	Parking	17,000	Subsidy for operations
	Nonmajor Enterprise Funds	<u>2,018</u>	Excess earnings of Port
	<b>Subtotal General Fund</b>		<b><u>47,019</u></b>
<b>Debt Service</b>	General	90,000	Funding for cash flow debt
	General	2,076	Funding for debt payments
	Public Debt Amortization	23,890	Funding for debt payments
	Capital Projects	686	Tax Incremental District closeouts
	Nonmajor Governmental Funds	15,505	Funding for debt payments
	Sewer Maintenance	9,310	Subsidy for operations
	Parking	<u>536</u>	Subsidy for operations
<b>Subtotal Debt Service</b>		<b><u>142,003</u></b>	
<b>Public Debt Amortization</b>	Debt Service	<u>11,192</u>	Funding for debt payments
	<b>Subtotal Public Debt Amortization</b>		<b><u>11,192</u></b>
<b>Capital Projects</b>	Public Debt Amortization	<u>859</u>	Subsidy for operations
	<b>Subtotal Capital Projects</b>		<b><u>859</u></b>
<b>Nonmajor Enterprise</b>	General Fund	4	Subsidy for operations
	General Obligation Debt	<u>663</u>	Funding for debt payments
	<b>Subtotal Nonmajor Proprietary</b>		<b><u>667</u></b>
<b>Total Interfund Transfers</b>			<b><u>\$ 201,740</u></b>

Transfers are used to (1) move revenues from the fund that statute or budget requires collection from to the fund that statute or budget required to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

CITY OF MILWAUKEE  
**NOTES TO THE FINANCIAL STATEMENTS**  
 FOR THE YEAR ENDED DECEMBER 31, 2008

**11. BALANCES BETWEEN THE CITY AND COMPONENT UNITS**

Balances due to and due from component units as of December 31, 2008:

<b>Component Unit Payable</b>	<b>Primary Government's Receivable</b>
	<i>(Thousands of Dollars)</i>
Due from HACM for reimbursable expenditures .....	\$ 706
Due from HACM for payment in lieu of taxes .....	
Due from RACM for loans issued to developers for the purpose of renovations and improvements to existing parcels of real estate .....	15,486
Due from RACM for reimbursable expenditures .....	771
Due from RACM for .....	
Due from MEDC for tax incremental district loans .....	1,412
Due from NIDC for home and Community Development Block grants .....	59
Due from NIDC for reimbursements for expenditures .....	<u>-</u>
 Total .....	 <u>\$ 18,434</u>

<b>Component Unit Receivable</b>	<b>Primary Government's Payable</b>
	<i>(Thousands of Dollars)</i>
Due to RACM Community Development Block grants and Home grants.....	<u>\$ 118</u>
 Total .....	 <u>\$ 118</u>

CITY OF MILWAUKEE  
**NOTES TO THE FINANCIAL STATEMENTS**  
 FOR THE YEAR ENDED DECEMBER 31, 2008

**12. OPERATING LEASES**

The City is the lessor for various properties under operating lease agreements expiring at various dates through 2008 and beyond. Certain leases contain provisions for possible renewal at term of the lease.

Scheduled minimum lease payments for years ending December 31 are as follows:

Year	Amount
<i>(Thousands of Dollars)</i>	
2009	\$ 3,934
2010	4,100
2011	3,792
2012	3,744
2013	3,779
2014-2018	13,904
2019-2023	7,642
2024-2028	2,709
2029 and beyond	<u>7,606</u>
Total	<u>\$ 51,210</u>

**13. EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

For the year ended December 31, 2008, expenditures exceeded appropriations for services and salaries in the operations division of the Department of Public Works within the General Fund by \$2,645,000. The Council has approved the issuance of general obligation debt to provide funding for these over-expenditures.

**14. COMMITMENTS AND CONTINGENCIES**

**Claims and Other Legal Proceedings**

The City is exposed to various risks of losses related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employee or natural disaster. With certain exceptions, it is not the policy of the City to purchase commercial insurance for the risks of losses to which it is exposed. Instead, the City believes it is more economical to manage its risks internally and set aside funds as needed for reasonably estimated current claim settlements and unfavorable judgments through annual appropriations and supplemental appropriations. Current settlements are paid from the General Fund and recorded as expenditures when paid in the fund based statements. The liabilities are recorded in the government-wide financial statements.

Under Wisconsin Statutes, the amount recoverable by any person for any damages, injuries, or death in any action founded on fact against the City, agencies, officials, officers, or employees cannot exceed \$50,000, with certain exceptions.

The City is self-insured for workers' compensation, health insurance (basic plan), uninsured motorist motor vehicle coverage for City employees, and general liability. Liabilities are reported when it is probable that a loss can be reasonable estimated. These losses include an estimate of claims that have been incurred but not reported. Liabilities are based on the estimated ultimate cost of settling the claims, including the effects of inflation and other economic and social factors. Claims are paid from the General Fund and recorded as expenditures when paid in the fund based financial statements. The liabilities are recorded in the government-wide financial statements.



CITY OF MILWAUKEE  
**NOTES TO THE FINANCIAL STATEMENTS**  
 FOR THE YEAR ENDED DECEMBER 31, 2008

The liabilities recorded as long-term debt in the government-wide financial statements at December 31, 2008 are as follows:

General liability claims .....	\$ 8,888,000
Workers' compensation claims .....	14,705,000
Unemployment claims .....	1,080,000
Health insurance claims .....	1,291,000
Pollution remediation obligation.....	2,502,000

Changes in the balances of claim liabilities during the past two years are as follows:

	<b>2007</b>	<b>2008</b>
Beginning of year liability .....	\$ 24,991,000	\$ 25,021,000
Current year claims and changes in estimates .....	10,740,000	11,245,000
Claim payments .....	<u>(10,710,000)</u>	<u>(7,800,000)</u>
End of year liability .....	<u>\$ 25,021,000</u>	<u>\$ 28,466,000</u>

The Milwaukee Police Association (MPA) alleged that The Milwaukee Employees' Retirement System (ERS) was prohibited by City ordinance from spending more than \$3 million to purchase and install a computer information system. It is estimated that the total cost of ERS information system is approximately \$25 million. The MPA suit was subsequently voluntarily dismissed in 2005 and a clone case was brought by the Milwaukee Police Supervisors Organization (MPSO). Another union, the Association of Law Enforcement Allied Services Personnel (ALEASP), has joined the lawsuit as a plaintiff. The dispute in the case is over the interpretation of the section of the City ordinance that transferred all administrative, operational, and investment expenses for the City to ERS. The City is preparing a summary judgment to motion to dismiss the case.

On October 24, 2004, Frank Jude, Kirsten Antonissen, Katie Brown, and Lovell Harris attended a party in the city hosted by a Milwaukee police officer and to which a number of other police officers had been invited. At some point, a number of the off-duty officers became involved in an altercation with Mr. Jude. Jude claims that he was beaten for no reason and he did suffer severe injuries. The off-duty officers claim that they became involved with Jude only after they suspected that he had stolen a badge from one of them. They also claim that Jude resisted their efforts to obtain physical control of him. On-duty police were also called to the scene and Jude claims that they, too, used excessive force on him and failed to stop the use of excessive force by those off-duty officers who were striking Mr. Jude. In addition to issues concerning the cause of the altercation, its actual participants, and its course, there is a substantial question of whether the off-duty officers involved in the matter were acting within the scope of their employment. All above-mentioned cases have been consolidated and all proceedings had been stayed pending the outcome of criminal trials. The county prosecutor charged three of the off-duty officers with crimes, but in April 2006 two were found not guilty and the jury could not reach a final verdict as to one charge against the third. Federal authorities indicted eight officers, with civil rights violations, and those cases, proceeded to trial in July 2007. Three of the officers were found guilty and one was acquitted. The other four officers entered into plea agreements. Now that all criminal trials have concluded, the court approved a one-year discovery period, with an extra 180 days for expert discovery. Dispositive motions are due December 1, 2009.

