

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

**PRELIMINARY OFFICIAL STATEMENT DATED \_\_\_\_\_, 2013**

**NEW ISSUE  
BOOK ENTRY ONLY**

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

*Interest on the Notes is includable in gross income for federal income tax purposes and is not exempt from Wisconsin income taxes.*



**\$62,300,000\***  
**CITY OF MILWAUKEE, WISCONSIN  
GENERAL OBLIGATION PROMISSORY NOTES,  
TAXABLE SERIES 2013 T6**

**Dated:** Expected Date of Delivery **Due:** As shown below

The General Obligation Promissory Notes, Taxable Series 2013 T6 (the "Notes") are issued in fully registered form in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York. Individual purchases will be made in the principal amounts of \$5,000 or any integral multiple thereof and will be in book-entry-only form. Purchasers will not receive certificates representing their beneficial ownership in the Notes. Interest shall be payable at maturity. The Notes are direct and general obligations of the City of Milwaukee, Wisconsin (the "City") payable from taxes levied on all taxable property in the City, subject to taxation by the City without limitation as to rate and amount. The Notes are not subject to redemption prior to maturity.

**MATURITY SCHEDULE**

<u>Maturity</u>	<u>Amount</u>	<u>Rate</u>	<u>Yield</u>	<u>CUSIP (1)</u>
February 1, 2018	\$62,300,000*			602366 ____

The Notes are issued for the purpose of allowing the City to annually advance its contribution to the Employees' Retirement System of the City.

The Notes will be dated July 18, 2013 (the "Dated Date"), will bear interest payable semi-annually on February 1 and August 1 of each year, commencing February 1, 2014.

The Notes have been offered for sale by competitive bid in accordance with the Official Notice of Sale dated July 9, 2013 and other conditions specified in the Official Notice of Sale. The Notes 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. It is expected that the Notes will be delivered through the facilities of the Depository Trust Company ("DTC"), New York, New York on or about July 18, 2013.

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

**For Further Information Contact:**

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

(1) 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 Notes. The City is not responsible for the selection or uses of such CUSIP number, and no representation is made as to their correctness on the Notes, or as indicated above. The CUSIP number is subject to change after the issuance of the Notes.

\*Preliminary, subject to change in accordance with the Notice of Sale

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

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## INTRODUCTION TO THE OFFICIAL STATEMENT

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

\$62,300,000\* General Obligation Promissory Notes, Taxable Series 2013 T6 (the “Notes”)

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

### Summary Statement

Issuer:	City of Milwaukee, Wisconsin
Issue:	\$62,300,000* General Obligation Promissory Notes, Taxable Series 2013 T6
Dated Date:	July 18, 2013.
Maturity:	February 1, 2018
Interest Rate:	_____ %
Interest Payment Date:	Interest on the Notes is payable each February 1 and August 1 commencing February 1, 2014. Interest is calculated on the basis of 30-day months and a 360-day year.
Denominations:	\$5,000 or integral multiples thereof.
Purpose:	The Notes are issued pursuant to Chapters 65 and 67 of the Wisconsin Statutes for the public purpose of allowing the City to annually advance its contribution to the Employees’ Retirement System of the City.
Security:	Principal of and interest on the Notes will be payable out of receipts from an irrevocable ad-valorem tax levied on all taxable property within the City.
Authority for Issuance:	The Common Council of the City has authorized the issuance and sale of the Notes in accordance with the provisions of Chapters 65 and 67 of the Wisconsin Statutes.
Form of Issuance:	The Notes will be issued in Book-Entry-Only form, fully registered in the name of Cede & Co., as nominee of The Depository Trust Company of New York, New York, which will act as security depository for the Notes. (See “ <b>BOOK-ENTRY-ONLY SYSTEM</b> ” herein).
Tax Status of Interest:	Interest on the Notes is includable in the gross income of the owners thereof for federal income tax purposes. Interest on the Notes is not exempt from Wisconsin income taxes. (See “ <b>TAX MATTERS</b> ” herein).
No Redemption Feature:	The Notes are <b>not</b> subject to redemption prior to maturity.

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\* Preliminary, subject to change.

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

Professionals: Bond Counsel: Katten Muchin Rosenman LLP  
Chicago, Illinois  
Hurtado, S.C.  
Wauwatosa, Wisconsin

Financial Advisor: Public Financial Management, Inc.  
Milwaukee, Wisconsin

Paying Agent: City of Milwaukee, Comptroller's Office  
Milwaukee, Wisconsin

Record Date: January 15 and July 15 (whether or not a business day).

Delivery: Delivery of the Notes will be on or about July 18, 2013 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 Notes will be set forth on the cover page of the Final Official Statement.

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

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

# THE NOTES

## Authority and Purpose

The Common Council of the City has authorized the issuance and sale of the Notes for the public purpose of financing the City's contribution to the Employees' Retirement System of the City, by the adoption of authorizing Resolutions on February 5, 2013 and May 21, 2013 in accordance with the provisions of Section 67.12(12) of the Wisconsin Statutes.

The City has identified volatility in employer pension contributions as a major concern for financial planning and budgeting. Over the last two years, the City has worked closely with the City's Employees' Retirement System (ERS), the ERS Plan actuary, and other stakeholders to develop a stable contribution policy (SCP). The City's Pension Task Force, which was convened in 2011, also devoted considerable attention to the issue of contribution volatility, and included a stable contribution approach as one of its recommendations.

The SCP, as determined by the actuary, eliminates volatile swings in the actuarially required contribution from year-to-year. The SCP is based upon a percentage of payroll, and will be reviewed and reset every five years. In addition, the new policy eliminates the "full funding limit." Going forward, the City and City agencies will contribute under the SCP regardless of whether the Plan is 100% funded on an actuarial basis.

For 2013, the SCP is approximately \$62,300,000. Prior to the SCP, the actuarially required contribution was paid in arrears, which included an annualized interest charge from the retirement system of 8.25%. Under the SCP, the City knows the required contribution earlier in the year, and can save a considerable portion of the interest charge by paying the SCP contribution on a current basis, rather than in arrears. Payments in the past were due by January 31st of the following year.

The Notes will allow the City to make the SCP contribution on a current basis, rather than in arrears. The 2013 SCP payment due by January 31, 2014 was made on June 6, 2013 using proceeds of Extendable Municipal Commercial Paper (EMCP). The Notes will refund the EMCP. In January, 2014, the 2014 SCP payment will be made. Future budgets for 2015 through 2017 will have similar amounts that will allow continued current SCP payments. The Notes will be paid from the amount normally budgeted for SCP payments to be made in 2018, at which time the program will be reviewed by the City and the ERS Plan actuary. If the program is not renewed, the 2018 SCP payment will be made in arrears in January, 2019.

## Security

The Note 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 Notes.

Under and by virtue of Sections 67.05(10) and 67.12(12)(ee), 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 Notes as it falls due, and also to pay and discharge the principal thereof at maturity. The City is, and shall be, without power to repeal such levy or obstruct the collection of such tax until all such payments have been made or provided for.

Under Section 67.035, Wisconsin Statutes, all taxes levied for paying principal and interest on valid notes or bonds are declared to be without limitation. Under Section 65.06(18), Wisconsin Statutes,

the omission from the budget of the payment of interest on or the principal of any bonded debt of the City when due shall not prevent the placing of the same on the tax roll for the levy and the collection of the tax and the payment of the money therefor.

### **Statutory Borrowing Limitation**

Wisconsin Statutes limit the amount of direct general obligation debt the City may issue. The Notes are within these limitations. (See “**DEBT STRUCTURE**” herein for further details).

### **Maturity and Interest Rates**

The Notes are to be dated July 18, 2013, and will bear interest from that date at the rate of \_\_\_\_\_ percent (\_\_\_\_\_%) per annum, and will mature on February 1, 2018. Interest on the Notes will be payable commencing February 1, 2014 and thereafter semiannually on February 1 and August 1 of each year and is calculated on the basis of 30-day months and a 360-day year.

### **Redemption Provisions**

The Notes are not subject to call and redemption prior to maturity.

## **INVESTMENT POLICIES**

The City may invest any of its funds not immediately needed in accordance with Section 66.0603 of the Wisconsin Statutes. The City, through Common Council Resolution 930358, adopted July 6, 1993, has instructed the City Treasurer to invest City funds, including Milwaukee Public Schools 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 returns, such options are utilized. As of December 31, 2012, the City had approximately 16.25% (\$105,122,549) of its and Milwaukee Public Schools 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. Given 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 595,425 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; the counties of Milwaukee, Ozaukee, Waukesha and Washington; and has a population of nearly 1.6 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 June, 2013**  
(initial year in office follows name)

Mayor	Tom Barrett	(2004)
City Attorney	Grant F. Langley	(1984)
City Comptroller	Martin Matson	(2012)
City Treasurer	Spencer Coggs	(2012)

## 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)	Jose G. Perez	(2012)
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 2016.

