

PRELIMINARY OFFICIAL STATEMENT DATED AUGUST 12, 2004

**NEW ISSUE
BOOK ENTRY ONLY**

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

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

\$199,000,000*
CITY OF MILWAUKEE, WISCONSIN
SCHOOL REVENUE ANTICIPATION NOTES, SERIES 2004 M5
(Not a general obligation of the City)

Dated: Expected Date of Delivery

Due: September 1, 2005

The School Revenue Anticipation Notes, Series 2004 M5 (the "Notes") are issued in fully registered form in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York. Individual purchases will be made in the principal amounts of \$5,000 or any integral multiple thereof and will be in book-entry-form only. Purchasers will not receive certificates representing their beneficial ownership in the Notes. Interest shall be payable at maturity. The Notes are not a general obligation of the City, do not constitute an indebtedness for the purpose of determining the City's constitutional debt limitation, and no tax shall be levied to pay the Notes or the interest thereon. The Notes are not subject to redemption prior to maturity.

<u>Amount*</u>	<u>Rate</u>	<u>Yield</u>
\$199,000,000	%	%

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

The Notes have been offered for sale by competitive bid in accordance with the Official Notice of Sale dated August 12, 2004 and are being issued subject to the legal opinion of Hawkins Delafield & Wood LLP, New York, New York, and Quarles & Brady LLP, Milwaukee, Wisconsin, Bond Counsel to the City, and other conditions specified in the Official Notice of Sale. Delivery of the Notes will be on or about September 9, 2004 (the "Expected Date of Delivery") in New York, New York.

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

For Further Information Contact:

W. Martin Morics, City Comptroller and Secretary to Public Debt Commission
City Hall, Room 403, 200 East Wells Street, Milwaukee, WI 53202 - Phone (414) 286-2301

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

**SEALED AND ELECTRONIC BIDS FOR THE NOTES WILL BE RECEIVED
UP TO 9:30 A.M. (C.D.S.T.) ON TUESDAY, AUGUST 24, 2004**

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.

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

Table will be updated as we move closer to the print date

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INTRODUCTION TO THE OFFICIAL STATEMENT

The purpose of this Official Statement, including the cover page and appendices, is to set forth certain information concerning the City of Milwaukee (“City”), Milwaukee Public Schools (“MPS”) and the offering of \$199,000,000* School Revenue Anticipation Notes, Series 2004 M5 of the City dated the Expected Date of Delivery (the “Notes”).

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

SUMMARY STATEMENT

Issuer:	City of Milwaukee, Wisconsin.
Issue:	\$199,000,000* School Revenue Anticipation Notes, Series 2004 M5.
Dated Date:	Expected Date of Delivery.
Sale Date and Time:	August 24, 2004, 9:30 A.M. C.D.S.T.
Maturity:	September 1, 2005.
Principal Amount:	\$199,000,000*
Interest:	Calculated at 352 days on a 360-day basis.
Denominations:	\$5,000 or integral multiples thereof.
Purpose:	To finance MPS operations on an interim basis pending receipt of State school aid payments.
Security:	<p>MPS and the City have pledged and will irrevocably segregate upon receipt, school State Aid Payments in an amount sufficient with interest thereon, to pay, when due, the principal of and interest on the Notes. MPS and the City have also pledged all other revenues of the School Operations Fund included in the budget for the current fiscal year which are due MPS, which have not been received as of the date of delivery of the Notes, and which are not otherwise pledged or assigned. The City has also pledged surplus revenues of the City’s Debt Service Fund to the payment of interest on the Notes. (See “THE NOTES – SECURITY AND PURPOSE” herein.)</p> <p>The Notes are not a general obligation, do not constitute an indebtedness of the City for the purpose of determining the City’s constitutional debt limitation, and no tax shall be levied to pay the Notes or interest thereon.</p>
Authority for Issuance:	The City of Milwaukee Common Council and the Milwaukee Board of School Directors (“MBSD”) have authorized the issuance and sale of the Notes in accordance with the provisions of the City Charter and Section 67.12(1), Wisconsin Statutes.

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

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

Tax Exemption: Under existing statutes and court decisions and assuming compliance with certain tax covenants described herein, interest on the Notes is excluded from gross income for federal income tax purposes under existing statutes and court decisions pursuant to Section 103 of the Internal Revenue Code of 1986, as amended, and is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. (See “TAX STATUS” herein.)

Redemption Feature: The Notes are not subject to redemption prior to maturity.

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

Professionals:

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

Delivery: Delivery will be on or about September 9, 2004 (the “Expected Date of Delivery”) at the expense of the City, through the facilities of The Depository Trust Company (“DTC”), New York, New York.

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

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

THE NOTES

AUTHORITY

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

Pursuant to a resolution adopted on June 24, 2004, MBSD has determined that it will be necessary to finance the operating budget of MPS on an interim basis, and has requested the City to issue notes pursuant to Section 67.12(1), Wisconsin Statutes, for that purpose.

The Common Council of the City has authorized the issuance and sale of the Notes through adoption of a resolution on July 7, 2004 in accordance with the provisions of the City Charter and Section 67.12(1), Wisconsin Statutes, which reads as follows:

“67.12 Temporary borrowing and borrowing on promissory notes.

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

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

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

SECURITY AND PURPOSE

Pursuant to a resolution of MBSD adopted on June 24, 2004, MBSD has authorized the City to issue the Notes, and to pledge all revenues of the School Operations Fund included in the budget for the current fiscal year which are due MBSD, which have not been received as of the date of delivery of the Notes, and which are not otherwise pledged or assigned, as security for repayment of the Notes (the “Pledged Revenues”).

The School Operations Fund is established by Section 119.46, Wisconsin Statutes, and is held by the City on behalf of MPS. Revenues from the local property tax, state aid payments and federal school aid payments are deposited into the School Operations Fund. (See “Milwaukee Public Schools-School Operations Fund Final Budget Fiscal year 2004 and 2003” herein.)

The Notes are being issued to fund MPS operations pending receipt of school State Aid Payments. A cash flow deficit of approximately \$199 million is anticipated to occur in November, 2004 due to the receipt of the majority of State aids and property tax revenues during December, 2004 through June, 2005, the last seven months of the MPS fiscal year. In contrast, MPS expenditures are relatively evenly distributed throughout the school year (See “School

Operations Fund Trends” herein). This Note issue of \$199* million is the only anticipated interim borrowing for MPS during the 2004-2005 fiscal year. (See “MILWAUKEE PUBLIC SCHOOLS - Borrowing – Future Financing” herein.)