**Environmental Liabilities**

The financial reporting impact and effect for the City from the implementation of GASB Statement No. 49 was the recognition in the City's financial statements of an expense and liability of \$2.4 million on January 1, 2008. The nature and sources of the City's pollution remediation obligation are asbestos abatement, underground storage tanks, PBC pollution, and contaminated properties. The probability-weighted expected cash flow measurement technique is used in determining the amount of liability. This involves determining a range of probabilities or likelihoods that different probable outlays will be necessary and calculating a weighted average of these outlays. There is a potential for changes in the estimated pollution remediation obligation due to third-party contracts and City labor costs changes, amendments to regulatory requirements and rules, and previously unknown conditions. The estimated costs of \$563,000 to address PBC pollution could increase if the Environment Protection Agency (EPA) does not approve the City's proposed cleanup methods. The EPA could require the City to do additional testing and remediation, resulting in greater costs to the City. The City qualifies for the State of Wisconsin *Municipal Liability Exemption Program* for contaminated properties. As long as the City is protective of human health environment, clean up is not required. The City generally cleans up contaminated properties based on remediation grants awarded to the City. The City does not expect to receive any non-grant revenues from insurance or other parties to reduce the City's liability for pollution remediation.

CITY OF MILWAUKEE  
**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED DECEMBER 31, 2008

During 2008, the City spent \$621,000 in pollution remediation-related activities. At December 31, 2008, the City has an outstanding liability of \$2.5 million related to pollution remediation obligations.

The City is exposed to numerous environmental liabilities, the most significant of which relate to seven landfills. Two of the seven landfills have been closed. Of the remaining four landfills that are no longer accepting waste, the Wisconsin Department of Natural Resources has imposed closure requirements on the North College Avenue Site, which the City substantially closed during 2000. The Hartung landfill, which is used exclusively for clean fill, is expected to be closed within three years. The City has accrued \$980,000 in the government-wide financial statement, as part of general liability claims, for landfill closure related to the four sites. These amounts are based upon what it would cost to perform all closure activities in 2001. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

GASB Statement No. 18, *Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Cost's*, establishes requirements for disclosure of closure and postclosure requirements for all municipal solid waste landfills receiving solid waste after October 9, 1991. The City's landfills have not accepted waste of this type since 1976 and is therefore not required to accrue for closure and postclosure care in accordance with GASB Statement No. 18.

**Construction Commitments**

The governmental activities and the Water Works Fund (enterprise) have construction commitments of \$31,690,000 and \$8,056,000, respectively, for various capital improvement projects at December 31, 2008.

**Intergovernmental grants**

Intergovernmental awards received by the City are subject to audit and adjustment by the funding agency or their representatives. If grant revenues are received for expenditures, which are subsequently disallowed, the City may be required to repay the revenues to the funding agency. In the opinion of management, liabilities resulting from such disallowed expenditures, if any, will not be material to the accompanying financial statements at December 31, 2008.

**15. SUBSEQUENT EVENTS**

On February 4, 2009, the City issued \$93,180,000 of general obligation short-term promissory notes for the purpose of financing various public improvement projects of the City. The notes mature on February 15 of each year beginning 2010 until 2019. Interest is payable on February 15 and August 15 commencing February 15, 2010.

On February 4, 2009, the City issued \$17,450,000 of general obligation corporate purpose bonds for the purpose of financing various public improvement projects of the City. These bonds mature on February 15 of each year beginning 2020 until 2024. Interest is payable on February 15 and August 15 commencing February 15, 2020.

On March 17, 2009, the City issued \$116,000,000 of general obligation cash flow promissory notes financing the City's operating budget until the receipt of State shared revenues. These notes mature on December 17, 2009 with interest.

**REQUIRED  
SUPPLEMENTARY  
INFORMATION**

CITY OF MILWAUKEE  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**  
 FOR THE YEAR ENDED DECEMBER 31, 2008  
 (Thousands of Dollars)

Exhibit E-1

	<b>Budgeted Amounts</b>		<b>Actual - Amounts Budgetary Basis</b>	<b>Variance Positive (Negative)</b>
	<b>Original Budget</b>	<b>Final Budget</b>		
<b>Revenues:</b>				
Property taxes .....	\$ 149,263	\$ 149,263	\$ 141,573	\$ (7,690)
Other taxes .....	3,925	3,925	4,839	914
Licenses and permits .....	12,911	12,911	12,918	7
Intergovernmental .....	271,264	271,264	271,100	(164)
Charges for services .....	77,296	80,125	86,410	6,285
Fines and forfeits .....	5,502	5,502	5,277	(225)
Other .....	15,443	15,443	12,864	(2,579)
<b>Total Revenues .....</b>	<b><u>535,604</u></b>	<b><u>538,433</u></b>	<b><u>534,981</u></b>	<b><u>(3,452)</u></b>
<b>Expenditures:</b>				
<b>Current:</b>				
General government .....	218,167	201,798	199,004	2,794
Public safety .....	254,047	266,729	266,370	359
Public works .....	89,035	100,621	103,149	(2,528)
Health .....	10,514	10,279	10,118	161
Culture and recreation .....	17,081	17,127	16,782	345
Conservation and development .....	3,226	3,485	3,456	29
<b>Total Expenditures .....</b>	<b><u>592,070</u></b>	<b><u>600,039</u></b>	<b><u>598,879</u></b>	<b><u>1,160</u></b>
<b>Deficiency of Revenues over Expenditures .....</b>	<b><u>(56,466)</u></b>	<b><u>(61,606)</u></b>	<b><u>(63,898)</u></b>	<b><u>(2,292)</u></b>
<b>Other Financing Sources (Uses):</b>				
General obligation bonds and notes issued .....	-	4,246	94,246	90,000
Transfers in .....	27,186	33,375	42,787	9,412
Transfers out .....	-	(4)	(92,080)	(92,076)
Contributions received .....	27,450	27,450	21,532	(5,918)
Contributions used .....	(27,541)	(28,784)	(22,019)	6,765
Use of fund balance - reserved for tax stabilization ...	29,457	29,457	29,457	-
<b>Total Other Financing Sources and Uses .....</b>	<b><u>56,552</u></b>	<b><u>65,740</u></b>	<b><u>73,923</u></b>	<b><u>8,183</u></b>
<b>Net Change in Fund Balance .....</b>	<b>86</b>	<b>4,134</b>	<b>10,025</b>	<b>5,891</b>
<b>Fund Balance - Beginning (Excludes Reserved for Tax Stabilization) .....</b>	<b><u>61,396</u></b>	<b><u>61,396</u></b>	<b><u>61,396</u></b>	<b><u>-</u></b>
<b>Fund Balance - Ending .....</b>	<b><u>\$ 61,482</u></b>	<b><u>\$ 65,530</u></b>	<b><u>\$ 71,421</u></b>	<b><u>\$ 5,891</u></b>

**Explanation of Differences of Budget to GAAP:**

For budget purposes, the fund balance - reserved for tax stabilization is reflected as other financing sources whereas for accounting purposes, it is reflected as part of fund balance. The difference between the fund balance on a GAAP basis compared with budget basis is \$29.457 million at January 1, 2008.