## Public Services and Facilities

The City, employing approximately 6,400 people on a full time basis plus others 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 the City pursuant to Section 229.42, Wisconsin Statutes, which oversees

construction and operation of the Delta Airline Center (originally, the Wisconsin Center Convention Center), the City's major convention complex. This complex also includes the US Cellular Arena and the Milwaukee Theater facilities, formerly known as "MECCA." The Delta Airline 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 Delta Airline 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 Theatre.

In addition to the facilities noted above, the City is home to a 17,000+ seat indoor sports and concert venue, the BMO Harris 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 is home to the Milwaukee Art Museum, as well as major symphony, ballet and opera companies, and other theatre and performing arts.

On the lakefront is the Milwaukee Art Museum, 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**

The City has approximately 6,400 full-time employees. 2,700 employees are part of three public safety unions that are not required to recertify. 700 employees are in nine non-public safety unions that have recertified. 3,000 employees are not represented.

The agreements covering nine recertified non-public safety unions had the following expiration dates: December 31, 2006, December 31, 2011, May 31, 2012, and July 31, 2012. The agreements with the non-public safety unions that did not recertify covered approximately 2,700 employees and expired on December 31, 2011. The agreements covering the three public safety unions expired on December 31, 2012. The City is in negotiations with public safety unions and recertified unions; however, it is not negotiating with non-certified unions.

Pursuant to 2011 Act 10, enacted by the State of Wisconsin non-public safety unions' right to collective bargaining is limited solely to employee wages. 2011 Act 10 does not affect the ability of public safety unions to collectively bargain on most issues.

On March 30, 2012, a Federal Court declared null and void a provision of 2011 Act 10 that requires non-public safety public employee unions to hold certification elections each year. On January 18, 2013, the ruling was overturned by the United States Court of Appeals, which upheld 2011 Act 10 in its entirety. The City is not a party to the litigation, but anticipates that there will be an appeal of the ruling.

In addition to the federal action, in September, 2012, a Dane County Circuit Court overturned certain provisions of 2011 Act 10 related to city, county and school employees, including its limitations on collective bargaining. That, and other cases, are pending in State court and are in various levels of appeals. None of the cases brought to date were in circuit courts having jurisdiction over the City. It is uncertain whether any circuit court ruling related to 2011 Act 10 is binding on local units of government

outside the jurisdictions in which those cases are located and as a result whether the overturned provisions of 2011 Act 10 are in effect for the City.

## GENERAL, DEMOGRAPHIC AND ECONOMIC INFORMATION

### General

Based on 2010 census results, the City’s population is 594,833. Population in the MSA is estimated at 1,619,429 and represents 28% of the population of the State of Wisconsin.

#### City of Milwaukee Selected Economic Data

Year	Population		Adjusted Gross Income Per Return
	Department of Administration	U.S. Census	
2012	595,425		Not Available
2011	595,525		\$34,100
2010	580,500	594,833	32,774
2009	584,000		32,500
2008	590,870		33,160
2007	590,190		33,240
2000	605,572	596,974	32,370

*Sources: U.S. Census and the Wisconsin Department of Administration, Demographic Service Center and the Wisconsin Department of Revenue, Division of Research and Analysis. The Division’s population estimates are used in the distribution of State Shared Revenues.*

## Leading Business and Industrial Firms Located Within Milwaukee County

The listing of large employers in the Milwaukee County area that 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	2012 Employment Estimates	Type of Business or Service
Aurora Health Care	31,000	Health Care
Milwaukee Public Schools	11,766	Education
U.S. Government (Includes Zablocki V.A. Medical Center)	10,500	Government
Froedert Memorial Lutheran Hospital and Community Health	8,900	Health care provider
Wheaton Franciscan Healthcare	8,699	Health care provider
Kohl's Corporation	8,400	Specialty department stores
Roundy's Supermarket	7,630	Retail grocer
Quad Graphics	6,900	Commercial printing
City of Milwaukee	6,400	Government
Medical College of Wisconsin	5,492	Medical school/academic/health care
GE Healthcare	5,000	Medical imaging, healthcare services
Northwestern Mutual	5,000	Insurance
ProHealth Care, Inc.	4,716	Health care provider
Milwaukee County	4,661	Government
Columbia-St. Mary's	4,429	Health care provider
Target Corporation	4,362	Discount department store chain
BMO Harris Bank	4,070 (1)	Holding company banking/finance and data services
WE Energies	4,005	Electric/natural gas utility
University of Wisconsin-Milwaukee	3,881	Education
Walgreens Co.	3,765	Retail drugstore chain
Children's Hospital of Wisconsin	3,726	Health care provider
Johnson Controls Inc.	3,632	Building and automotive
U.S. Bank	3,540	Finance, banking
Wells Fargo	3,500	Finance, banking
Goodwill Industries	3,215	Retail services

(1) Formerly M&I Marshall & Ilsley Bank, acquired by BMO Financial Group.

Source: *The 2013 Business Journal Book of Lists, Employer contacts March 2013, and the U.S. Bureau of Labor Statistics February 2013.*

## Building Permits

Another indicator of economic growth is the activity in the building industry. The following table indicates building permit activity during the period 2008 through December 2012.

### General Total

Year	Value	Permits Issued
2012	\$254,896,334	2,297
2011	269,386,167	2,340
2010	283,026,280	2,065
2009	290,326,431	1,723
2008	249,992,533	2,067

### Residential Building

Year	Single Family		Multi-Family		Total		Permits Issued
	Value	# Of Units	Value	# Of Units	Value	# Of Units	
2012	\$ 4,408,472	44	\$30,455,000	281	\$34,863,472	325	60
2011	17,892,282	139	42,327,598	364	60,219,880	503	222
2010	8,400,090	84	91,179,501	726	99,579,591	810	118
2009	7,269,207	59	37,354,152	409	44,623,359	468	72
2008	15,632,811	90	63,975,007	509	79,607,818	599	104

### Commercial Building

Year	Value	Permits Issued
2012	\$52,952,469	51
2011	58,518,315	47
2010	53,319,884	67
2009	127,122,466	37
2008	59,502,236	74

### Public Building

Year	Value	Permits Issued
2012	\$43,046,652	211
2011	49,456,901	256
2010	22,238,704	129
2009	10,808,648	107
2008	9,107,611	85

### Alterations and Additions

Year	Value	Permits Issued
2012	\$124,033,741	1,975
2011	101,191,071	1,815
2010	107,888,101	1,751
2009	107,771,958	1,506
2008	101,774,868	1,804

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.

## EMPLOYMENT AND INDUSTRY

During 2012, the City's unemployment rate averaged approximately 10.1%. Presented below are unemployment rates for the City, as compared to the State of Wisconsin and the United States for the period 2008 through December 2012.

<b>Annual Unemployment Rates</b> (Not Seasonally Adjusted)				
Year	City of Milwaukee	Milwaukee - Waukesha-West Allis Metropolitan Statistical Area	State of Wisconsin	United States
2012	10.1%	7.4%	6.9%	8.1%
2011	10.8	7.9	7.5	8.9
2010	11.9	8.9	8.5	9.6
2009	11.4	8.9	8.7	9.3
2008	6.7	4.9	4.8	5.8

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

<b>Recent Monthly Unemployment Rates</b> (Not Seasonally Adjusted)				
Month	City of Milwaukee	Milwaukee - Waukesha-West Allis Metropolitan Statistical Area	State of Wisconsin	United States
February, 2013	11.1% (1)	8.4%(1)	8.2% (1)	8.1%

(1) Preliminary.

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

The City's economic structure reveals a diversified economy with strong service and manufacturing sectors. In Milwaukee County, service sector (service, finance, insurance, real estate and retail trade) employs 80% of the workforce. Construction and Manufacturing firms employ 14% 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 2012 Estimated Equalized Valuations

US Bank Corp	\$240,036,585
Northwestern Mutual Life Ins.	155,165,291
Mandel Group	99,583,015
Metropolitan Associates	94,185,117
411 East Wisconsin LLC	93,720,408
Marcus Corp/Milw City Center/Pfister	87,806,236
100 E. Wisconsin – CW Wisconsin Ave. LLC	80,717,922
Towne Realty	80,206,430
Flanders Westborough	58,696,760
Riverbend Place	57,893,136

Source: City of Milwaukee, Assessor's Office December 2012.