"State Aid" means the general school aids paid by the State to MPS pursuant to subchapter II of Chapter 121, Wisconsin Statutes, as the same may be amended or renumbered from time to time, or any other payments made directly or indirectly by the State to MPS in partial or full replacement or substitution for the school aid payments now made under subchapter II of Chapter 121, Wisconsin Statutes. The term "State Aid" does not include certain other aids not made under subchapter II such as intradistrict aid paid by the State to the MPS under Section 121.85(6)(a), (am) and (ar), Wisconsin Statutes, as the same may be amended or renumbered from time to time.

Pursuant to Chapter 121.115, Wisconsin Statutes, MBSD is anticipating receipt of school State Aid Payments from the State of Wisconsin to the School Operations Fund in September and December, 2004 and in March and June, 2005. Such payments, per Section 119.50, Wisconsin Statutes, shall be received by the City Treasurer.

Pursuant to a resolution of the Common Council of the City adopted on July 7, 2004 (the “City Resolution”), the Common Council of the City has pledged the Pledged Revenues for the repayment of the Notes and has established a segregated account within the School Operations Fund to capture school State Aid Payments received under Section 121.15, Wisconsin Statutes, in June, 2005 in the principal amount of the Notes. The City Resolution also directs the City Treasurer to segregate, for payment of the Notes, June, 2005 school State Aid Payments, in the principal amount of the Notes. The City Treasurer has no discretion to otherwise apply such revenues.

The City has pledged surplus revenues in its Debt Service Fund to the payment of interest on the Notes. As of August 1, 2004 surplus funds available to be pledged in the City’s Debt Service Fund were approximately \$6,500,000.

The City has also covenanted to deposit by June 30, 2005, with the City’s Fiscal Agent, segregated State Aid Payments in an amount sufficient, with interest thereon, to pay, when due, the principal of and interest on the Notes.

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

MATURITY, INTEREST RATE(S) AND REDEMPTION

The Notes are dated the Expected Date of Delivery and will mature on September 1, 2005 without option of prior redemption. Interest is payable at maturity at the rates as shown on the cover of this Official Statement and is calculated as 352 days on a 360 day basis.

STATUTORY BORROWING LIMITATIONS⁽¹⁾

Section 67.12(1)(a) of the Wisconsin Statutes limits issuance for the purpose of the Notes to sixty percent (60%) of the Estimated School Operation Fund Revenues for 2004-2005 Fiscal Year.

Total Amount of Estimated School Operations Fund Revenues For the 2004-2005 Fiscal Year	\$ 903,217,162
Statutory Borrowing Limit (60% of Estimated Revenues)	\$ 541,930,297
Borrowing-School Revenue Anticipation Notes, Series 2004 M5, dated September 9, 2004	<u>\$ 199,000,000</u>
Unused Amount Following this Issue	<u>\$ 342,930,297</u>
Percentage of Borrowing Limit Used	36.7%
Percentage of Borrowing to Estimated Revenues	22.0%

(1) The City has issued similar revenue anticipation notes for the City's General Fund interim financing pending receipt of City State Shared Revenues. These notes, totaling \$66,000,000, mature May 5, 2005 and constitute use of approximately 20% of the City's General Fund borrowing limitation.

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

MILWAUKEE PUBLIC SCHOOLS

GENERAL

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

BORROWING - GENERAL OBLIGATION DEBT

MPS does not have authority to issue debt. The City has the authority (under Chapters 67 and 119, Wisconsin Statutes) to issue municipal obligations for specific school purposes including the acquisition of sites and constructing, enlarging and remodeling of school buildings for the purpose of providing additional classroom space to accommodate anticipated school enrollments. Such municipal obligations require the adoption of a resolution by the City and the levying by the City of required debt service. (See "MILWAUKEE PUBLIC SCHOOLS - Borrowing - Future Financing" herein.) As shown below, as of August 1, 2004, the City had outstanding general obligation debt for school purposes of \$130,446,542.

CITY OF MILWAUKEE OUTSTANDING GENERAL OBLIGATION DEBT FOR SCHOOL PURPOSES AS OF AUGUST 1, 2004

<u>Year</u>	<u>Principal</u>	<u>Interest ⁽¹⁾</u>
2004	\$8,561,667	\$2,448,675
2005	11,177,301	4,810,864
2006	11,270,128	4,346,679
2007	10,549,472	3,816,420
2008	11,002,259	3,485,531
2009	9,379,354	2,971,506
2010	9,698,813	2,812,739
2011	8,904,859	2,306,199
2012	8,654,118	2,307,515
2013	8,139,820	2,123,766
2014	6,969,990	1,687,795
2015	6,318,937	1,970,318
2016	4,782,060	1,608,515
2017	3,480,711	2,090,740
2018	2,471,276	1,893,222
2019	2,535,738	2,589,997
2020	1,676,322	2,908,678
2021	1,433,148	2,771,852
2022	1,684,005	3,630,995
2023	1,468,761	3,486,239
	<u>\$130,158,737</u>	<u>\$56,068,247</u>

⁽¹⁾ Compound interest is included in year paid.

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

**TOTAL UNUSED DEBT MARGIN FOR THE CITY OF MILWAUKEE
AS OF AUGUST 1, 2004**

2003 Equalized Value of Taxable Property in the City		<u>\$ 21,730,754,000</u>
Legal Debt Limitation		
5% of Equalized Value for City Borrowing		\$ 1,086,537,700
General Obligation Debt Outstanding for City Borrowing		
As of August 1, 2004	\$ 692,989,433	
Less: Provision for 2004 Maturities	<u>(\$41,541,339)</u>	
Net General Obligation Debt Outstanding as of August 1, 2004		<u>\$ 651,448,094</u>
Total Unused Debt Margin for City Borrowing (In Dollars)		<u>\$ 435,089,606</u>
(As a Percentage)		40.0%
Legal Debt Limitation for School Purpose Borrowing		
2% of Equalized Value for City Borrowing		\$ 434,615,080
General Obligation Debt Outstanding for School Borrowing		
As of August 1, 2004	\$ 130,446,542	
Less: Provision for 2004 Maturities	<u>(\$8,561,667)</u>	
Net General Obligation Debt Outstanding for School Borrowing		\$ 121,884,875
As of August 1, 2004		
Total Unused Debt Margin (In Dollars)		<u>\$ 312,730,205</u>
(As a Percentage)		72.0%

**HISTORY OF FULL VALUATION IN
THE CITY OF MILWAUKEE
(1998-2003)**

<u>Levy Year</u>	<u>Collection Year</u>	<u>Full Valuation</u>	<u>Percent Increase/Decrease</u>
1998	1999	\$16,228,218,000	+4.62
1999	2000	16,701,225,300	+2.91
2000	2001	17,344,251,400	+3.85
2001	2002	19,453,830,200	+12.16
2002	2003	20,298,387,000	+4.34
2003	2004	21,730,754,000	+7.06

REVENUE BONDS

Neighborhood Schools Initiative

In February 2002, the Redevelopment Authority of the City of Milwaukee (the "RACM") issued \$33,170,000 of its Revenue Bonds, Series 2002A and in November 2003, RACM issued \$78,740,000 of its Revenue Bonds, Series 2003A (Milwaukee Public Schools – Neighborhood Schools Initiative) (collectively, the "NSI Revenue Bonds"). RACM loaned the proceeds of the NSI Revenue Bonds to MPS to partially finance the initial cost of providing approximately 750,000 square-feet of additional classroom capacity for MPS schools, to implement the Neighborhood Schools Initiative and for related activities of MPS. MPS is obligated to make payments to RACM sufficient to pay the principal of and interest on the NSI Revenue Bonds. MPS's repayment obligation is payable solely from and secured by a pledge of all intradistrict aid received by MPS from the State.