Contributions received and used for budget purposes are reported as other financing sources, but for GAAP are considered to be revenues and expenditures.

See accompanying independent auditors' report.

CITY OF MILWAUKEE  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF FUNDING PROGRESS**  
 FOR THE YEAR ENDED DECEMBER 31, 2008  
*(Thousands of Dollars)*

Exhibit E-2

**Retiree Health and Life Insurance**

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Liability (AAL) - Projected Unit Credit	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
7/1/2007	-	\$ 806,300,000	\$ 806,300,000	0.0%	\$ 412,731,863	195.4%
7/1/2008	-	880,700,000	880,700,000	0.0%	425,360,370	207.0%

*See accompanying independent auditors' report.*

CITY OF MILWAUKEE  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
 FOR THE YEAR ENDED DECEMBER 31, 2008

**Budgets and Budgetary Accounting**

City departments are required to submit their annual budget requests for the ensuing year to the Mayor by the second Tuesday in May. The Department of Administration, Division of Budget and Management Analysis, acting as staff for the Mayor, reviews the request in detail with the departments during June and July. After all of the requests have been reviewed, the Mayor submits his proposed Executive Budget to the Common Council. The City Charter requires that this be done on or before September 28. The Common Council must complete its review and adopt the budget on or before November 14. Once adopted, Common Council approval is required to amend the total appropriations by a department, the legal level of control for each budget. During the year, various amendments were made to the budget including carryovers of appropriations and encumbrances, and internal transfers.

Annual budgets are legally adopted by the Common Council for some but not all governmental funds. Annual budgets are not adopted for Special Revenue Fund - Delinquent Tax, Debt Service Fund - Public Debt Amortization and Capital Projects Funds. The Debt Service Fund - General Obligation Debt uses a non-appropriated budget. Budgets for Capital Projects Funds are prepared for the project life, rather than for the standard current fiscal year. Therefore, project appropriations for these budgets lapse at the conclusion of the project. All other appropriations lapse at the end of the current fiscal year. Governmental funds for which annual budgets have been adopted are included in the accompanying Required Supplementary Information Budgetary Comparison Schedule and in the Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual.

**Schedule of Funding Progress – Actuarial Methods and Assumptions**

Valuation date	July 1, 2008
Actuarial cost method	Projected unit credit
Amortization method	Level-dollar
Amortization period	30 years (open)
Actuarial assumptions:	
Investment rate of return	4.5%
Projected salary increases	3.5%
Health care inflation rate	10% initial
	4.5% ultimate

**REMAINDER OF FINANCIAL SECTION**  
Combined and Individual Fund Statements and Schedules  
Miscellaneous Financial Data

**STATISTICAL SECTION**

Pages 99-155 Omitted

*This Page Has Been Intentionally Left Blank*



**APPENDIX B**

**Draft Form of Legal Opinion**

*This Page Has Been Intentionally Left Blank*

June 15, 2010

The City Comptroller and the Commissioners  
of the Public Debt of the City of Milwaukee,  
Wisconsin

We have examined a record of proceedings relating to the issuance of \$\_\_\_\_\_,000 aggregate principal amount of Taxable General Obligation Corporate Purpose Bonds, Series 2010 M6 (Qualified School Construction Bonds – Direct Payment) (the “Bonds”) of the City of Milwaukee (the “City”), a municipal corporation of the State of Wisconsin. The Bonds are authorized and issued pursuant to the provisions of Chapter 65 and Chapter 67 of the Wisconsin Statutes and the City Charter and by virtue of a resolutions passed by the Common Council of the City on October 13, 2009, March 2, 2010 and May 4, 2010.

The Bonds constitute an issue of “corporate purpose bonds” under Section 67.05 of the Wisconsin Statutes, and are issuable in fully registered form in the denominations of \$5,000 or any integral multiple thereof. The Bonds are dated June 15, 2010, mature on February 15, 2027 and bear interest from their date at the rate of \_\_\_\_\_ percentum (\_\_\_\_\_% ) per annum payable on August 15, 2010 and semi-annually thereafter on each February 15 and August 15.

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

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

Interest on the Bonds is not exempt from federal income taxation and is not exempt from Wisconsin income taxes.

In our opinion, the Bonds are valid and legally binding general obligations of the City, and the City has power and is obligated to levy ad valorem taxes upon all the taxable property within the City for the payment of the Bonds and the interest thereon, without limitation as to rate or amount. The enforceability of rights or remedies with respect to the Bonds, however, may be limited by bankruptcy, insolvency or other laws affecting creditors’ rights and remedies heretofore or hereafter enacted.

Respectfully submitted,

LG/be

*This Page Has Been Intentionally Left Blank*

**APPENDIX C**

**Form of Continuing Disclosure Certificate**

*This Page Has Been Intentionally Left Blank*

## MASTER CONTINUING DISCLOSURE CERTIFICATE

This Master Continuing Disclosure Certificate (the "Certificate") dated as of March 1, 2004 is executed and delivered in connection with the issuance, from time to time, of municipal securities of the City of Milwaukee, Wisconsin (the "City") and pursuant to resolution 031384 duly adopted by the Common Council of the City on February 10, 2004 (the "Resolution"). Capitalized terms used in this Certificate shall have the respective meanings specified above or in Article I hereof. Pursuant to the Resolution, the City agrees as follows:

### ARTICLE I - Definitions

Section 1.1. Definitions. The following capitalized terms used in this Certificate shall have the following respective meanings:

(1) "Annual Financial Information" means, collectively, (i) the financial information and operating data as described in an Addendum Describing Annual Report (Exhibit B); and (ii) information regarding amendments to this Certificate required pursuant to Sections 4.2(c) and (d) of this Certificate.

The descriptions contained in clause (i) above of financial information and operating data constituting Annual Financial Information are of general categories of financial information and operating data. Where such descriptions include information that no longer can be generated because the operations to which it related have been materially changed or discontinued, a new Addendum Describing Annual Report shall be executed describing the information to be provided.

(2) "Audited Financial Statements" means the annual financial statements, if any, of the City, audited by such auditor as shall then be required or permitted by State law or the Resolution. Audited Financial Statements shall be prepared in accordance with GAAP for governmental units as prescribed by GASB; provided, however, that the City may from time to time, if required by federal or State legal requirements, modify the basis upon which its financial statements are prepared. Notice of any such modification, other than modifications prescribed by GASB, shall be provided to each NRMSIR and the SID, and shall include a reference to the specific federal or State law or regulation describing such accounting basis.

(3) "Counsel" means a nationally recognized bond counsel or counsel expert in federal securities laws, acceptable to the City.

(4) "GAAP" means generally accepted accounting principles for governmental units as prescribed by GASB.

(5) "GASB" means the Governmental Accounting Standards Board.