## 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 Notes to be issued by the City)

2012 Equalized Value of Taxable Property in the City .....		\$26,421,932,000
<b>Legal Debt Limitation for City Borrowing</b>		
5% of Equalized Value .....		1,321,096,600
General Obligation Debt Outstanding subject to 5% Limit as of 07/01/13 .....	\$920,260,000	
Plus: 2013 T6 Notes .....	63,200,000*	
Less: Provision for current year maturities .....	(25,375,000)	
Net General Obligation Debt Outstanding subject to the 5% Limit as of 07/01/13 .....		\$957,185,000*
Total Debt Margin for City Borrowing (in Dollars) .....		\$363,911,600*
As a percentage .....		27.5%*
including Extendable Municipal Commercial Paper (1).....		24.7%*
including Extendable Municipal Commercial Paper, and excluding GO Cash Flow Notes (1) .....		32.2%*
<b>Legal Debt Limitation for School Purpose Borrowing</b>		
2% of Equalized Value .....		\$528,438,640
General Obligation Debt Outstanding subject to 2% Limit as of 07/01/13 .....	\$14,774,150	
Less: Provision for current year maturities .....	-	
Net General Obligation Debt Outstanding subject to the 2% Limit as of 07/01/13 .....		\$14,774,150
Total Debt Margin for School Purpose Borrowing (in Dollars) .....		\$513,664,490
(As a percentage).....		97.2%

(1) Excludes EMCP to be refunded by this Issue.

\* Preliminary, subject to change

### Debt Refunded

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

\$113,430,000 General Obligation Promissory Notes, Series 2012 N2 and \$8,455,000 General Obligation Corporate Purpose Bonds, Series 2012 B3, for the purpose of refunding portions of five general obligation issues, with a final escrow payment in 2015, with The Bank of New York Mellon Trust Company, N.A. as escrow agent.

None of the refunded debt is reflected in the “*Debt Margin*” presentation above.

**Analysis of General Obligation Debt  
Outstanding as of July 1, 2013**

Tax Increment Districts.....	\$185,313,310
Public Buildings.....	137,013,447
Schools (5% City Borrowing).....	87,506,976
Schools (2% School Purpose Borrowing).....	14,774,150
Streets.....	144,525,271
Finance Real & Personal Property Tax Receivables.....	58,033,000
Bridges.....	32,576,861
Sewers.....	31,324,875
Police.....	28,763,309
Blight Elimination/Urban Renewal.....	28,613,974
Water.....	17,442,304
Fire.....	16,100,050
Library.....	13,153,985
Parking.....	11,931,095
Playground/Recreational Facilities.....	7,242,367
Local Improvement Projects/Special Assessments.....	2,977,886
Harbor.....	2,900,004
Grant & Aid Improvements City Share.....	61,278
Economic Development.....	2,650
Industrial Land Bank.....	1,860
Resource Recovery.....	606
Milwaukee Exposition and Convention Center.....	512
Lakefront Development.....	230
Cash Flow Notes.....	100,000,000
	<hr/>
Total.....	\$920,260,000
	<hr/> <hr/>



## General Obligation Debt Service Requirements

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

	Total G.O. Debt Service as of 7/1/13 (1)		Series 2013 T6		Total Requirements After Issuance
	Principal (2)	Interest (3)	Principal (4)	Interest (5)	
2013	\$ 26,275,000	\$ 167,019,917			\$ 193,294,917
2014	114,710,000	186,908,080		\$1,936,492	303,554,572
2015	93,240,000	155,846,430		1,869,000	250,955,430
2016	98,175,000	148,160,397		1,869,000	248,204,397
2017	74,195,000	116,251,319		1,869,000	192,315,319
2018	66,940,000	102,466,175	\$62,300,000	934,500	232,640,675
2019	62,395,000	91,975,462			154,370,462
2020	55,175,000	79,384,101			134,559,101
2021	46,345,000	65,810,284			112,155,284
2022	37,240,000	53,030,834			90,270,834
2023	33,880,000	46,575,682			80,455,682
2024	29,100,000	39,105,026			68,205,026
2025	25,285,000	45,032,787			70,317,787
2026	18,305,000	23,919,300			42,224,300
2027	14,595,000	53,328,739			67,923,739
2028	6,950,000	10,104,406			17,054,406
2029	860,000	3,706,107			4,566,107
2030	835,000	3,624,122			4,459,122
2031	370,000	3,115,630			3,485,630
2032	15,390,000	15,967,792			31,357,792
	<u>\$820,260,000</u>	<u>\$1,411,332,589</u>	<u>\$62,300,000</u>	<u>\$8,477,992</u>	<u>\$2,302,370,581</u>

(1) Excludes Cash Flow Notes.

(2) Assumes Sinking Fund Deposits in year due.

(3) Assumes: the maximum interest rate of 9.0% on \$30,000,000 of variable rate debt (the tax levy requirement).

(4) Preliminary, subject to change.

(5) Assumes 3.00% interest on the debt to be issued.

### Trends of General Obligation Debt

(Thousands of Dollars)

Year 12/31	Total GO Debt	Self-Sustaining GO Debt*	Levy Supported GO Debt
2008	\$788,579	\$291,317	\$497,262
2009	804,474	293,039	511,435
2010	916,034	342,400	573,634
2011	934,004	373,059	560,945
2012	846,299	319,662	526,637

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

**Trends of Self-Sustaining General Obligation Debt**  
(Thousands of Dollars)

Year 12/31	TID Program	Parking Program	Special Assessments	Delinquent Taxes (1)	Water (2)	Sewer (2)	Total Self- Sustaining
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
2010	167,944	11,753	11,623	47,575	13,453	90,052	342,400
2011	192,838	12,170	10,462	52,728	22,053	82,807	373,059
2012	189,351	11,684	9,505	56,201	18,727	34,194	319,662

- (1) Debt issued for Delinquent Tax Purposes is paid from collections of the delinquent taxes.  
(2) Includes temporary borrowing pending refunding with revenue bonds.

**Ratio of General Obligation Debt  
to Equalized and Assessed Values and to Per Capita**

Year 12/31	Population (1)	Net Equalized Valuation	Assessed Valuation	Total GO Debt	GO Debt/Net EV	GO Debt/AV	GO Debt/capita
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
2010	580,500	29,520,783,200	28,048,464,348	916,034,150	3.10	3.27	1,578
2011	595,525	27,954,669,900	27,917,642,983	934,004,150	3.34	3.35	1,568
2012	585,425	26,421,932,000	25,322,100,578	846,299,150	3.20	3.34	1,446

- (1) Population estimate from the Wisconsin Department of Revenue for use in the distribution of State Shared Revenues.  
Note: There is a material difference in the 2010 Department of Revenue estimate and the 594,833 US Census estimate.

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
2008	\$50,916,679	2.29%	1,248
2009	50,444,955	2.41	1,291
2010	55,453,164	2.92	1,482
2011	57,046,631	3.14	1,473
2012 (1)	57,046,631	2.99	1,348

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

**Computation of Net Direct and Overlapping Debt  
May 1, 2013**

Governmental Unit	Debt Outstanding As of May 1, 2013	Percentage Applicable	Share of Debt As of May 1, 2013
City of Milwaukee (1) .....	\$ 906,304,150	100.00%	\$ 906,304,150
Area Board of Vocational, Technical and Adult Education, District No. 9 .....	121,560,000	37.19	45,208,085
County of Milwaukee .....	749,595,000	45.70	342,583,218
Milwaukee Metropolitan Sewerage District..	1,025,231,716	46.65	478,280,855
<b>Total Net Direct and Overlapping Debt.....</b>	<b>\$2,802,690,866</b>		<b>\$1,772,376,308</b>

(1) Includes \$114 million general obligation debt outstanding, which financed Milwaukee Public Schools improvements. Figure includes the new issue, and excludes debt to be refunded and provisions for current year maturities.

**Future Financing**

Prior to the issuance of the Notes, the City has \$357 million authorized unissued general obligation debt for various corporate and capital improvement purposes, which can be issued at any time. The City also has \$275 million of authorized unissued revenue anticipation borrowing for City and School cash flow purposes.

The City has \$126 million of Extendable Municipal Commercial Paper outstanding which can be refinanced with General Obligation Debt. \$62.3 million will be refinanced with this issue; \$25.7 million are issued for cash flow purposes and are planned to be repaid by December, 2013; \$34 million are anticipated to be permanently financed with Sewer Revenue Bonds, and \$4 million are anticipated to be permanently financed with Water Revenue Bonds.