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

**CITY OF MILWAUKEE
REDEVELOPMENT AUTHORITY REVENUE BONDS
ANNUAL DEBT SERVICE PAYMENTS AS OF AUGUST 1, 2004**

<u>Year ending June 30</u>	<u>Debt Service Payments</u>	<u>Year ending June 30</u>	<u>Debt Service Payments</u>	<u>Year ending June 30</u>	<u>Debt Service Payments</u>
2004	\$0	2011	\$8,766,641	2018	\$10,348,171
2005	0	2012	8,974,833	2019	10,594,094
2006	3,203,772	2013	9,205,469	2020	10,843,059
2007	2,309,926	2014	9,422,223	2021	11,075,106
2008	6,663,799	2015	9,644,614	2022	11,338,378
2009	7,788,184	2016	9,876,640	2023	11,598,175
2010	8,689,218	2017	10,106,960	2024	11,871,609

Lease Revenue Bonds

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

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

The Series 2003 Bonds do not constitute general obligations of MPS or the City and shall not constitute or give rise to a charge against the City's taxing powers. MPS does, however, have an obligation to pay rents under a lease to support the debt service on the Series 2003 Bonds. Under the lease, the annual rent payments constitute a budgeted expenditure of MPS payable only if funds are budgeted and appropriated annually by the MPS from its School Operations Fund. MPS's obligations under the lease may be terminated on an annual basis by MPS if MPS fails to budget and appropriate for lease payments.

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

**REDEVELOPMENT AUTHORITY OF THE CITY OF MILWAUKEE
DEVELOPMENT REVENUE REFUNDING BONDS
(2430 West Wisconsin Avenue Project and 1600 North Martin Luther King Drive Project)
ANNUAL LEASE PAYMENTS AS OF AUGUST 1, 2004**

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

Pension Obligation Bonds

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

The 2003 Series D Pension Bonds were issued as auction rate securities. The City, on behalf of MPS, entered into Interest Rate Exchange Agreements to synthetically fix the interest rate payable for the entire term of the 2003 Series D Pension Bonds. The schedule of loan payments, after taking into account the Interest Rate Exchange Agreement, are as follows:

**REDEVELOPMENT AUTHORITY OF THE CITY OF MILWAUKEE
TAXABLE PENSION FUNDING BONDS
(Milwaukee Public Schools)
ANNUAL LOAN PAYMENTS AS OF AUGUST 1, 2004**

Year ending <u>June 30</u>	Loan <u>Payments</u>	Year ending <u>June 30</u>	Loan <u>Payments</u>	Year ending <u>June 30</u>	Loan <u>Payments</u>
2005	\$ 7,073,169	2019	\$ 7,073,169	2032	\$ 16,869,048
2006	7,073,169	2020	7,073,169	2033	17,417,705
2007	7,780,486	2021	7,780,486	2034	17,944,215
2008	7,073,169	2022	7,073,169	2035	18,517,318
2009	7,780,486	2023	7,780,486	2036	19,095,157
2010	7,073,169	2024	13,170,656	2037	19,676,894
2011	7,780,486	2025	13,561,004	2038	20,293,004
2012	7,073,169	2026	14,020,759	2039	20,915,853
2013	7,073,169	2027	14,438,761	2040	21,569,417
2014	7,780,486	2028	14,921,525	2041	8,699,811
2015	7,073,169	2029	15,392,540	2042	7,044,047
2016	7,780,486	2030	15,855,127	2043	6,722,867
2017	7,073,169	2031	16,377,153	2044	6,158,109
2018	7,780,486				

BORROWING - FUTURE FINANCING

The City has \$10,240,442 of authorized, but unissued, general obligation borrowing authority for School Purposes.

MPS has \$1,056,000 of Qualified Zone Academy Bond authorization for renovation and repair projects, as well as for equipment, technology, curriculum, and teacher training.

BOARD OF SCHOOL DIRECTORS

MPS is governed by a nine member Board of Directors. Eight Directors represent and are elected by Districts from within a total population of approximately 596,000. One member is elected at-large. Directors serve staggered four year terms which expire in April, and annually, at its organizational meeting, elect a president. The current members and the years in which their terms of office expire are as follows:

Peter Blewett, President	(2005)	Charlene Hardin	(2005)
Joseph Dannecker – Vice President	(2007)	Jennifer Morales	(2005)
Lawrence J. O’Neil	(2005)	Jeff Spence	(2007)
Barbara P. Horton	(2007)	Thomas F. Balistreri (At-Large)	(2007)
Kenneth L. Johnson	(2007)		

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

W. Martin Morics	Comptroller	(2008)
Grant F. Langley	Attorney	(2008)
Wayne F. Whittow	Treasurer	(2008)

PUBLIC SERVICES AND FACILITIES

MPS has approximately 98,323 full-time equivalent students and 7,137 teachers. It maintains 116 elementary schools, 21 middle schools, 19 high schools, one K-12 school and 2 MPS alternative schools. The average age of the MPS buildings is just over 50 years. However, significant investment was made in upgrading many of these buildings in the 1970's and 1980's.

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

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

ENROLLMENT

<u>School Year</u>	<u>Average School Daily Membership⁽¹⁾</u>	<u>School Year</u>	<u>Average School Daily Membership⁽¹⁾</u>
1992-1993	94,694	1998-1999	102,097
1993-1994	96,496	1999-2000	100,682
1994-1995	98,312	2000-2001	99,332
1995-1996	99,278	2001-2002	99,025
1996-1997	101,622	2002-2003	99,054
1997-1998	102,914	2003-2004	98,323

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

FINANCIAL INFORMATION

MPS has full control of all expenditures and revenues required to operate the school district. Section 119.46 of the Wisconsin Statutes requires MPS to transmit to the City a budget to operate, maintain, equip and improve the schools. The City's Common Council must levy and collect property taxes equal to the amount of money budgeted by MPS. All taxes so collected and all other funds received by MPS for these purposes are deposited to the School Operations Fund. The audited financial statements of this and other funds under the control of MPS for the year ended June 30, 2003 are set forth in Appendix A of this Official Statement.