(6) "Material Event" means any of the following events with respect to the Offered Obligations, whether relating to the City or otherwise, if material:

- (i) principal and interest payment delinquencies;
- (ii) non-payment related defaults;
- (iii) unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) substitution of credit or liquidity providers, or their failure to perform;
- (vi) adverse tax opinions or events affecting the tax-exempt status of the Offered Obligations;
- (vii) modifications to rights of Security Holders;
- (viii) bond calls;
- (ix) defeasances;
- (x) release, substitution, or sale of property securing repayment of the Offered Obligations; and
- (xi) rating changes.

(7) "Material Event Notice" means notice of a Material Event.

(8) "MSRB" means the Municipal Securities Rulemaking Board established pursuant to the provisions of Section 15B(b)(1) of the Securities Exchange Act of 1934.

(9) "NRMSIR" means, at any time, a then existing nationally recognized municipal securities information repository, as recognized from time to time by the SEC for the purposes referred to in the Rule. The NRMSIRs and filing information relating to such NRMSIR's are set forth in the Addendum Describing NRMSIRs (Exhibit A) as may be revised from time to time.

(10) "Offered Obligations" means an issue of municipal securities of the City in connection with which the City has executed and delivered a Supplemental Certificate (Exhibit C).

(11) "Official Statement" means the "final official statement" as defined in paragraph (f)(3) of the Rule.

(12) "Rule" means Rule 15c2-12 promulgated by the SEC under the Securities Exchange Act of 1934 (17 CFR Part 240, §240.15c2-12), as in effect on the date of this Certificate, including any amendments and official interpretations thereof issued either before or after the effective date of this Certificate which are applicable to this Certificate.

- (13) "SEC" means the United States Securities and Exchange Commission.
- (14) "Security Holders" means the holders from time to time of Offered Obligations.
- (15) "SID" means, at any time, a then-existing state information depository, if any, as operated or designated as such by or on behalf of the State for the purposes referred to in the Rule. As of the date of this Certificate, there is no SID.
- (16) "State" means the State of Wisconsin.
- (17) "Unaudited Financial Statements" means the same as Audited Financial Statements, except the same shall not have been unaudited.
- (18) "Underwriters" means the underwriter(s) purchasing an issue of Offered Obligations.

#### ARTICLE II - The Undertaking

Section 2.1. Purpose. This Certificate shall apply to Offered Obligations, and shall constitute a written undertaking for the benefit of the Security Holders, and is being executed and delivered solely to assist the Underwriters in complying with subsection (b)(5) of the Rule.

Section 2.2. Annual Financial Information. (a) The City shall provide Annual Financial Information for the City with respect to each fiscal year of the City, by no later than nine months after the end of the respective fiscal year, to each NRMSIR and the SID.

(b) The City shall provide, in a timely manner, notice of any failure of the City to provide the Annual Financial Information by the date specified in subsection (a) above to (i) either the MSRB or each NRMSIR, and (ii) the SID.

Section 2.3. Audited Financial Statements. If not provided as part of Annual Financial Information by the dates required by Section 2.2(a) hereof, the City shall provide Audited Financial Statements, when and if available, to each NRMSIR and the SID.

Section 2.4. Notices of Material Events. (a) If a Material Event occurs, the City shall provide, in a timely manner, a Material Event Notice to (i) either the MSRB or each NRMSIR and (ii) the SID.

(b) Upon any legal defeasance of an Offered Obligation, the City shall provide notice of such defeasance to (i) each NRMSIR or the MSRB and (ii) the SID, which notice shall state whether the Offered Obligations to be defeased have been defeased to maturity or to redemption and the timing of such maturity or redemption.

Section 2.5. Additional Disclosure Obligations. The City acknowledges and understands that other state and federal laws, including but not limited to the Securities Act of 1933 and SEC Rule 10b-5 promulgated under the Securities Exchange Act of 1934, may apply to the City, and that under some circumstances compliance with this Certificate, without additional disclosures or other action, may not fully discharge all duties and obligations of the City under such laws.

Section 2.6. Additional Information. Nothing in this Certificate shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Certificate or any other means of communication, or including any other information in any Annual Financial Information or Material Event Notice, in addition to that which is required by this Certificate. If the City chooses to include any information in any Annual Financial Information or Material Event Notice in addition to that which is specifically required by this Certificate, the City shall have no obligation under this Certificate to update such information or include it in any future Annual Financial Information or Material Event Notice.

Section 2.7. No Previous Non-Compliance. The City represents that since July 3, 1995, it has not failed to comply in any material respect with any previous undertaking in a written contract or agreement specified in paragraph (b)(5)(i) of the Rule.

#### ARTICLE III - Operating Rules

Section 3.1. Reference to Other Documents. It shall be sufficient for purposes of Section 2.2 hereof if the City provides Annual Financial Information by specific reference to documents (i) either (1) provided to each NRMSIR existing at the time of such reference and the SID, or (2) filed with the SEC, or (ii) if such a document is an Official Statement, available from the MSRB.

Section 3.2. Submission of Information. Annual Financial Information may be provided in one document or multiple documents, and at one time or in part from time to time.

Section 3.3. Material Event Notices. Each Material Event Notice shall be so captioned and shall prominently state the title, date and CUSIP numbers of the Offered Obligations.

Section 3.4. Transmission of Information and Notices. Unless otherwise required by law and, in the City's sole determination, subject to technical and economic feasibility, the City shall employ such methods of information and notice transmission as shall be requested or recommended by the herein-designated recipients of the City's information and notices.

#### ARTICLE IV - Termination, Amendment and Enforcement

Section 4.1. Termination. (a) The City's obligations under this Certificate with respect to an Offered Obligation shall terminate upon legal defeasance, prior redemption or payment in full of the Offered Obligation.



(b) This Certificate or any provision hereof, shall be null and void in the event that the City (1) delivers to the City an opinion of Counsel, addressed to the City, to the effect that those portions of the Rule which require the provisions of this Certificate or any of such provisions, do not or no longer apply to the Offered Obligations, whether because such portions of the Rule are invalid, have been repealed, or otherwise, as shall be specified in such opinion, and (2) delivers copies of such opinion to each NRMSIR and the SID.

Section 4.2. Amendment. (a) This Certificate may be amended, by written certificate of the Comptroller, without the consent of the Security Holders if all of the following conditions are satisfied: (1) such amendment is made in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, a change in law (including rules or regulations) or in interpretations thereof, or a change in the identity, nature or status of the City or the type of business conducted thereby; (2) this Certificate as so amended would have complied with the requirements of the Rule as of the date of this Certificate, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; (3) the City shall have received an opinion of Counsel addressed to the City, to the same effect as set forth in clause (2) above and further to the effect that the amendment does not materially impair the interests of the Security Holders; and (4) the City delivers copies of such opinion and amendment to each NRMSIR and the SID.

(b) In addition to subsection (a) above, this Certificate may be amended and any provision of this Certificate may be waived, without the consent of the Security Holders, if all of the following conditions are satisfied: (1) an amendment to the Rule is adopted, or a new or modified official interpretation of the Rule is issued, after the effective date hereof which is applicable to this Certificate; (2) the City shall have received an opinion of Counsel to the effect that performance by the City under this Certificate as so amended or giving effect to such waiver, as the case may be, will not result in a violation of the Rule; and (3) the City shall have delivered copies of such opinion and amendment to each NRMSIR and the SID.