In addition to refunding the Extendable Municipal Commercial Paper, the authorized unissued general obligation debt includes \$77 million for sewer purposes and \$17 million for water purposes. The sewer purpose debt is anticipated to be financed on a revenue bond basis, including second lien revenue bonds sold to the State of Wisconsin Clean Water Fund Program. The water purpose debt is anticipated to be financed on a revenue bond basis, including second lien revenue bonds sold to the State of Wisconsin Safe Drinking Water Loan Program.

The City is also considering the issuance of \$38 million for School Purposes with General Obligation Qualified School Construction Bonds.

See “**FINANCIAL INFORMATION – City Capital Improvement Plan**” herein for information on potential future capital needs.

**City Capital Improvement Plan**

The City’s 2013-2017 Draft Capital Improvement Plan (“CIP”) outlines planned capital improvement projects and programs. Some school purpose improvements are financed by the City for Milwaukee Public School, but are not included in the CIP.

The six-year CIP plan totals \$988 million. About \$652 million, or 66% of the planned spending, is intended to preserve the City’s existing infrastructure facilities (streets, sewers, alleys, bridges, etc.). Approximately 66% (\$654 million) is anticipated to be borrowed with General Obligation debt, with the balance (\$334 million) being borrowed with revenue debt.

Purpose	Amount (\$ Millions)
Transportation .....	\$323
Environment.....	334
Economic Development ..	179
Public Safety .....	64
Miscellaneous.....	88
	<hr/>
Total .....	\$988
	<hr/> <hr/>

### **Extendable Municipal Commercial Paper Program and other Liquidity**

The City has authorized the issuance of Extendable Municipal Commercial Paper (“EMCP”) with the Extendable Municipal Commercial Paper Notes, 2012 Program, Series C6, Series R7, and Series T8 (Taxable) (the “Series C6 Notes”, “Series R7 Notes”, and “Series T8 Notes” respectively, and together, the “EMCP Notes”). Any combination of Series C6 Notes, Series R7 Notes, and Series T8 Notes, up to an aggregate total of \$200,000,000, is authorized to be outstanding at any time. The EMCP Notes are not general obligation debt of the City, however they are issued in anticipation of the issuance of general obligation promissory notes, which can be issued at any time. The EMCP Notes are authorized to be outstanding until May 22, 2017.

The EMCP Notes may be issued at any time for any purpose, including the purposes described in Future Financing above. The primary purpose of the EMCP Note program is to provide interim financing for expenditures pending the City’s next long-term financing and short-term cash flow needs. As of July 1, 2013, the City had \$38,000,000 of Series C6 Notes, and \$88,000,000 of Series T8 Notes outstanding.

The City has a taxable General Obligation Promissory Line of Credit Note with PNC Bank (the “Line”) in the amount of \$50,000,000. The Line may be drawn upon at any time for any purpose, including the purposes described in Future Financing above. The primary purpose of the Line is to provide interim financing for expenditures pending the City’s next long-term financing and short-term cash flow needs. The line is authorized to be outstanding until April, 2023. As of July 1, 2013, there was \$0 outstanding under the Line.

### **Auction Rate and Other Variable Rate Exposure**

The City has no outstanding Auction Rate securities. The City has \$30 million of multi-modal general obligation bonds (the “MMB”) that are authorized to be outstanding through February 15, 2032, are currently in two variable rate modes, and are anticipated to remain variable rate until redeemed. \$15 million of the MMBs are Floating Rate Notes (the “FRN”) tied to the SIFMA index through a January 1, 2016 mandatory purchase date. The FRNs are anticipated to be remarketed by the City on or before the mandatory purchase date. \$15 million of the MMBs are Rolling Tender Variable Rate Bonds (the “RTV”). The RTVs have an interest rate that is set weekly by a remarketing agent. An Owner of an RTV may tender an RTV on 7-days’ notice. If the tendered RTV is not remarketed, the tendered RTV enters a 173-day Extension period (total of 180 days from the tender date), during which time the City makes its best efforts to remarket into another mode, including fixed rate mode.

It is anticipated that, over time, up to 15-25% of the tax levy supported long-term general obligation debt will be in the form of variable rate debt.

In 2003, the Redevelopment Authority of the City of Milwaukee, on behalf of the Milwaukee Public Schools, 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 Milwaukee Public Schools 1-month LIBOR + 20 basis points in exchange for a fixed rate of 5.56% paid by Milwaukee Public Schools, effectively converting the IB to a fixed rate with no basis risk.

## 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, 2012, the outstanding balance was \$6.5 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. In 2011, the City issued \$52,565,000 of refunding and new money Sewerage System Revenue Bonds. In 2013, the City issued \$37,000,000 of refunding and new money Sewerage System Revenue Bonds. As of June 30, 2013, total outstanding Sewerage System Revenue Bonds was \$88 million with a final maturity in 2033.

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, 2012, the City had \$77 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 1983 and December 1, 2012, the Housing Authority issued revenue bonds of approximately \$149 million, of which approximately \$8.3 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, 2012, the Redevelopment Authority had outstanding: two bond issues with \$35,115,000 outstanding that have a Moral Obligation Pledge of the City; and \$243,344,122 in five bond issues for Milwaukee Public Schools, one secured by a lease, and four 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. The loan agreements with MBSD include 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, 2012, the Milwaukee Economic Development Corporation, itself, or through a related entity, funded loans for 1,102 small businesses and redevelopment projects utilizing \$282 million to leverage a total of \$1.42 billion in investment. 920 loans have been enrolled in the Capital Access Program with covered loan amounts totaling \$53 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 \$6 million as of December 31, 2012.

## **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, 2012, \$189 million general obligation bonds for TID purposes were 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. Two of those issues, in the approximate amount of \$34 million, have the Moral Obligation Pledge of the City. The remaining debt is owed to developers of projects within the TID, with no recourse to the City in the event that tax increment revenues are insufficient to repay the obligations. 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 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 which is filed with the Mayor not later than the second Tuesday in May of each year, at which time the Comptroller submits a 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 General Obligation Debt Service.

**Adopted Budget - Combined Revenues - 2013**

	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Total
<b>Taxes</b>						
Property Tax – General .....	\$96,871,169	–	\$67,771,672	\$1,050,000		\$165,692,841
Provision for Empl Retirement (1) .....	79,698,013					79,698,013
Common Council Cont.....	5,000,000					5,000,000
<b>Total Taxes.....</b>	<b>\$181,569,182</b>	<b>–</b>	<b>\$67,771,672</b>	<b>\$1,050,000</b>	<b>0</b>	<b>\$250,390,854</b>
<b>Revenues</b>						
Taxes .....	\$ 16,519,800					\$ 16,519,800
Licenses and Permits .....	13,799,360					13,799,360
Intergovernmental Revenues ....	260,447,586	\$69,363,873				329,811,459
Charges for Service .....	157,652,362					157,652,362
Fines and Forfeitures .....	5,129,000					5,129,000
Miscellaneous Revenues .....	6,960,325	11,300,000				18,260,325
Fringe benefits (2) .....	24,000,000					24,000,000
Parking .....	18,550,000		\$ 2,170,000	\$ 5,000,000	\$ 18,377,300	44,097,300
Water Works .....	–		5,870,907	5,850,000	73,015,093	84,736,000
Sewer Maintenance Fund .....	12,734,075		11,408,929	6,450,000	28,181,909	58,774,913
Retained Earnings .....					15,380,068	15,380,068
Sinking Fund .....			112,302,389			112,302,389
Cash Flow borrowings.....			125,000,000			125,000,000
Special Assessments.....		7,912,216		2,209,000		10,121,216
Capital Revenue .....				14,957,000		14,957,000
<b>Total Revenues.....</b>	<b>\$515,792,508</b>	<b>\$88,576,089</b>	<b>\$256,752,225</b>	<b>\$34,466,000</b>	<b>\$134,954,370</b>	<b>\$1,030,541,192</b>
<b>Tax Stabilization</b>						
Transfer from Reserves .....	\$ 14,900,000					\$14,900,000
<b>Sale of Bonds and Notes</b>						
General City .....				\$85,964,900		85,964,900
Enterprise Funds.....				46,951,000		46,951,000
<b>Grand Total .....</b>	<b>\$712,261,690</b>	<b>\$88,576,089</b>	<b>\$324,523,897</b>	<b>\$168,431,900</b>	<b>\$134,954,370</b>	<b>\$1,428,747,946</b>