INSURANCE

MPS carries Commercial General Liability Insurance, Auto Liability, Umbrella Excess Liability Insurance, and School Leaders Errors and Omissions Insurance. In addition, Section 893.80 of the Wisconsin Statutes, limits the amount recoverable against a political corporation, its officers, officials or employees for acts done within the scope of their official capacity to \$50,000 in tort liability for non-automobile cases and \$250,000 in automobile cases.

MPS is self-insured for health, dental, and workers' compensation benefits and certain other general liability exposures. The accrued liability for estimated self-insured claims of \$29,808,610 recorded in the School Operations Fund and \$6,376,698 in the General Long-Term Obligations Account Group represents an estimate of the amount of claims incurred, but not paid or reported as of June 30, 2003.

INVESTMENT POLICIES

The City may invest any of its funds, including MPS funds, not immediately needed in accordance with Section 66.04(2) of the Wisconsin Statutes. The City, through Common Council Resolution 930358, adopted July 6, 1993, has instructed the City Treasurer to invest City funds, including MPS funds, in: (a) Certificates of Time Deposit at approved public depositories limited to the equity capital or net worth of the financial institution with collateralization required when total deposits at any institution exceed \$500,000; (b) Repurchase Agreements with public depository institutions; (c) the State of Wisconsin Local Government Investment Pool; (d) U.S. Treasury and Agency instruments and (e) commercial paper which has a rating in the highest or second highest rating category assigned by Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., Moody's Investors Services, Inc., or some other similar nationally recognized rating agency. To the extent possible, the City Treasurer attempts to match investments with anticipated cash flow requirements. No limits have been placed on how much of the portfolio can be invested in any of the above investment categories.

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

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

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

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

The Local Government Investment Pool is a local option City depository. The City utilizes the Local Government Investment Pool in a manner similar to a "money market" account. When other investment options provide more favorable results, such options are utilized. As of June 30, 2003, the City had approximately 63% (\$230,000,000) of its and MPS's investments deposited in the Local Government Investment Pool.

REVENUES OF MILWAUKEE PUBLIC SCHOOLS

SOURCES OF FUNDING

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

LOCAL PROPERTY TAX

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

MILWAUKEE PUBLIC SCHOOLS PROPERTY TAX LEVIES⁽¹⁾ ALL FUNDS (1998-2003)

<u>Levy Year</u>	<u>Collection Year</u>	<u>Taxes Levied</u>
1998	1999	\$173,492,952
1999	2000	160,561,007
2000	2001	169,720,932
2001	2002	174,734,593
2002	2003	181,046,151
2003	2004	183,198,437

(1) Exclusive of Tax Incremental District levies.

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

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

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

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

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

Assessed valuation represents the value upon which ad valorem property taxes are levied. Wisconsin law requires that assessed values in any taxation district be established within 10% of “full value,” as determined by the Department of Revenue, at least once during each four year period ending with the current year. If a district fails to meet this criteria in any year, the district’s assessors are subject to special supervision by Department of Revenue employees during the ensuing assessment year. For 2002, the City’s ratio of assessed to equalized value, as reported by the Department of Revenue, was 98.0 percent. Full values of any two major classes of property must also be within 10% during such four-year period or State Revenue Department supervision is required.

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

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

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

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

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

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

The 2003 levies (collected in 2004) for non-MBSD purposes were as follows:

City of Milwaukee	\$199,000,000
Milwaukee County	101,100,000
MATC	41,800,000
Metropolitan Sewerage District	33,600,000
State Forestry Tax	4,300,000

The net tax rate for all taxing jurisdictions in 2003 was \$26.17 per assessed thousand of property valuation.

Property Tax Collections - Taxes levied in one year are collected in the succeeding year. Thus, taxes certified in 2004 will be collected in 2005. Taxes are due on January 31st in the year of collection; however, taxes on real property may be paid in 10 equal installments not later than the last day of each month from January to October without interest or penalty. Personal property taxes may be paid in 7 equal installments on the last day of each month from January to July without interest or penalty. First installments which are not timely paid within the prescribed time bear interest at the rate of 1% per month until paid, plus 0.5% of the tax with interest from January 31 and penalty. The City Treasurer collects current and delinquent property taxes, as well as any interest or penalty, and after deducting a statutory fee for such collection, remits the balance to MPS on a monthly basis from January through May and any balance of the annual levy remaining at June 30 is remitted to MPS in early July. If a tax payment is insufficient to pay all charges, City special charges, special assessments and special taxes are paid before MPS receives its share of the levy.

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

SCHOOL AIDS

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

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

In 2003, the Governor and the State Legislature determined that the State could no longer afford to target 66.7% funding for school aid. Based on the 2003-05 budget adopted by the State Legislature, MPS expects that State Aid will increase from 51.5% of the MPS budget during the 2002-03 school year to approximately 54% of the MPS budgets for the 2003-04 and 2004-05 school years.