(c) To the extent any amendment to this Certificate results in a change in the types of financial information or operating data provided pursuant to this Certificate, the first Annual Financial Information provided thereafter shall include a narrative explanation of the reasons for the amendment and the impact of the change.

(d) If an amendment is made to the accounting principles to be followed in preparing financial statements, other than changes prescribed by GASB, the Annual Financial Information for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. Such comparison shall include a qualitative and, to the extent reasonably feasible, quantitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information. Notice of any such amendment shall be provided by the City to (i) either the MSRB or each NRMSIR, and (ii) the SID.

Section 4.3. Benefit; Third-Party Beneficiaries; Enforcement. (a) The provisions of this Certificate shall constitute a contract with and inure solely to the benefit of the Security Holders. Beneficial owners of Offered Obligations shall be third-party beneficiaries of this Certificate.

(b) Except as provided in this subparagraph (b), the provisions of this Certificate shall create no rights in any person or entity. The obligations of the City to comply with the provisions of this Certificate shall be enforceable by the Security Holders, including beneficial owners of Offered Obligations. The Security Holders' rights to enforce the provisions of this Certificate shall be limited solely to a right, by action in mandamus or for specific performance, to compel performance of the City's obligations under this Certificate and the Resolution. In consideration of the third-party beneficiary status of beneficial owners of Offered Obligations pursuant to subsection (a) of this Section, beneficial owners shall be deemed to be Security Holders for purposes of this subsection (b).

(c) Any failure by the City to perform in accordance with this Certificate shall not constitute a default under the Resolution and any rights and remedies provided by the Resolution upon the occurrence of a default shall not apply to any such failure.

(d) This Certificate shall be construed and interpreted in accordance with the laws of the State, and any suits and actions arising out of this Certificate shall be instituted in a court of competent jurisdiction in the State; provided, however, that to the extent this Certificate addresses matters of federal securities laws, including the Rule, this Certificate shall be construed in accordance with such federal securities laws and official interpretations thereof.

IN WITNESS WHEREOF, I have hereunto executed this Certificate this 1st day of March, 2004.

CITY OF MILWAUKEE, WISCONSIN

By: \_\_\_\_\_  
Comptroller

**ADDENDUM DESCRIBING NRMSIRs**

This Addendum Describing NRMSIRs (the "Addendum") is delivered by the City of Milwaukee, Wisconsin (the "Issuer") pursuant to the Master Continuing Disclosure Certificate, executed and delivered by the Issuer and dated March 1, 2004. This Addendum describes the filing information relating to the Nationally Recognized Municipal Securities Information Repositories approved by the Securities and Exchange Commission.

**Repositories and Contact Information**

In December, 2008, the Securities and Exchange Commission modified Exchange Act Rule 15c2-12 to require that Continuing Disclosure filings made after June 30, 2009 shall be made to the Electronic Municipal Market Access ("EMMA"). Pursuant to that modification, continuing disclosure filings will be provided to the Municipal Securities Rulemaking Board for disclosure on the EMMA system, in an electronic format prescribed by the MSRB.

IN WITNESS WHEREOF, I have hereunto executed this Addendum this 1<sup>st</sup> day of July, 2009.

CITY OF MILWAUKEE, WISCONSIN

By: \_\_\_\_\_  
Comptroller

**ADDENDUM DESCRIBING ANNUAL REPORT  
FOR GENERAL OBLIGATION DEBT OF THE ISSUER**

This Addendum Describing Annual Report for General Obligation Debt (the "Addendum") is delivered by the City of Milwaukee, Wisconsin (the "Issuer") pursuant to the Master Continuing Disclosure Certificate (the "Certificate"), executed and delivered by the Issuer and dated March 1, 2004. This Addendum describes the content of Annual Financial Information prepared with respect to general obligation debt of the Issuer. Capitalized terms that are not defined in this Addendum have the meanings set forth in the Certificate.

Content of Annual Financial Information for Issuer:

Audited Financial Statements, if available, or Unaudited Financial Statements of the Issuer.

In addition to the financial statements, unaudited operating data concerning the following matters shall be presented: (i) revenues received by the Issuer, (ii) expenditures made by the Issuer, (iii) budgets, (iv) selected financial data concerning the General Fund, (v) information concerning interfund borrowings, (vi) pertinent information on significant pending litigation, (vii) balances, debt limit, and trends of outstanding Issuer obligations, and (viii) statistical information on the economic condition of the City of Milwaukee.

IN WITNESS WHEREOF, I have hereunto executed this Addendum this 1<sup>st</sup> day of March, 2004.

CITY OF MILWAUKEE, WISCONSIN

By: \_\_\_\_\_  
Comptroller

**SUPPLEMENTAL CERTIFICATE**

This Supplemental Certificate is executed and delivered by the City of Milwaukee, Wisconsin (the "Issuer") to supplement the Master Continuing Disclosure Certificate (the "Certificate"), executed and delivered by the Issuer and dated March 1, 2004. Pursuant to the provisions of the Certificate, the Issuer hereby determines that the Certificate and the Addendum Describing Annual Report, as described below, shall apply to the following issue of obligations:

Name of Obligations:

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

Addendum Describing Annual Report:

ADDENDUM DESCRIBING ANNUAL REPORT  
FOR GENERAL OBLIGATION DEBT OF THE ISSUER

Date of Issue:

June 15, 2010

IN WITNESS WHEREOF, I have caused this Supplemental Certificate to be executed this 15<sup>th</sup> day of June, 2010.

CITY OF MILWAUKEE, WISCONSIN

By: \_\_\_\_\_  
Comptroller

WMM:RSL

## **APPENDIX D**

### **Book-Entry-Only System**

*This Page Has Been Intentionally Left Blank*

## BOOK-ENTRY-ONLY SYSTEM

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

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

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

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

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

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

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

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

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

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

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

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

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

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

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

*The remainder of this page has been intentionally left blank.)*



**APPENDIX E**

**Table of Redemption Values**

*This Page Has Been Intentionally Left Blank*

TABLE OF REDEMPTION VALUES

Coupon Rate: \_\_\_%

Yield: \_\_\_%

<u>Date</u>	<u>&lt;Accreted&gt;&lt;Amortized&gt; Value per \$5,000 Bond</u>
6/15/10	
8/15/10	
2/15/11	
8/15/11	
2/15/12	
8/15/12	
2/15/13	
8/15/13	
2/15/14	
8/15/14	
2/15/15	
8/15/15	
2/15/16	
8/15/16	
2/15/17	
8/15/17	
2/15/18	
8/15/18	
2/15/19	
8/15/19	
2/15/20	
8/15/20	
2/15/21	
8/15/21	
2/15/22	
8/15/22	
2/15/23	
8/15/23	
2/15/24	
8/15/24	
2/15/25	
8/15/25	
2/15/26	
8/15/26	
2/15/27	5,000.00

*This Page Has Been Intentionally Left Blank*

**APPENDIX F**

**Official Notice of Sale and Bid Form**

*This Page Has Been Intentionally Left Blank*

**OFFICIAL NOTICE OF SALE AND  
OFFICIAL BID FORM**

**FOR**

**\$38,000,000\***

**CITY OF MILWAUKEE, WISCONSIN  
TAXABLE GENERAL OBLIGATION CORPORATE PURPOSE BONDS  
SERIES 2010 M6  
(QUALIFIED SCHOOL CONSTRUCTION BONDS-DIRECT PAYMENT)**

**Sale Data:**

**SALE DATE AND TIME:**

Wednesday, May 26, 2010  
11:00 A.M. Central Time

**PLACE OF ACCEPTANCE FOR SEALED BIDS:**

City of Milwaukee  
Office of the City Comptroller  
City Hall, Room 404  
200 E. Wells St.  
Milwaukee, Wisconsin 53202

Bids will also be accepted electronically  
via PARITY

\* Subject to change in accordance to the provisions herein. See "Award".