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

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



## Adopted Budget – Combined Appropriations – 2012

	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Total
Administration, Dept of.....	\$ 10,334,585			\$ 1,875,000		\$ 12,209,585
Assessor's Office .....	4,397,696					4,397,696
City Attorney.....	7,472,224					7,472,224
City Treasurer .....	2,877,619					2,877,619
Common Council – Clerk.....	8,243,977			117,500		8,361,477
Municipal Court .....	3,297,997					3,297,997
Comptroller .....	5,201,535					5,201,535
Dept of City Development.....	3,097,335			17,585,000		20,682,335
Election Commission .....	1,371,679					1,371,679
Employee Relations, Dept of.....	4,492,713					4,492,713
Fire and Police Commission.....	1,392,584					1,392,584
Fire Department .....	103,873,222			3,403,000		107,276,222
Health Department .....	12,626,673			435,000		13,061,673
Library Board.....	21,593,610			3,743,000		25,336,610
Mayor's Office.....	1,101,366					1,101,366
Neighborhood Services .....	19,858,426					19,858,426
Police Department.....	237,538,363			7,375,700		244,914,063
Port of Milwaukee.....	4,581,521			1,075,000		5,656,521
DPW-Administration .....	3,815,752			500,000		4,315,752
DPW-Infrastructure.....	37,595,621			49,189,700		86,785,321
DPW-Operations .....	75,979,158			10,372,000		86,351,158
Water Works .....			\$ 5,870,907	13,850,000	\$ 81,133,719	100,854,626
Sewer Maintenance Fund .....			11,408,929	44,510,000	33,480,544	89,399,473
Special Purpose Accounts .....	155,494,137					155,494,137
Pension Funds .....	125,999,240					125,999,240
Debt Service – City .....			180,074,061			180,074,061
Debt Service - Cash Flow.....			125,000,000			125,000,000
Contingency .....	5,000,000					5,000,000
Delinquent Tax Fund.....		\$11,300,000				11,300,000
Parking .....			2,170,000	5,891,000	20,340,107	28,401,107
Grant & Aid Fund .....		69,363,873				69,363,873
Special Capital Projects.....				8,510,000		8,510,000
Economic Development .....		7,912,216				7,912,216
Fringe Benefit Offset.....	(144,975,343)					(144,975,343)
<b>Grand Total .....</b>	<b>\$712,261,690</b>	<b>\$88,576,089</b>	<b>\$324,523,897</b>	<b>\$168,431,900</b>	<b>\$134,954,370</b>	<b>\$1,428,747,946</b>

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

**Budgetary Comparison Schedule – General Fund**  
**For The Years Ending December 31, 2007 Through 2011**  
(Thousands of Dollars)

	2007 (1)	2008	2009	2010	2011
<b>Revenues:</b>					
Property Taxes .....	137,253	141,573	156,410	168,031	166,841
Other Taxes.....	5,311	4,839	3,504	5,097	4,371
Licenses and Permits .....	13,704	12,918	12,186	12,948	13,289
Intergovernmental.....	272,539	271,100	272,337	270,939	273,240
Charges for Services .....	76,496	86,410	91,057	97,146	103,493
Fines and Forfeitures .....	5,800	5,277	4,802	5,422	5,076
Other .....	18,883	12,864	19,967	20,323	13,387
<b>Total General Fund Revenues .....</b>	<b>529,986</b>	<b>534,981</b>	<b>560,263</b>	<b>579,906</b>	<b>579,697</b>
Tax Stabilization Fund Withdrawals.....	23,175	29,457	22,379	13,070	14,600
Other Financing Sources and Equity.....					
Transfers (Net).....	43,224	40,234	46,896	49,640	46,199
<b>Total General Fund Revenues Tax Stabilization Fund Withdrawals and Other Financing Sources ....</b>	<b>596,385</b>	<b>604,672</b>	<b>629,538</b>	<b>642,616</b>	<b>640,496</b>
<b>Expenditures:</b>					
General Government.....	201,021	199,004	202,066	253,328	229,556
Public Safety.....	257,137	266,370	276,060	264,067	258,994
Public Works .....	93,956	103,149	97,093	94,482	96,557
Health .....	10,359	10,118	10,446	9,996	8,872
Culture and Recreation .....	17,548	16,782	17,329	15,656	15,566
Conservation and Development.....	3,279	3,456	4,230	3,747	3,991
<b>Total Expenditures .....</b>	<b>583,300</b>	<b>598,879</b>	<b>607,224</b>	<b>641,276</b>	<b>613,536</b>
Sources Over (Under) Expenditures .....	13,085	5,793	22,314	1,340	26,960
Fund Balance – January 1 (excludes reserved for use during the year).....	82,000	65,628	49,042	58,286	45,026
Fund Balance – December 31 .....	95,085	71,421	71,356	59,626	71,986
<b>Fund Balance Components:</b>					
Reserved for Encumbrances & Carryovers.....	21,376	22,865	21,919	8,144	
Reserved for Inventory .....	6,252	7,248	6,827	7,220	
Reserved for Mortgage Trust.....	218	173	141	135	
Reserved for Environmental Remediation.....	303	303	303	303	
Reserved for Next Year’s Budget.....	29,457	22,379	13,070	14,600	
Reserved for Subsequent Years’ Budget.....	37,479	18,453	29,096	29,224	
New presentation as of FY 2011					
Nonspendable .....					15,044
Restricted.....					0
Committed .....					2,995
Assigned .....					26,778
Unassigned.....					27,169
<b>Total Fund Balance .....</b>	<b>95,085</b>	<b>71,421</b>	<b>71,356</b>	<b>59,626</b>	<b>71,986</b>
Tax Stabilization Fund (free fund balance)					
Reserved for Next Year’s Budget.....	29,457	22,379	13,070	14,600	13,767
Reserved for Subsequent Years’ Budget.....	37,479	18,453	29,096	29,224	34,937

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

**City of Milwaukee**  
**General Fund – Projected Cashflow Summary**  
(Millions of Dollars)  
**January 1, 2013 to December 31, 2013**

	January	February	March	April	May	June	July	August	September	October	November	December	Total
<b>Balance Receipts</b>	101.488	72.356	16.778	(13.822)	(32.050)	70.999	1.279	86.867	57.363	36.881	26.763	162.993	
Property Taxes.....	10.238	9.301	3.248	6.794	4.799	9.594	61.783	8.009	14.287	14.542	0.994	67.766	211.355
State Aids .....													
Shared Revenue .....	-	-	-	-	-	-	41.279	-	-	-	185.890	-	227.169
Highway Aids .....	6.020	-	-	6.023	-	-	6.813	-	-	6.023	-	-	24.879
Payment Muni. Services ...	-	1.922	-	-	-	-	-	-	-	-	-	-	1.922
Computer Exemption Aid ..	-	-	-	-	-	-	3.900	-	-	-	-	-	3.900
Other .....	10.314	15.311	8.878	7.128	15.092	8.913	11.629	12.111	9.837	14.414	9.957	16.219	139.803
Delinquent Taxes Transfer..	31.404	-	-	-	-	-	-	-	-	-	-	-	31.404
Pension Fees .....	2.046	-	0.593	1.217	2.255	1.094	1.266	2.058	1.019	0.577	1.913	2.333	16.371
City Services Fees .....	3.370	2.711	2.397	2.289	2.638	1.699	2.370	2.273	2.067	3.998	4.374	3.669	33.855
City PILOTS (Major) .....	-	-	-	-	-	-	-	-	-	-	-	-	13.330
Parking Transfers.....	-	-	-	-	-	9.275	-	-	-	-	-	-	9.275
Summerfest Lease .....	-	-	-	-	-	-	-	-	-	-	-	-	1.364
Street Sweeping .....	-	-	-	-	-	7.219	-	-	-	-	-	-	7.219
Vehicle Registration Fee.....	0.375	0.451	0.441	0.441	0.630	0.693	0.630	0.567	0.567	0.567	0.567	0.378	6.307
Potawatomi PILOT.....	-	-	-	-	-	-	-	5.515	-	-	-	-	5.515
Year End Transfers .....	26.338	-	-	-	-	-	-	-	-	-	-	-	26.338
Note Proceeds (1) .....	-	-	-	-	125.000	-	-	-	-	-	-	-	125.000
<b>Total Receipts.....</b>	<b>90.105</b>	<b>29.696</b>	<b>15.557</b>	<b>23.892</b>	<b>150.414</b>	<b>38.487</b>	<b>129.670</b>	<b>30.533</b>	<b>27.777</b>	<b>40.121</b>	<b>203.695</b>	<b>121.553</b>	<b>901.500</b>
<b>Disbursements</b>													
Salaries & Benefits .....	50.688	39.340	36.630	36.269	37.783	37.314	37.627	49.568	37.304	37.616	37.208	37.690	475.037
Services & Supplies .....	9.240	10.018	9.527	5.851	9.582	11.398	6.455	10.469	10.955	12.623	5.257	19.055	120.430
Employer Pension Contribution .....	59.309	-	-	-	-	-	-	-	-	-	-	-	59.309
Purchase Tax Delinquents...	-	35.916	-	-	-	-	-	-	-	-	-	-	35.916
Contractual Tax Payment....	-	-	-	-	-	59.495	-	-	-	-	-	-	59.495
Year End Transfers .....	-	-	-	-	-	-	-	-	-	-	-	29.300	29.300
Note Principal Repayment (1) .....	-	-	-	-	-	-	-	-	-	-	25.000	100.000	125.000
<b>Total Disbursements .....</b>	<b>119.237</b>	<b>85.274</b>	<b>46.157</b>	<b>42.120</b>	<b>47.365</b>	<b>108.207</b>	<b>44.082</b>	<b>60.037</b>	<b>48.259</b>	<b>50.239</b>	<b>67.465</b>	<b>186.045</b>	<b>904.487</b>
<b>Balance.....</b>	<b>72.356</b>	<b>16.778</b>	<b>(13.822)</b>	<b>(32.050)</b>	<b>70.999</b>	<b>1.279</b>	<b>86.867</b>	<b>57.363</b>	<b>36.881</b>	<b>26.763</b>	<b>162.993</b>	<b>98.501</b>	