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

STATE AIDS

Equalization Aid

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

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

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

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

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

ANNUAL REVENUES PER PUPIL

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

Integration Aid

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

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

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

STATE CATEGORICAL AIDS

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

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

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

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

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

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

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

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

PARENTAL CHOICE PROGRAM

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

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

FEDERAL SCHOOL AIDS

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

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

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

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

GENERAL FUND TRENDS

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

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

**MILWAUKEE PUBLIC SCHOOLS
GENERAL FUND⁽¹⁾
FOUR YEAR SUMMARY
(ACTUAL - NON-GAAP BASIS)**

	2003 <u>Year End ⁽⁷⁾</u>	2002 <u>Year End ⁽³⁾</u>	2001 <u>Year End ⁽²⁾</u>	2000 <u>Year End ⁽²⁾</u>
Revenues				
Property tax levy	\$166,054,974	\$161,632,008	\$157,722,667	\$127,860,679
Other local sources	10,384,593	9,680,243	15,366,978	7,062,827
State aid:				
Equalization aid	556,169,239	541,388,517	530,389,369	522,070,078
Special classes	40,312,755	41,148,872	40,368,704	38,472,504
Integration	38,717,298	38,830,913	38,440,145	38,233,657
Other state aid	48,330,871	45,394,469	40,951,986	28,550,951
Federal aid:				
Improvement Act	55,238,900	48,563,189	55,354,654	52,528,477
Erate Refunds	857,304			
Other federal aid	65,769,875	54,871,879	37,731,529	28,316,620
Interest and investment earnings	163,109			
Total Revenues	<u>981,998,918</u>	<u>941,510,090</u>	<u>916,326,032</u>	<u>843,095,793</u>
Expenditures				
Current operating:				
Instructional services:				
Undifferentiated curriculum	394,787,592	355,934,282	320,617,524	310,522,755
Regular and other curriculum	113,717,969	110,567,911	110,455,959	113,520,399
Special curriculum	95,307,418	93,443,822	87,734,737	84,078,345
Total instructional services	<u>603,812,979</u>	<u>559,946,015</u>	<u>518,808,220</u>	<u>508,121,499</u>
Community services	21,442,778	18,312,322	6,100,828	5,483,069
Pupil and staff services	106,437,367	84,849,657	83,973,255	81,329,833
General and school building administration	115,847,360	82,821,806	74,585,940	72,226,305
Business services	164,931,353	150,643,630 ⁽⁶⁾	139,612,052	135,631,737
Debt Service:				
Principal	466,525			
Interest	376,242			
Other	1,400,556	54,246,349	60,739,866	48,804,033
Capital outlay:				
Sites and buildings		-	5,694,450	8,094,567
Furniture and equipment		-	14,991,028	7,606,763
Total Expenditures	<u>1,014,715,160⁽⁸⁾</u>	<u>950,819,779</u>	<u>904,505,639</u>	<u>867,297,806</u>
Excess of revenues over (under) expenditures	(32,716,242)			
Capital Leases	0	0	5,620,094	3,358,759
Transfers in (out)		(351,168)	0	0
Total Other Financing Sources	0	(351,168)	5,620,094	3,358,759
Net Change in Fund Balances	(32,716,242)	(9,660,857)	17,440,487	(20,843,254)
Fund balance - beginning of year	\$117,908,916			95,773,929
Fund balance - beginning of year, as restated		127,569,773 ⁽⁵⁾	100,961,458 ⁽⁴⁾	
Fund balance - end of year	<u>\$85,192,674</u>	<u>\$117,908,916</u>	<u>\$118,401,945</u>	<u>\$74,930,675</u>

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

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

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

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

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

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

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

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

Milwaukee Public Schools
General Fund Final Budget
Fiscal year 2005 and 2004

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

⁽¹⁾ Final Amended Fiscal 2004 and 2005 School Operations Fund Budgets with Total Revenues, Total Expenditures and Use of Surplus approved by the Milwaukee Board of School Directors in October, 2003 for the 2003-2004 Budget and

⁽²⁾ Expenditure categories include allocations based on estimates and may differ from actual experience.

The management of MPS has prepared the projected financial information set forth below to present the cash flow needs of MPS for the fiscal year 2003-2004. It is the belief of MPS management that these projections are reasonable and reflect the best current estimates and judgments regarding future cash flows. MPS's independent auditors have not compiled, examined, or performed any procedures with respect to the prospective financial information set forth below, nor have they expressed any opinion or any form of assurance on such information or its achievability, and assume no responsibility for, and disclaim any association with, this prospective financial information.

MILWAUKEE PUBLIC SCHOOLS
SCHOOL OPERATIONS FUND MONTHLY CASH FLOW SUMMARY
2002-2003 ACTUAL RESULTS (UNAUDITED)
2003-2004 PROJECTED
(Millions of Dollars)

Information has been requested

	Beginning Cash Balance (Deficit)	Receipts	Disbursements	Ending Cash Balance (Deficit)	Ending Cash Balance Including Proceeds of Notes
July (2002)	89.461	22.250	54.319	57.392	
August	57.392	22.469	66.266	13.595	
September	13.595	223.765 ⁽¹⁾	76.456	160.904	
October	160.904	5.038	92.490	73.452	
November	73.452	23.579	98.528	(1.497)	
December	(1.497)	170.916	91.462	77.957	
January (2003)	77.957	104.029	126.380	55.606	
February	55.606	83.925	95.073	44.458	
March	44.458	171.200	94.380	121.278	
April	121.278	27.672	99.584	49.366	
May	49.366	28.599	85.271	(7.306)	
June (2003)	(7.306)	309.180	246.602	55.272	
Projected					
July (2003)	55.272	17.760	64.819	8.213	8.213
August	8.213	27.782	66.472	(30.477)	(30.477)
September	(30.477)	85.489	76.537	(21.525)	(21.525)
October	(21.525)	9.689	94.460	(106.296)	43.704
November	(106.296)	34.812	88.655	(160.139)	(10.139)
December	(160.139)	169.082	93.438	(84.495)	65.505
January (2004)	(84.495)	123.783	123.034	(83.746)	66.254
February	(83.746)	66.546	94.661	(111.861)	38.139
March	(111.861)	171.483	94.275	(34.653)	115.347
April	(34.653)	27.628	90.661	(97.686)	52.314
May	(97.686)	30.808	88.790	(155.668)	(5.668)
June (2004)	(155.668)	316.862	100.667	60.527	60.527 ⁽²⁾

⁽¹⁾ Includes \$133,000,000 School Order Notes, Series 2002-B

⁽²⁾ Balance after repayment of \$150,000,000 Notes principal.

MILWAUKEE PUBLIC SCHOOLS
SCHOOL OPERATIONS FUND - PROJECTED CASH FLOW SUMMARY
JULY 1, 2003 - JUNE 30, 2004
(Millions of Dollars)