## OFFICIAL NOTICE OF SALE

**\$38,000,000\***

### **CITY OF MILWAUKEE, WISCONSIN TAXABLE GENERAL OBLIGATION CORPORATE PURPOSE BONDS SERIES 2010 M6 (QUALIFIED SCHOOL CONSTRUCTION BONDS-DIRECT PAYMENT)**

NOTICE IS HEREBY GIVEN that the City of Milwaukee, Wisconsin (the "City"), will receive sealed bids and electronic bids until 11:00 A.M., Central Time, on Wednesday, the

**26<sup>th</sup> DAY OF MAY, 2010**

at the Office of the City Comptroller, in said City, for the purchase of Thirty Eight Million Dollars (\$38,000,000)\* Taxable General Obligation Corporate Purpose Bonds, Series 2010 M6 (Qualified School Construction Bonds-Direct Payment) (the "Bonds"). Sealed bids should be delivered to Room 404, 200 E. Wells St., Milwaukee, Wisconsin. Electronic bids may be submitted via PARITY through their competitive bidding application BidComp. Sealed bids will be opened, and electronic bids will be retrieved, and publicly announced in Room 405, 200 E. Wells St., Milwaukee, Wisconsin shortly after the deadline for the receipt of bids. In the event that PARITY is not accessible during the 30 minutes prior to when bids are due, the City reserves the right to extend the deadline for submitting bids. The official award will be considered at a meeting of the City's Public Debt Commission scheduled for 4:00 P.M. Central Time on May 26, 2010. *Information regarding the Bonds is furnished solely to provide limited summary information, and does not purport to be comprehensive. All such information is qualified in its entirety by reference to the more detailed descriptions appearing in the Official Statement, including Appendices.*

#### **Details of the Bonds**

The expected Date of Delivery is June 15, 2010 (the "Expected Date of Delivery"). The Bonds will be issued as "qualified school construction bonds" as defined in Section 54F of the Internal Revenue Code of 1986. The Bonds will be dated as of the Expected Date of Delivery, will bear interest payable commencing on August 15, 2010 and semiannually thereafter on February 15 and August 15, and will mature on February 15, 2027 (subject to adjustment for changes in the permitted maximum maturity as determined on the award date). Interest will be computed on the basis of a 360-day year of twelve 30-day months. The Bonds are not subject to optional or mandatory sinking fund redemption prior to maturity. The Bonds are subject to extraordinary mandatory and optional redemption in whole or in part from unexpended bond proceeds, change in law regarding Qualified School Construction Bond, or failure to receive the Direct Payment.

#### **Bid Parameters**

**All or None:** No bid for less than all of the Bonds will be considered.

**Coupon:** On the date of sale, shortly after 9:00 am Central Time, the City will announce the coupon rate for the Bonds. In order to comply with the Minimum Price or Maximum Reoffering Price parameters, there is limited ability for a bidder to specify a different coupon rate. See "Award".

**Minimum Price:** No bid of less than \$36,750,000 will be accepted. Since the City is announcing the coupon rate for the Bonds, a higher coupon may be bid in order to meet the minimum bid price (see "Award").

**Maximum Underwriter's Discount:** The maximum underwriter's discount is 1.50%. In the event that the reoffering price (as certified in the Issue Price Certificate) results in an underwriter's discount greater than 1.50%, then the purchase price will be increased so that the underwriter's discount is 1.50%.

\* Subject to change in accordance with the provisions herein, See "Maturity Date", "Award" and "Reoffering Price".



**Maximum Reoffering Price:** Under provisions of IRS Notice 2010-35, an obligation cannot be treated as a Qualified Tax Credit Bond if the obligation has a reoffering price that exceeds the par amount of the maturity by more than 0.25% multiplied by the number of complete years to the earlier of the maturity date or the first optional redemption date (16 years based upon a 2/15/2027 maturity). Accordingly, the City is establishing a Maximum Reoffering Price of 103.500. In the event maturity date is changed to earlier than 2025, the Maximum Reoffering Price will be as follows: 103.000% for 2024 and 2023, 102.500% for 2022 and 2021. Since the City is announcing the coupon rate for the Bonds, if the reoffering price will exceed the Maximum Reoffering Price, a lower coupon may be bid (see “Award”).

### **Good Faith Deposit**

The winning bidder must submit a Good Faith Deposit (“Deposit”) in the form of a certified check or a cashier’s check drawn on a state or national bank or trust company in the amount of \$350,000, payable to the City Treasurer of Milwaukee, Wisconsin, as a guarantee of good faith, to be forfeited to said City by the successful bidder as liquidated damages should such bidder fail to provide an Issue Price certificate and/or take up and pay for the Bonds when ready. The Deposit of the successful bidder will be retained by the City and deducted from the purchase price at closing.

The good faith checks of the unsuccessful bidders will be returned promptly upon the official determination of the bid(s) to be accepted. All bids shall remain firm until 9:00 P.M. Central Time, by which time the official award of the Bonds will be made or all bids rejected.

**Good Faith Deposit Submitted After Bids Are Due – Terms and Conditions:** Bidders may elect to provide a Deposit of 1.00% of the par amount bid after the time Bids are due, subject to the following conditions:

1. Submission of a bid without providing a Deposit prior to the time bids are due, in consideration for the City considering the bid, the bidder shall be deemed to have consented to these additional terms for Good Faith Deposit Submitted After Bids Are Due.
2. The winning bidder shall provide the City a Deposit by cashier’s check or a certified check drawn on a state or national bank or trust company (or wire transfer such amount as instructed by the City) payable to the City by 2:00 P.M., Central time (“Due Time”) on the date bids are open.
3. Failure to provide a Deposit by the Due Time will result in the winning bid being rejected, and the City will negotiate with the next highest bidder(s) for the completion of the transaction. The City, in its sole discretion, may, but it not obligated to, extend the Due Time.
4. The winning bidder agrees that, in addition to the general terms for the Good Faith Deposit, the Deposit amount represents liquidated damages for the City in the event that the winning bidder fails to provide the Deposit by the Due Time. The City shall be entitled to the liquidated damages even if the City rejects the winning bid due to failure to provide the Deposit by the Due Time, and regardless of whether the City is able to complete the transaction with another bidder. The winning bidder agrees to reimburse the City for costs to collect the liquidated damages, and to the jurisdiction of Wisconsin courts.

The City’s Wire Instructions below may **only** be used for Good Faith Deposits Submitted **After** Bids are Due.