Maximum deficit occurs in July and November.

(1) Includes the CFNs and anticipated extended municipal commercial paper for cash flow purposes.

**City of Milwaukee  
General Fund  
Projected Schedule of Cash Receipts and Disbursements  
for the Year Ended December 31, 2013  
(Millions of Dollars)**

	Beginning Cash Balance (Deficit)	Receipts	Disbursements	Ending Cash Balance (Deficit)	Ending Cash Balance Excluding CFNs and EMCP
January	\$101.488	\$ 90.105	\$119.237	\$72.356	\$72.356
February	72.356	29.696	85.274	16.778	16.778
March	16.778	15.557	46.157	(13.822)	(13.822)
April	(13.822)	23.892	42.120	(32.050)	(32.050)
May	(32.050)	150.414 (1)	47.365	70.999	(54.001)
June	70.999	38.487	108.207	1.279	(123.721)
July	1.279	129.670	44.082	86.867	(38.133)
August	86.867	30.533	60.037	57.363	(67.637)
September	57.363	27.777	48.259	36.881	(88.119)
October	36.881	40.121	50.239	26.763	(98.237)
November	26.763	203.695	67.465	162.993 (2)	62.993
December	162.993	121.553	186.045	98.501 (2)	98.501
		<u>\$901.500</u>	<u>\$904.487</u>		

(1) Amount includes CFN and EMCP principal receipts.

(2) Amounts include CFN and EMCP principal repayments.

**City of Milwaukee  
General Fund  
Schedule of Cash Receipts and Disbursements  
for the Year Ended December 31, 2012  
(Millions of Dollars)**

	Beginning Cash Balance (Deficit)	Receipts	Disbursements	Ending Cash Balance (Deficit)
January	\$92.796	\$ 94.028	\$ 52.451	\$134.373
February	134.373	29.259	117.190	46.442
March	46.442	22.001	59.225	9.218
April	9.218	27.441	42.741	(6.082)
May	(6.082)	175.520 (1)	51.743	117.695
June	117.695	38.123	105.874	49.944
July	49.944	130.100	48.276	131.768
August	131.768	30.963	71.909 (2)	90.822
September	90.822	27.787	49.229	69.380
October	69.380	40.301	53.919	55.762
November	55.762	203.914	86.782 (2)	172.894
December (4)	172.894	116.935	188.341 (3)	101.488
		<u>\$936.372</u>	<u>\$927.680</u>	

Notes:

(1) \$150 million of CFNs and EMCP were issued in May.

(2) \$10 million of EMCP was repaid in August, and \$40 million in November.

(3) \$100 million of CFNs were repaid in December.

(4) Estimated.

**City of Milwaukee**  
**Schedule of Cash and Investment Balances – All Funds – 2012**  
(Millions of Dollars)

	General Fund (1)	Other Governmental Funds	Enterprise Funds	Trust and Agency Funds (2)	Total
January	\$134.373	\$294.862	\$42.675	\$134.271	\$606.181
February	46.442	233.892	43.056	114.300	437.690
March	9.218	214.806	43.477	116.442	383.943
April	(6.082)	212.417	43.953	146.096	396.384
May	117.695	256.705	44.333	106.662	525.395
June	49.944	255.521	44.834	87.955	438.254
July	131.768	250.009	45.212	32.930	459.919
August	90.822	222.090	45.664	35.536	394.112
September	69.380	180.617	46.114	39.012	335.123
October	55.762	247.855	46.694	73.024	423.335
November	172.894	196.057	47.044	24.109	440.104
December (estimate)	101.488	96.144	48.260	398.137	644.029

- (1) Balances reflect proceeds from the sale of the Series 2012 Short Term Promissory Notes and their subsequent repayment.  
(2) Agency Funds includes Milwaukee Public Schools.

This schedule excludes Cash & Investment balances for Housing Authority, Redevelopment Authority, Milwaukee Economic Development Corp., and the Neighborhood Improvement Development Corp.

**City of Milwaukee**  
**Projected Schedule of Cash and Investment Balances – All Funds – 2013**  
(Millions of Dollars)

	General Fund (1)	Other Governmental Funds	Enterprise Funds	Trust and Agency Funds (2)	Total
January	\$72.356	\$231.392	\$37.365	\$133.872	\$474.985
February	16.778	203.488	45.828	116.085	382.179
March	(13.822)	208.981	47.245	147.238	389.642
April	(32.050)	219.866	49.227	148.376	385.419
May	70.999	212.506	48.020	108.064	439.589
June	1.279	218.242	60.809	89.877	370.207
July	86.867	211.256	65.226	56.838	420.187
August	57.363	184.062	65.040	36.018	342.483
September	36.881	149.756	64.659	39.065	290.361
October	26.763	192.705	56.610	74.501	350.579
November	162.993	176.587	47.934	124.438	511.952
December	98.501	205.551	47.815	401.729	753.596

- (1) Balances reflect proceeds from the sale of the CFNs and subsequent repayment.  
(2) Agency Funds includes Milwaukee Public Schools.

This schedule excludes Cash & Investment balances for Housing Authority, Redevelopment Authority, Milwaukee Economic Development Corp., and the Neighborhood Improvement Development Corp.

**City of Milwaukee  
Assessed and Equalized Valuations**

	Year 2008 For 2009 Purposes	Year 2009 For 2010 Purposes	Year 2010 For 2011 Purposes	Year 2011 For 2012 Purposes	Year 2012 For 2013 Purposes
<b>Real Property</b>					
Residential.....	\$19,173,232,823	\$17,743,825,065	\$17,156,626,561	\$17,069,535,250	\$14,750,294,600
Industrial (Manufacturing) .....	772,959,900	732,007,800	732,279,700	746,955,100	707,123,600
Mercantile (Commercial) .....	9,483,547,328	9,485,580,238	9,202,213,459	9,191,348,932	8,992,762,442
Total Real Property .....	\$29,429,740,051	\$27,961,413,103	\$27,091,119,720	\$27,007,839,282	\$24,450,180,642
Personal Property .....	1,001,936,153	983,160,269	957,344,628	909,803,701	871,919,936
Total Assessed Valuations.....	<u>\$30,431,676,204</u>	<u>\$28,944,573,372</u>	<u>\$28,048,464,348</u>	<u>\$27,917,642,983</u>	<u>\$25,322,100,578</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.....	\$32,257,525,000	\$31,266,329,200	\$29,520,783,200	\$27,954,669,900	\$26,421,932,000
Ratio of Assessed to Equalized Valuation .....	94.34%	92.57%	95.01%	99.87%	95.84%

**City of Milwaukee  
Assessed Tax Rates  
(Per \$1,000 of Assessed Valuation)**

	2009	2010	2011	2012	2013
Unit of Government.....					
City Government .....	\$8.09	\$9.12	\$9.25	\$9.25	\$10.25
Milwaukee Public Schools.....	9.82	10.85	11.11	11.11	12.31
Milwaukee County.....	4.38	4.87	4.89	4.89	5.44
Milwaukee Area Technical College.....	1.94	2.02	1.95	1.95	2.21
Milwaukee Metropolitan Sewerage District .....	1.37	1.52	1.51	1.51	1.70
Gross Tax Rate Per \$1,000 .....	\$25.60	\$28.38	\$28.71	\$28.71	\$31.91
Less: State Tax Credit.....	(\$1.57)	(\$1.81)	(\$1.81)	(\$1.81)	(\$1.96)
Net Tax Rate.....	<u>\$24.03</u>	<u>\$26.57</u>	<u>\$26.90</u>	<u>\$26.90</u>	<u>\$29.95</u>

**City of Milwaukee  
Property Tax Levies and Collections  
(\$ Amounts in Thousands)**

Budget Year	Taxes Levied for the Fiscal Year			Cumulative Collected in Subsequent Years	
	Levy	Collections	% of Levy	Amount	% Collected
2007	\$265,319	\$257,347	97.00%	\$7,573	99.85%
2008	286,180	277,119	96.83	8,556	99.82
2009	276,186	265,691	96.20	8,919	99.43
2010	291,943	281,099	96.29	6,083	98.37
2011	295,967	284,489	96.12	0	96.12

## **Collection Procedures**

If no payment of property taxes is received in January, the taxes become delinquent as of February 1st. If the taxes are not paid when due under the 10-month installment plan, they become delinquent for legal purposes on November 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 2011 were approximately 96.1% 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 maintains 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.