	July	August	September	October	November	December	January	February	March	April	May	June	Total
Balance	55.272	8.213	(30.477)	(21.525)	43.704	(10.139)	65.505	66.254	38.139	115.347	52.314	(5.668)	
RECEIPTS													
Property Taxes							92.860	25.474	4.875	8.281	5.173	36.929	173.592
Integration Aid												38.739	38.739
Computer Aid											4.152		4.152
State Aid													
Equalization	10.305		81.911			139.022			138.083			193.317	562.638
Other	0.186	0.604	0.514	0.070	6.093	7.537	8.307	6.379	8.191	2.104	2.307	10.618	52.910
Categorical Aid	2.520	22.000	1.656	1.677	13.109	14.618	13.301	27.061	13.742	10.446	12.166	22.898	155.194
Nutrition	1.886	3.800	-	0.516	0.144	2.229	2.521	2.531	1.934	2.230	2.291	2.418	22.500
Other Local Receipts	1.271	1.271	1.271	1.271	5.171	1.271	1.271	1.271	1.271	1.271	1.271	1.271	19.152
Local Revenues	1.592	0.107	0.137	3.539	0.173	0.118	0.119	0.142	0.220	0.128	0.153	5.566	11.994
Other Receipts													
Note Proceeds				150.000									150.000
Other Financings (NSI)				2.616	10.122	4.287	5.404	3.688	3.167	3.168	3.295	5.106	40.853
Total Receipts	17.760	27.782	85.489	159.689	34.812	169.082	123.783	66.546	171.483	27.628	30.808	316.862	1,231.724
DISBURSEMENTS													
Salaries and Benefits	41.545	30.667	58.325	65.915	65.171	65.480	95.497	68.580	69.299	68.183	67.296	68.293	764.251
Services & Supplies	22.003	29.878	14.319	22.987	16.809	18.304	23.099	18.882	20.410	16.101	15.357	26.277	244.426
Other Local Expenses	1.271	1.271	1.271	1.271	1.271	1.271	1.271	1.271	1.271	1.271	1.271	1.271	15.252
Disbursement Borrowed													
Proceeds (NSI)		2.616	2.622	4.287	5.404	3.688	3.167	3.168	3.295	5.106	4.866	4.826	43.045
Note Principal to Trustee												150.000	150.000
Debt Service		2.040				4.695		2.760					9.495
Total Disbursements	64.819	66.472	76.537	94.460	88.655	93.438	123.034	94.661	94.275	90.661	88.790	250.667	1,226.469
Balance	8.213	(30.477)	(21.525)	43.704	(10.139)	65.505	66.254	38.139	115.347	52.314	(5.668)	60.527	

THE CITY OF MILWAUKEE

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. Milwaukee is Wisconsin's largest city with a population of 595,245 and is the principal trade, service and financial center of southeastern Wisconsin. The surrounding Standard Consolidated Metropolitan Statistical Area (SCMSA) consisting of Milwaukee, Waukesha, Washington, Ozaukee, and Racine Counties, has a population of nearly 1.6 million. This SCMSA is the 24th largest metropolitan area in the United States.

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

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

CITY OF MILWAUKEE SELECTED ECONOMIC DATA

	<u>Population⁽¹⁾</u>	<u>Per Capita Average Income</u>	<u>Per Capita Household Income</u>	<u>Per Capita Equalized Value</u>
1998	610,654	\$13,436	\$34,839	\$26,575
1999	608,150	13,780	35,830	27,462
2000	605,572	14,170	36,830	28,641
2001	595,508	14,147	36,339	32,667
2002	595,958	13,420	34,320	34,022
2003	595,245	Not Available	Not Available	36,507

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

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

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BUILDING PERMITS

Another indicator of economic growth is the activity in the building industry. The following table indicates building permit activity during the period 1999 through December 2003.

General Total

<u>Year</u>	<u>Value</u>	<u>Permits Issued</u>
1999	\$332,184,632	2,429
2000	281,978,437	2,448
2001	388,613,133	2,752
2002	337,028,003	2,756
2003	334,954,154	2,884

Residential Building

<u>Year</u>	<u>Single Family</u>		<u>Multi-Family</u>		<u>Total</u>		<u>Permits Issued</u>
	<u>Value</u>	<u># Of Units</u>	<u>Value</u>	<u># Of Units</u>	<u>Value</u>	<u># Of Units</u>	
1999	\$9,489,837	84	\$10,951,700	119	\$20,441,537	203	109
2000	13,501,445	113	21,682,808	239	35,184,253	352	137
2001	17,597,336	141	81,508,896	401	99,106,232	542	168
2002	18,726,773	135	53,525,650	562	72,252,423	697	172
2003	20,069,077	159	91,792,191	666	111,861,268	825	187

Commercial Building

<u>Year</u>	<u>Value</u>	<u>Permits Issued</u>
1999	\$128,343,915	95
2000	99,967,923	88
2001	106,537,251	99
2002	87,778,047	89
2003	61,824,799	96

Public Building

<u>Year</u>	<u>Value</u>	<u>Permits Issued</u>
1999	\$30,726,416	145
2000	43,153,279	181
2001	64,534,354	406
2002	24,122,613	159
2003	54,241,508	202

Alterations And Additions

<u>Year</u>	<u>Value</u>	<u>Permits Issued</u>
1999	\$152,672,764	2,080
2000	103,672,982	2,042
2001	118,435,296	2,079
2002	152,874,920	2,336
2003	107,026,579	2,399

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

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

BANK DEPOSITS

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

	1999	2000	2001	2002	2003
Bank One, Milwaukee, N.A. ⁽¹⁾⁽²⁾	\$4,262,523	\$4,397,409	\$4,398,040	—	—
M & I Marshall & Ilsley Bank	5,245,384	8,623,224	18,244,031	\$18,523,783	\$20,932,473
Wells Fargo Bank Wisconsin, N.A.	1,667,542	1,803,846	1,992,708	2,200,491	2,277,301
Bank Mutual ⁽³⁾	1,355,566	1,343,013	1,479,372	1,477,209	2,270,649
Associated Bank Milwaukee ⁽⁴⁾	1,929,558	1,918,455	5,840,463	5,648,495	—
Guaranty Bank	678,162	918,287	1,475,151	1,784,272	1,541,942
Johnson Bank	1,016,505	1,105,687	1,165,488	1,468,019	1,872,594
St. Francis Bank, FSB ⁽⁵⁾	1,547,272	1,480,471	1,431,840	140,024	1,349,686
State Financial Bank, N.A. ⁽⁶⁾	—	859,769	955,237	991,701	—
Park Bank	390,147	455,397	466,454	472,664	510,814

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

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

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

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

⁽⁵⁾ St. Francis Bank merged into Mid America Bank, FSB, Clarendon Hills, Illinois on December 1, 2003.

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

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

Source: Wisconsin Department of Financial Institutions, December 2003 and The American Financial Directory (Wisconsin) January-June 2004.

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

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

<u>Employer</u>	2002 ⁽¹⁾ <u>Employment</u>	<u>Type of Business or Service</u>
Aurora Health Care	11,365	Health Care
Milwaukee Public Schools	11,329	Education
U.S. Government (Excludes V.A. Medical Center)	8,875	Government
City of Milwaukee	7,150	Government
Covenant Health Care	5,716	Health Care
M&I Marshall & Ilsley	5,579	Holding company banking/finance and data services
Milwaukee County	5,577	Government
University of Wisconsin-Milwaukee	4,178	Education
Northwestern Mutual Life	4,039	Insurance
Medical College of Wisconsin	3,760	Medical school/academic/health care
SBC Communications (Ameritech Corporation)	2,766	Communications
Rockwell Automation (formerly Allen-Bradley)	3,740	Manufacturer, electrical/electronic products
WE Energies	3,300	Electric/natural gas utility
Froedert Memorial Lutheran Hospital	3,150	Health Care
US Bank (formerly Firstar Corporation)	2,663	Finance, banking
Columbia-St. Mary's ⁽²⁾	2,603	Health Care
Harley-Davidson Motor Company	2,450	Manufacturer, motorcycles
Johnson Controls, Inc.	2,435	Manufacturer, of electronic control systems, automobile interior modules
Briggs and Stratton	2,300	Manufacturer, small engines, automotive locks and keys
Children's Hospital of Wisconsin	2,116	Health care
Clement Zablocki Veterans Medical Clinic	1,950	Health Care
Fortis	1,865	Health care
Miller Brewing Company	1,797	Manufacturer of beer and aluminum containers

Note: Data reflects full-time equivalent employees (FTEs).