Wells Fargo Bank, N.A.  
San Francisco, CA  
ABA: 121000248  
BNF: 2483754301  
Beneficiary Account Name: City of Milwaukee, Operating Account

### **Maturity Date**

By 10:00 am Eastern Time on each business day, the U.S. Department of Treasury publishes the limits on Qualified Tax Credit Bonds regarding Rate and Maturity. Those limits are in effect for any bonds awarded on that day (the Bonds will be awarded on the day of sale). The Maturity can change daily, but it has been the historical practice to change maturity on the first business day of each month. The maximum maturity for May, 2010 is currently 17 years, which allows for a February 15, 2027 maturity date of the Bonds. In the event that Maturity is not 17 years on the Day of Sale, the maturity date for the Bonds will be adjusted accordingly, but in no event will it be later than February 15, 2030.

## Award

**Coupon Rate:** Shortly after 9:00 am Central Time on the day of sale, the City will announce the coupon rate for the Bonds (the “Designated Coupon”). The information will be posted on PARITY, and is available by calling the City at (414) 286-2319. Interested bidders can also send an e-mail before the day of sale to: tmorris@rwbaird.com to request an e-mail notification of the Designated Coupon Rate, Maximum Allowable Tax Credit Rate, and Maturity Date (if there is a change).

If the bid price is below \$37,000,000, the bidder may specify a coupon higher than the Designated Coupon rate. Note: There is a minimum bid price of \$36,750,000. See “Bid Parameters – Minimum Price”

If the reoffering price is above \$39,140,000 (or such lower amount as the City may designate if there is a change in the maturity date and the Maximum Reoffering Price is reduced below 103.500), then the bidder may specify a coupon lower than the Designated Coupon rate. Note: There is a Maximum Reoffering Price. See “Bid Parameters – Maximum Reoffering Price”.

**Basis of Award:** In the event that all qualified bids are submitted with a coupon equal to the Designated Coupon rate, the Bonds will be awarded to the qualified bidder offering the highest price to the City. In the event of a tie, the bid with the lowest underwriter’s discount shall win, and if there is still a tie, then by lot.

In the event that there is a qualified bid that has a coupon not equal to the Designated Coupon rate, the City intends to award the bonds based upon the bid that offers the lowest cost to the City after taking into account the reimbursement of some or all of the interest on the Bonds. The City will calculate an adjusted true interest cost (ATIC), which is the TIC of the Debt Service on the Bonds after taking into account the reimbursement (direct payment). The Bonds will be awarded to the qualified bidder with the lowest ATIC. In the event of a tie, the winning bid will be determined in the following order: i) bid with the lowest coupon; next ii) bid with the lowest underwriter’s discount; and if there is still a tie, iii) by lot. The City’s computation of ATIC of each bid will be controlling. ATIC will be calculated by the City as follows:

The TIC of a bond where the price is equal to the bid price, and the coupon is equal to:

- 1) Coupon as bid;
- 2) Less the lower of:
  - a) Coupon as bid; or
  - b) Maximum Allowable Tax Credit Rate.

True Interest Cost can be estimated as follows: the present value rate necessary to discount, to the Purchase Price (hereinafter defined), the future debt service payments from the payment dates to the Expected Date of Delivery, calculated on the basis of a 360-day year of twelve 30-day months, and with semi-annual compounding. The “Purchase Price” is principal, plus premium (less discount), plus accrued interest (if any) to the Expected Date of Delivery.

The Maximum Allowable Tax Credit Rate is available after 9:00 a.m. central time on the day of sale in the “Rate” column on the following web page:

<https://www.treasurydirect.gov/GA-SL/SLGS/selectQTCDDate.htm>

**Right to Reject:** The City reserves the right to reject any or all bids or to waive any irregularity in any bid. In the event that all bids are rejected, the City reserves the right to negotiate the sale with one or more of the bidders.

**Par Amount Adjustment:** The City reserves the right to decrease the par amount of bonds awarded so that the total bonds awarded results in a purchase price (adjusted bid price) of \$36,750,000. For instance, if the winning bid price is \$38,000,000, the par amount of bonds awarded could be decreased to \$36,750,000.

## Submission of Bids

Sealed proposals for the purchase of said Bonds must be made using the Official Bid Form. Bids may be submitted in person, or if submitted electronically via the PARITY. For bidders submitting their electronic bid via PARITY, please refer to your agreement with PARITY regarding any requirements for participation. If more than one bid, either through the same method or through more than one method, shall be submitted by the same bidder for the Bonds, each such bid shall be considered a separate proposal for purchase of the Bonds.

**By submitting an electronic bid, a Bidder agrees:**

1. The City may regard the electronic transmission of the bid via the electronic service (including information about the purchase price for the Issue and interest rate or rates to be borne by the Issue and any other information included in such transmission) as though the same information were submitted on the Bid Form and executed on behalf of the Bidder by a duly authorized signatory. If the bid is accepted by the City, the terms of the Bid Form, this Notice of Sale, and the information transmitted through the electronic service shall form a contract, and the Bidder shall be bound by the terms of such contract.
2. To comply with the rules of the electronic bidding service. In the event of any conflict between such rules (regardless of what the rules are called or how they are established) and the terms set forth in the Bid Form and this Notice of Sale, the terms set forth in the Bid Form and this Notice of Sale shall control.
3. That the Bidder is solely responsible for making necessary arrangements to access electronic bidding services. The City shall not have any duty or obligation to provide or assume such access. None of the electronic bidding services are an agent of the City. The City shall have no liability whatsoever based on the Bidders use of the electronic service including, but not limited to, any failure by the electronic service to correctly or timely transmit information provided by the Bidder.
4. The City is not responsible for failure of the electronic system to transmit the bid in time, nor of the City's system to receive the bid in time.

An electronic bid shall be deemed an irrevocable offer to purchase the Bonds on the terms provided in the Official Notice of Sale, and shall be binding upon the bidder as if made by a signed, sealed bid delivered to the City. The City shall not be responsible for any malfunction or mistake made by, or as a result of the use of the facilities of an electronic method, the use of such facility being the sole risk of the prospective bidder.

For purposes of both the sealed bid process and the electronic bid process, the time as maintained by the City shall constitute the official time. All bids shall be deemed to incorporate the provisions of this Official Notice of Sale and the Official Bid Form.

For further information about PARITY, potential bidders may contact PARITY at (212) 404-8102. The fee for use of PARITY may be obtained from PARITY, and such fee shall be the responsibility of the bidder.

**Payment and Delivery of the Bonds**

Payment for the Bonds shall be made in Federal Reserve Funds or other available funds immediately subject to use by the City. The Bonds will be delivered on or about June 15, 2010, or as soon thereafter as the Bonds may be ready for delivery, at the expense of the City, through the facilities of The Depository Trust Company, New York, New York.