## **PENSION SYSTEM SUMMARY**

### **Employes' Retirement System**

The Employes' Retirement System (ERS) of the City is established pursuant to Section 36 of the Milwaukee City Charter. Membership in the ERS includes some classes of part-time employees, all full-time employees, and elected officials.

**ERS Membership**  
As of December 31, 2011

Class	Vested	Non-Vested	Inactive	Retired
General & Elected....	6,545	1,427		8,501
Police .....	1,782	140		2,214
Firefighters.....	765	108		1,222
Certain pre-1996 .....				23
Total.....	9,092	1,675	4,127	11,960

Source: Table 5 of the Actuarial Valuation Report as of January 1, 2012.

The primary benefit of the ERS is a defined benefit plan with eligible employees earning a Retirement Allowance for each year of service. Funding for the ERS is derived from Member and actuarially required employer contributions. Current Retirement Allowance accrual rates and Member contributions to the system (expressed as a percentage of compensation) are as follows:

**Basic Benefit Accrual Rates and Member Contributions**

Class	Retirement Allowance	Maximum Allowance	Member* Contribution
General and Mayor .....	2.0%	70%	5.5%
Elected Officials, excluding the Mayor ...	2.5%	None	7.0%
Police .....	2.5%	90%	7.0%
Firefighters.....	2.5%	90%	7.0%

\* For employees hired prior to January 1, 2010, in addition to paying the actuarially-required employer contribution, the City makes the Member contribution on behalf of the employee. 2011 Wisconsin Act 10 provides that all state and local public employees make an employee contribution, except as otherwise provided under collective bargaining agreements. The City Attorney and independent outside counsel have advised the City that the City's Home Rule status, a 2000 Global Pension Settlement, and prior state statutes, create contractual pension rights for City employees which supersede the employee contribution requirement of 2011 Wisconsin Act 10. As a result, the City has continued to make the Member contribution on behalf of City employees hired prior to 2010.

**Schedule of Funding Progress**  
(\$ amounts in thousands)

Valuation As of Dec 31	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
2011	\$4,404,635	\$4,587,915	\$183,280	96.0%	\$525,181	34.9%
2010	4,641,425	4,447,548	-	104.4	538,218	0.0
2009	4,814,402	4,269,324	-	112.8	553,846	0.0
2008	4,076,297	4,113,089	36,792	99.1	536,558	6.9
2007	5,192,000	3,958,061	-	131.2	532,412	0.0

Source: Table 11a of the Actuarial Valuation Report as of January 1, 2012.



**Schedule of Employer Contributions**  
(\$ amounts in thousands)

Year Ended Dec 31	Annual Actuarially Required Contribution	Percentage Contributed
2011	\$31,402	0%
2010	1,450	0
2009	60,098	100
2008	-	n/a
2007	-	n/a
2006	-	n/a

Source: Table 11b of the Actuarial Valuation Report as of January 1, 2012.

Actuarial Assumptions and Methods include:

- Actuarial Cost Method: Projected Unit Credit
- Amortization Method: Closed; Level Percent of Pay; Pay assumed to grow 3% per year
- Remaining Amortization Period: 22 years
- Asset Valuation Method: 5-year smoothed market, 20% corridor
- Investment Rate of Return: 8.5% average
- Projected Salary Increases: General: 3.5-8.5%; Police and Fire: 4.0-15.4%
- Inflation Assumption: 3.0%
- Cost of Living Adjustments: Varies by Employee Class

For more information about the ERS, details on plan benefits, and for copies of their financial and actuarial reports, see <http://www.cmers.com>. The Employees' Retirement System Actuarial Valuation Report as of January 1, 2012 is available from EMMA and is hereby incorporated by reference. (See "CONTINUING DISCLOSURE" herein).

**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. There are approximately 60 members or their spouses currently receiving benefits under the Fund program.

The Principal Mutual Life Insurance Company made a proposal to provide annuities guaranteeing benefit payments to members and spouses, 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 ceased its activities and the Firemen's Annuity and Benefits Fund was dissolved. The City will be liable to pay retirement benefits if the insurance company defaults on its obligations under the annuity policy. The estimated value of those benefits is under \$3,000,000.

**Policemen's Annuity and Benefit Fund**

Membership in the Policemen's Annuity and Benefit Fund (PBAF) consists of all Police Department employees whose service commenced prior to July 29, 1947. As of December 31, 2011, there were 23 members and 47 spouses receiving benefits under the fund program.

Current funding is derived from employer contributions. Chapter 35 of the City Charter provides that annual contributions consist of: 1) an amount sufficient to amortize the unfunded actuarial liability over a ten-year period with a series of level dollar payments; and 2) budgeted administrative expenses for the year.

For copies of the PABF actuarial reports, see <http://www.cmers.com>

**Schedule of Funding and Contributions**  
(\$ amounts in thousands)

Dec 31	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded AAL (UAAL)	Funded Ratio	Annual Required Contribution	Percent Contributed
2011	\$1,008	\$2,451	\$1,444	41.1%	\$209	100%
2010	1,584	2,946	1,362	53.8	269	100
2009	1,936	3,687	1,751	52.5	330	100
2008	2,147	4,296	2,148	50.0	041	100
2007	4,779	5,049	270	94.7	057	100

*Source: Policemen's Annuity and Benefit Fund, Actuarial Valuation Reports as of January 1, 2012 (and each prior year). Summary of Principal Results.*

**Other Post-Employment Benefits**

The City provides other post-employment benefits (OPEB) to its retirees for health and life insurance. A single-employer defined benefit healthcare plan and life insurance plan are sponsored by the City and administered by ERS. The City provides medical insurance benefits for substantially all retirees. Retiree coverage begins at age 55 with at least 15 years of service for General City employees, at any age with at least 25 years of service for Police employees, and at age 49 with at least 22 years of service for Fire employees. In addition, the City allows employees to continue life insurance coverage under the Group Life Insurance Plan offered to active employees.

Until age 65, for retirees with at least 15 years of creditable service, the majority of the cost of the health benefit plan is paid by the City. After attaining the age of 65, and having completed a minimum of 15 years of creditable service, the City pays 25% of the applicable HMO premium, or 25% of the base rate (0% of the major medical rate) of the City's Basic Plan.

Eligible retirees are able to continue coverage under the City's Group Life Insurance Plan, and pay the same rate as active employees. The rates established are group rates applied consistently to all employees, without regard to age or health. Upon reaching age 65, their coverage will be reduced in accordance with a reduction schedule, with the City assuming all future premiums.

The required contribution for medical and life insurance for retirees is based upon pay-as-you-go financing. Medical benefits provided through the basic health care plan are self-insured. For 2011, the City paid approximately \$33.2 million and \$1.3 million, respectively, towards medical and life insurance for retirees.

The actuarial cost of health benefits and life insurance for retirees exceeds the average amount paid by retirees, therefore, the additional cost is paid by the City and is the basis for the OPEB obligation account for under GASB 45.

**Funding Status and Funding Progress**  
(\$ amounts in thousands)

Annual Required Contribution (ARC)	\$71,883
Interest on Net OPEB	7,846
Adjustment to ARC	<u>(6,658)</u>
Annual OPEB Cost	73,071
Contributions Made	<u>34,545</u>
Increase in net OPEB Obligation	38,526
Net OPEB Obligation – beginning of year	<u>174,360</u>
Net OPEB Obligation – end of year	<u><u>\$212,886</u></u>

Source: City's 2011 CAFR.