- (1) Rockwell Automation and Froedert Memorial Lutheran Hospital did not submit a response for 2002 FTEs survey. Due to changes in methodology, U.S. Government, Clement Zablocki Medical Center and Wisconsin Energy reported higher numbers of FTEs. Briggs & Stratton Corporation and Milwaukee County experienced significant decreases due to the downsizing of their workforce.
- (2) Columbia-St. Mary's reported higher FTE amounts for 2001. St. Mary's Ozaukee clinic was included in error in 2001.
- (3) Johnson Controls, Inc. closed their Atlanta, Georgia office. Several employees from the Atlanta office relocated to the Milwaukee office.

Source: Milwaukee County Department of Administrative Services, January 2003 survey of employers.

EMPLOYMENT AND INDUSTRY

During 2003, the City's unemployment rate averaged approximately 9.7%. Presented below are annual unadjusted unemployment rates for the City of Milwaukee, as compared to the State of Wisconsin and the United States for the period 1999 through December 2003.

<u>Year</u>	<u>City of Milwaukee</u>	<u>Milwaukee - Waukesha Metropolitan Area</u>	<u>State of Wisconsin</u>	<u>United States</u>
2003	9.7%	6.1%	5.6%	6.0%
2002	9.6	6.0	5.5	5.8
2001	7.8	4.7	4.5	4.7
2000	6.7	3.8	3.6	4.0
1999	5.4	3.1	3.0	4.2

Rates for City of Milwaukee and Milwaukee - Waukesha Metropolitan Area are not seasonally adjusted.
Source: U.S. Bureau of Labor Statistics.

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

CITY OF MILWAUKEE
ESTABLISHMENTS AND EMPLOYMENT BY INDUSTRY GROUP
2003 ⁽¹⁾

NAICS Description	Number of Establishments	Average Employment
Agriculture, Forestry, Fishing, & Hunting	3	9
Mining	7	32
Utilities	23	1,612
Construction	804	7,684
Manufacturing	887	43,235
Wholesale Trade	937	12,515
Retail Trade	1,574	21,024
Transportation & Warehousing	426	13,121
Information	247	8,738
Finance & Insurance	795	26,442
Real Estate & rental & housing	536	4,852
Professional & Technical Services	1,535	17,638
Management of Companies & Enterprises	130	10,001
Administrative & Waste Services	781	24,033
Educational Services	344	33,525
Health Care & Social Services	1,660	59,081
Arts, Entertainment, & Recreation	168	6,865
Accommodation & Food Services	1,119	20,748
Other Services, Ex. Public Administrative	1,975	11,075
Public Administration	38	17,619
Unclassified	4	17
Total	13,993	339,866
All Government	241	47,723
Private Sector	13,752	290,143
Total	13,993	337,866

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

⁽¹⁾ Information represents second quarter 2003.

Source: Wisconsin Department of Workforce Development.

TEN LARGEST TAXPAYERS WITH 2003 ASSESSED VALUATIONS

First Security Bank	\$214,254,820
Northwestern Mutual Life Ins.	166,926,980
Teachers Insurance & Annuity/TIAA Realty	106,281,690
Towne Realty	91,282,230
M & I Marshall & Ilsley Bank/Metavante Corp	78,295,020
Marcus Corp/Milw City Center/Pfister	73,878,590
Metropolitan Associates	72,949,070
Miller Brewing	71,369,080
Great Lakes REIT/GLR Milw Center	64,633,530
100 E. Wisconsin Ave Joint Venture	56,346,910

Source: City of Milwaukee, Assessor's Office.

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BOOK-ENTRY ONLY SYSTEM

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

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

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

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

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

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

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

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

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

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

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

NEITHER THE CITY, THE FISCAL AGENT NOR THE UNDERWRITERS WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO PARTICIPANTS, TO INDIRECT PARTICIPANTS OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DTC PARTICIPANT OR ANY INDIRECT PARTICIPANT; (2) THE PAYMENT BY DTC, ANY DTC PARTICIPANT OR ANY INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE NOTES; (3) ANY NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN TO HOLDERS OF THE NOTES; (4) ANY CONSENT GIVEN BY DTC OR OTHER ACTION TAKEN BY DTC AS THE HOLDER OF THE NOTES; OR (5) THE SELECTION BY DTC, ANY DTC PARTICIPANT OR ANY INDIRECT PARTICIPANT OF ANY BENEFICIAL OWNER TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE NOTES.

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LEGAL MATTERS

LITIGATION

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

The City Attorney's Office has currently reviewed the status of pending or threatened litigation, claims and assessments to which the office has devoted substantive attention in the form of legal consultation or representation. Those which individually represent the maximum potential loss exposure in excess of \$1 million which existed on August __, 2004.

Beverly Coleman v. Milwaukee Board of School Directors, USDC Case numbers 01-C-0729 and 01-C-0463 are consolidated cases wherein plaintiff alleges violations of Title VII of the Civil Rights Act of 1964, as amended in the form of discrimination on the basis of race (African American), and gender (female) by both discriminatory acts and by hostile work environment. Plaintiff also alleges retaliation for having engaged in protected activity of prior complaints of discrimination and alleges violations of the American with Disabilities Act in the form of disability discrimination and failure to accommodate. Plaintiff further alleges violation of her constitutional rights (Thirteenth Amendment) by acts of intentional discrimination based upon race impairing her right to contract. In February 2003, the Court allowed plaintiff to file a second amended complaint that incorporated earlier allegations along with more recent events, including her discharged from employment. Plaintiff claims her discharge was in violation of Title VII and the ADA. The second amended complaint has been answered, and a scheduling order entered. Trial is set for November 2004. MBSD intends to defend vigorously. There is a small likelihood of an unfavorable outcome. It is too early to determine the amount or range of potential loss.