The Bonds, when issued, will be registered only in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository of the Bonds. A certificate for each interest rate will be issued to DTC and immobilized in its custody. Individual purchases will be made in book-entry-only form pursuant to the rules and procedures established between DTC and its participants, in the principal amount of \$5,000 and integral multiples thereof. Individual purchasers will not receive certificates evidencing their ownership of the Bonds purchased. The successful bidder shall be required to deposit the Bonds with DTC as a condition to delivery of the Bonds. The City will make payment of the principal and interest on the Bonds to DTC or its nominee as registered owner of the Bonds. Transfer of said payments to participants of DTC will be the responsibility of DTC; transfer of said payments to beneficial owners by DTC participants will be the responsibility of such participants and other nominees of beneficial owners all as required by rules and procedures of DTC and the participants. No assurance can be given by the City that DTC, its participants and other nominees of beneficial owners will make prompt transfer of said payments. The City assumes no liability for failures of DTC, its participants or other nominees to promptly transfer said payments to beneficial owners of the Bonds. Notices, if any, given by the City to DTC are redistributed in the same manner as are payments. The City assumes no liability for the failure of DTC, its participants or other nominees to promptly transfer said notices to the beneficial owners of the Bonds. The City is not responsible for supervising the activities or reviewing the records of DTC, its participants or other persons acting through such participants. In the event that the securities depository relationship with DTC for the Bonds is terminated and the City does not appoint a successor depository, the City will prepare, authenticate and deliver, at its expense, Bonds in fully registered certificated Bonds in the denomination of \$5,000 or any integral

multiple thereof in the aggregate principal amount of Bonds of the same interest rate then outstanding as directed by the registered owners of the Bonds.

### **Issue Price Certificate**

In order for the City to comply with certain conditions of the Internal Revenue Code, the successful bidder will be required to complete, execute, and deliver to the City a certification regarding "Issue Price". Each bidder, by submitting its bids, agrees to complete, execute and deliver such certificate if its bid is accepted by the City. It will be the responsibility of the successful bidder to institute such syndicate reporting requirements, to make such investigation, or otherwise to ascertain the facts necessary to enable it to make such certification with reasonable certainty. We anticipate the Issue Price Certificate to be similar to the following:

We hereby certify that as of \_\_\_\_\_, 20\_\_\_\_, the date on which the Bonds were sold by the Issuer (the "Sale Date"), all of the Bonds were offered and the first 10 percent or more of the Bonds were reasonably expected to be sold to the General Public for money in a bona fide public offering at the offering price of \$\_\_\_\_\_ (the "Issue Price"), which does not exceed the fair market value of the Bonds as of the Sale Date. On this basis, we have determined the Issue Price of the Bonds to be \$\_\_\_\_\_.

For purposes of this certificate, "General Public" does not include bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers.

It is understood by the undersigned that the certifications contained in this certificate will be relied upon by the Issuer and Bond Counsel in determining that the Bonds satisfy the requirements of Section 148 of the Internal Revenue Code of 1986 and IRS notice 2010-35.

### **Minority Participation**

The Commission has been disappointed with the degree of minority underwriter participation in the bidding for City Bonds and Bonds. The Commission, under its stated policy, strongly desires that a minimum of 5% of the Bonds are underwritten by firms which are certified by the State of Wisconsin as being minority-owned. The Commission urges prospective bidders to include minority-owned firms in their bidding group. The Commission further strongly desires certified minority-owned firms to submit bids directly and to assemble bidding groups for the submission of bids. Minority participation in bids is strongly encouraged by the Commission, but is not a requirement for submitting a bid.

### **Authorization, Security, and Conditions of Delivery**

The Bonds have been approved by a resolution adopted by the Common Council of the City. The Bonds will be direct general obligations of the City, payable from taxes levied on all taxable property within said City, subject to taxation by said City, without limitation as to rate or amount. The Bonds are being issued pursuant to the provisions of Section 67.05(5), Wisconsin Statutes, for the purpose of various school construction projects. As additional security for repayment of the Bonds, the City has pledged to make regular payments into a sinking fund to provide for the payment of the Bonds at maturity. The sinking fund deposits will begin no later than February 15, 2014.

The Bonds are being issued subject to the legal opinions of Katten Muchin Rosenman LLP, Chicago, Illinois and of Hurtado, S.C., Wauwatosa, Wisconsin, Bond Counsel, which opinion, together with the completed Bonds, will be furnished to the successful bidder at the expense of the City. The form of such opinion appears as Appendix B in the Official Statement.

The successful bidder will be furnished with the usual closing documents, including a certificate that no litigation is pending affecting the issuance of said Bonds. The Preliminary Official Statement is in a form which the City "deems final" as May 12, 2010 for purposes of SEC Rule 15c2-12(b)(1), but is subject to revision, amendment and completion in a Final Official Statement as defined in SEC Rule 15c2-12(e)(3). The successful bidder will also be furnished with up to one hundred copies of the Final Official Statement issued in conjunction with this offering within seven business days after the award of the Bonds in accordance with SEC Rule 15c2-12(b)(3). It is anticipated that CUSIP identification numbers will be included on the Bonds, but neither the failure to include such numbers on any Bonds nor any error with respect thereto shall constitute cause for failure or refusal by the purchaser thereof to accept delivery of and pay for the Bonds in accordance with terms of its proposal. No CUSIP identification number shall be deemed to be a part of any Bond or a part of the

contract evidenced thereby, and no liability shall hereafter attach to the City or any of its officers or agents because of or on account of such numbers.

In order to assist bidders in complying with the continuing disclosure requirements of SEC Rule 15c2-12 and as part of the City's contractual obligation arising from its acceptance of the successful bidder's proposal, at the time of the delivery of the Bonds the City will provide an executed copy of its Continuing Disclosure Certificate. Said Certificate will constitute a written agreement or contract of the City for the benefit of holders of and owners of beneficial interests in the Bonds, to provide in a timely manner and notice of certain events with respect to the Bonds. Notice of the occurrence of certain events with respect to the Bonds will be provided to the MSRB through the EMMA.

The City understands that, from time to time, it is advantageous to take bond insurance into account when submitting a bid. Bond insurance is at the sole discretion and risk of the bidder. The use of bond insurance will require insurance related certifications by the bidder in the Issue Price certificate. The City will assist in the reoffering of the Bonds with insurance by including bidder provided bond insurance information in the Final Official Statement. However, the City does not have the authority to enter into agreements with the bond insurer. **The successful bidder does not have the option to refuse delivery of the Bonds due to bond insurance related issues, including downgrade of the bond insurer prior to delivery.** Reprinting of the Final Official Statement due to bond insurance related issues that arise after the date of sale shall be at the sole expense of the bidder.

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

W. MARTIN MORICS  
City Comptroller and Secretary  
Public Debt Commission  
City Hall, Room 404  
200 E. Wells St.  
Milwaukee, WI 53202

By order of the Commissioners of the  
Public Debt of the City of Milwaukee

KENNETH C. KREI, Chairperson  
MARGARET J. HENNINGSEN, Member  
JENNIFER A. MISWALD, Member  
COMMISSIONERS OF THE PUBLIC DEBT

May 12, 2010



**RECEIPT**

Return of Good Faith Deposit is hereby acknowledged: \_\_\_\_\_

By: \_\_\_\_\_

In order to assist the Commission in minority underwriting participation, please list minority underwriting firms who have participated in your bidding group and their initial percentages:

\_\_\_\_\_  
\_\_\_\_\_

**Please attach a list of account members –**

If we receive the award of the Bonds, we agree to provide the Commissioners of the Public Debt with a list of all firms that are participating with us in the underwriting of the Bonds so awarded and the amount of each firm’s participation, specifying which are minority-owned and specifying the amount of the initial participation and the final participation of each firm. We further agree to supply to the City all necessary pricing information and any Participating Underwriter identification necessary to complete the Final Official Statement within 24 hours after the award of the Bonds. Immediately upon receiving the Final Official Statement from you, we agree to file it with the Electronic Municipal Market Access system of the Municipal Securities Rulemaking Board.

*This Page Has Been Intentionally Left Blank*