**Annual Cost and Net OPEB Liability**  
(\$ amounts in thousands)

Year Ended Dec 31	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011	\$73,071	47.3%	\$212,886
2010	81,311	41.8	174,360
2009	77,389	37.1	127,074
2008	73,100	45.0	78,400
2007	67,600	43.5	38,200

Source: City's 2011 and 2009 CAFRs.

**Schedule of Funding Progress**  
(\$ amounts in thousands)

Valuation As of	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
Jan 1, 2011	\$0	\$ 916,383	\$ 916,383	0.0%	\$407,840	225%
Jan 1, 2010	0	1,007,573	1,007,573	0.0	413,648	244
Jan 1, 2009	0	959,562	959,562	0.0	419,811	229
July 1, 2008	0	880,700	880,700	0.0	425,400	207
July 1, 2007	0	806,300	806,300	0.0	412,700	195

Source: City's 2011, 2010, 2009, 2008, and 2007 CAFRs.

Actuarial Assumptions and Methods include:

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-terms investment rate of return. The healthcare cost trends rate is 8.5% initially, and reduced by decrements to the ultimate rate of 4.5% after 10 years. The actuarial assumption for 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.

## LEGAL MATTERS

### Litigation Statement

The City, its boards, officers and employees, have been defendants in numerous lawsuits over the years. Experience has shown that a relatively small number of suits commenced are reduced to judgment. The City 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 31, 2013.

***Amoco Oil, et al. v. City of Milwaukee.*** Amoco, BP, Marathon, and US Oil are contesting the property tax assessments of their contiguous oil terminals. They allege that the City's inclusion of the value of certain through-put contracts is contrary to law and that a tax refund is warranted. The City asserts that the inclusion of the value of these contracts in the assessments is consistent with the law because they run with the property. The four separate cases have been consolidated in Judge Foley's court for trial on November 6, 2013. An appeal by the losing party is likely. Each of the terminals was permitted to add tax years 2009, 2010, 2011 and 2012 to the original claim for tax year 2008. Approximately \$4 million of property taxes are being disputed.

***Section 74.37 Litigation.*** Several plaintiffs, including Walgreen's and CVS have brought a series of approximately a dozen similar lawsuits against the City for the refund of allegedly excessive property taxes on various commercial properties such as apartment buildings and pharmacies. The first of these lawsuits was brought in 2009 for the 2008 tax year. The 2009, 2010, 2011 and 2012 tax years have now been added to most of these cases. The Circuit Court branches have begun to schedule trials in the last half of 2013 and early 2014. Appeals by the losing parties are likely in many of these cases. The city estimates that up to \$9 million of property taxes are being disputed.

***William Avery, et al. v. City of Milwaukee, et al.*** In this 2011 civil rights action, the plaintiffs claim that William Avery was wrongly convicted in 2005 of the 1998 murder of a woman. Avery spent six years in prison until DNA testing in 2010 linked the murder victim to another individual who has been convicted of murdering a number of other women. Avery claims that Milwaukee police officers unconstitutionally withheld exculpatory evidence and coerced false statements from witnesses. Avery also claims that supervisors in the police department permitted such alleged misconduct to occur as a matter of practice. The parties are continuing with discovery in the matter. The defendants plan to file a dispositive motion asking the court to dismiss the action.

***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. Discovery is nearly complete in this litigation. Defendants plan to file a dispositive motion in June 2013 asking the court to dismiss the case.

***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 two dental experts to produce false evidence. Discovery has been completed in this matter, and the defendants have all filed dispositive motions seeking to have the court dismiss the case. The motions remain pending.

***Estate of James F. Perry, et al. v. Wenzel, et al.*** This case stems from the September 13, 2010 death of James F. Perry, while he was in custody at the Milwaukee County Criminal Justice Facility (County CJF). According to the complaint, Mr. Perry was in the custody of members of the City of Milwaukee Police Department (City MPD) when he apparently experienced a seizure. Medical personnel were called to the City MPD jail. They treated Mr. Perry and transported him to a local hospital for further treatment and evaluation. Mr. Perry was released from the hospital and was returned to the City MPD jail. His processing there was completed, and he was then transferred to the County CJF, where he later suffered a heart attack and died. Mr. Perry's estate and his minor son brought suit, raising constitutional and state-law claims against the City, the Police Department, the County of Milwaukee, its Sheriff's Department, and various employees thereof. Plaintiffs' claims center around the allegation that all of the City and County employees who came into contact with Mr. Perry that day were deliberately indifferent to his alleged serious medical condition. Plaintiffs also allege direct failure-to-train and failure-to-supervise claims against the City and the County. Plaintiffs claim compensatory and punitive damages, along with attorneys' fees and costs. All City defendants have been served and have filed answers to the complaint. The parties are currently engaged in the early stages of discovery. Motions will ultimately be filed to dismiss the claims raised against the City defendants.

***Billboard Litigation.*** Clear Channel Outdoor has challenged the assessment of its billboards in a Section 74.37 action. Lamar Outdoor has filed a similar claim, but has not yet filed suit. The Wisconsin Supreme Court decided in 2006 that the economic scarcity value of the city-issued billboard permit has value that can be assessed as real property. The Joint Finance Committee of the Wisconsin Legislature recently approved a new property tax exemption for these permits that would end this assessment as of January 1, 2014, if adopted by the full Legislature and signed by the Governor. This would effectively reverse the Supreme Court decision, leaving the taxes the City collected in 2009, 2010, 2011 and 2012 still at issue in court. No trial has been scheduled. Discovery is still in process. The City's potential liability is \$7.6 million.

## LEGAL OPINIONS

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 Notes. A draft of the legal opinion for the Notes is included herein as ***Appendix B***.

## RATINGS

The City has requested ratings on the Notes from Moody's Investors Service, Inc. and Standard & Poor's Ratings Group.

Moody's Investors Service, Inc. has assigned a rating of "\_\_\_\_" on the Notes. Standard & Poor's Ratings Group has assigned a rating of "\_\_\_\_" on the Notes.

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

## TAX MATTERS

Interest on the Notes is includable in the gross income of the holders of the Notes for federal income tax purposes. Interest on the Notes is not exempt from State of Wisconsin income or franchise tax.

## 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 Notes 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 Notes are delivered. Such Certificate will be in substantially the form attached hereto as *Appendix C*. The City intends to fully comply with the Undertaking relating to the Notes.

Continuing disclosure undertakings entered into prior to August of 2003 required that the City provide Annual Financial Information (AFI) within six months of the end of each fiscal year. Each of the City's continuing disclosure undertakings since August of 2003 have required filing AFI within nine months of the end of the fiscal year. While the City has consistently filed AFI within nine months, it has not proven feasible to do so within six months. In each of the last five years, AFI was not available within the six-month requirement and the City filed notices to that effect as required under the pre-August 2003 continuing disclosure undertakings. In the future, the City anticipates continuing to file AFI subsequent to the six month deadline, and expects to file required notices of failure to file AFI before June 30 of each year. The City has complied in all material respects with all continuing disclosure undertakings entered into since August of 2003.

A failure by the City to comply with the Undertaking will not constitute an event of default on the Notes (although holders will have the right to obtain specific performance of the obligations under the Undertaking). Nevertheless, such a failure must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Notes in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Notes and their market price.

## FINANCIAL ADVISOR

Public Financial Management, Inc. has been retained as Financial Advisor to the City in connection with the issuance of the Notes.

## UNDERWRITING

Bids for the Notes were received at a competitive public sale to be conducted on July 9, 2013. The award of the Notes was made to \_\_\_\_\_, its co-managers and associates at a purchase price of \$\_\_\_\_\_.

The public reoffering yield or price of the Notes will be detailed on the cover of this Official Statement.

## CLOSING DOCUMENTS AND CERTIFICATES

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

- (1) signature and no litigation certificates;
- (2) certificates of delivery and payment;
- (3) the opinion as to the legality of the Notes under Wisconsin law rendered by Katten Muchin Rosenman LLP, Chicago, Illinois, and Hurtado, S.C., Wauwatosa, Wisconsin, Co-Bond Counsel to the City, in substantially the form as set forth in *Appendix B*;
- (4) copies of this Official Statement issued in conjunction with the Notes within seven business days after the award of the Notes in accordance with SEC Rule 15c2-12(b)(3);
- (5) Continuing Disclosure Certificates; and
- (6) 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.

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

/s/

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Martin Matson  
City Comptroller and Secretary  
City of Milwaukee, Wisconsin