Lamont A., et al v. Milwaukee Board of School Directors, et al, USDC Case number 01-C-0928. This is a federal civil rights suit, pending in the U.S. District Court, Eastern District of Wisconsin. It is filed on behalf of seven MPS special education students, alleging violations of the Individuals with Disabilities Education Act, the Rehabilitation Act of 1973 (Sec. 504) and Section 1983 of the Civil Rights Act of 1871 (42 U.S.C. 1983). The suit alleges that MPS violated the statutory and constitutional rights of the named plaintiffs as a result of MPS' delivery, and/or failure to provide education and services required under federal statutes. The suit also seeks certification of a class action of all MPS special education students, who number in excess of 16,000 students. The class allegations assert that MPS systematically violates the rights of all special education students. Plaintiffs seek equitable relief, including the entry of injunctions against MPS requiring MPS to ensure that the District provides education and services called for under the federal statutes. Plaintiffs also seek compensatory relief, in the form of compensatory education. It is unclear at this time whether plaintiffs are seeking monetary relief. Plaintiffs also seek attorneys fees and expenses. MBSD has denied the allegations in the complaint and has opposed the plaintiffs' motion to certify the purported class of plaintiffs. On May 23, 2003, the federal district court issued its decision regarding class certification. The Court narrowed the scope of the plaintiffs' claims by excluding those that the Court found required the plaintiffs to first exhaust their administrative remedies. The Court further ruled that the class definition must be changed to reflect its decision. The plaintiffs submitted an amended motion for class certification and the MBSD submitted its response at the end of July, 2003, opposing plaintiffs' motion. The parties are awaiting the Court's decision on the issue of an amended class.

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

Milwaukee Teachers' Education Association v. Milwaukee Board of School Directors, Milwaukee County Circuit Court case number 03CV002552. The plaintiff union claims that retroactive wage payments under the 2001-2003 collective bargaining agreement between the union and the Board were paid more than 31 days after the effective date of the contract in violation of Wis. Stat. § 109.03(1), Wisconsin's Wage Payment statute. The union seeks a declaratory ruling that the Board violated the statute, an injunction precluding the Board from violating the statute in the future and compelling the Board to make the retroactive wage payments, attorney's fees, and a penalty under § 109.11(2)(a) of up to 50% of the amount of wages that were not paid within the 31-day statutory period required by the statute. The Board paid the retroactive wages in April, 2003, approximately five months after ratification of the bargaining agreement that required the retroactive payments. The retroactive payments made at that time totaled \$11,820,452; accordingly, the maximum penalty that could be assessed against the Board is \$5,910,226.

The issuance of penalties under the wage payment statute is discretionary, and it seems somewhat unlikely that a judge would penalize a financially-strapped school district under the particular circumstances of this case: here, the union specifically sought delay of several months in implementation by the Board of salary increases under the 2002-2003 bargaining agreement; historically, retroactive payments (which require considerable time to calculate and implement) had been made only 1 to 3 months after implementation of salary increases. Arguably, this represents a contractually binding past practice that, under the statute, establishes an exception to the 31-day requirement; at a minimum, it constitutes a mitigating factor to any delay that would seem to support not imposing a penalty upon the Board. Regardless, it appears likely (though no decision has addressed the issue yet) that no discretionary penalty can be imposed under the statute unless a plaintiff has first filed a claim with the Department of Workforce Development Labor Standards Bureau, something the plaintiff failed to do so in the present case. In addition, the plaintiff failed to file a notice of injury and claim with the Board before commencing this action. Such notice is required under Wis. Stat. § 119.68(2), and failure to file such a notice mandates dismissal of a complaint. Although no cases have considered whether a notice of injury and claim is required before commencing a Chapter 109 wage action, there are persuasive arguments that it is. If the present case is dismissed due to the plaintiff's failure to file a notice of injury and claim, a current Court of Appeals decision (for which, however, a petition for review has been granted by the Wisconsin Supreme Court) holds that no discretionary penalties can be assessed under the Wage Payment statute if, at the time the complaint is filed, the wages at issue have already been paid. If the present case is dismissed because of the plaintiff's failure to comply with statutory notice of injury and claim requirements, no penalties would be available to plaintiffs under this Court of Appeals decision, assuming it is upheld by the Supreme Court, because the Board made the full retroactive payments at issue within a month after filing the present complaint. A scheduling conference is scheduled for September 16, 2003.

Grindrod v. MBSD, Spence Korte, Howard Fuller, Barbara Horton, Robert Jasna, Alan Brown, USDC Case No. Case No. 01-C-1198. Ms. Grindrod seeks to bring claims under Title VII of the Civil Rights Act of 1964, as amended, and 42 U.S.C. Sec. 1983 for Equal Protection. She claims that she has suffered reverse discrimination by not being selected as an Assistant Principal at MPS. Ms. Grindrod is Caucasian. She claims that less-qualified Black applicants have passed her over for the positions. She also claims that the system of recruitment and placement is unconstitutional. As discovery proceeds, she may also attempt to bring in other plaintiffs to make the case a class action. The trial is set for February 2004. If successful on her claim at trial Ms. Grindrod would be eligible to receive in judgment: back pay, compensatory damages, front pay (or reinstatement), and attorney's fees.

Holzbauer v. Safway Steel Products, Circuit Court Case No. 02-CV-003877. This lawsuit involves a recently filed counterclaim against MPS. Mr. Holzbauer was employed as a painter by MPS, and while engaged in painting the ceiling of an auditorium of an MPS elementary school fell through an opening left in the guardrail left at the top of scaffolding rented by MPS from Safway Steel Products. Normally, Wisconsin workers' compensation law would provide that the product-supplier would have no right of claim against Holzbauer's employer, however, the rental contract in this particular instance effectively waived this immunity. Safway and MPS strenuously disagree over whether the agreement is binding on MPS and whether, if valid, requires MPS to pay only for its share of any negligence or whether it must defend and indemnify Safway for its own negligence. If the contract is found to be enforceable, and MPS is found liable for its negligence and that of Safway, it is likely that the counterclaim against MPS could exceed \$1,000,000 as Holzbauer incurred approximately \$500,000 in medical expenses and workers' compensation benefits.

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

LEGAL OPINION

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

TAX STATUS

THE NOTES

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

Bond Counsel expresses no opinion regarding any other Federal or state tax consequences with respect to the Notes. Bond Counsel renders their opinion under existing statutes and court decisions as of the issue date, and assumes no obligation to update their opinion after the issue date to reflect any future action, fact or circumstance, or change in law or interpretation, or otherwise. Bond Counsel expresses no opinion on the effect of any action taken in reliance upon an opinion of other counsel on the exclusion from gross income for Federal income tax purposes of interest on the Notes.

CERTAIN ONGOING FEDERAL TAX REQUIREMENTS AND COVENANTS

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

CERTAIN COLLATERAL FEDERAL TAX CONSEQUENCES

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

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

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

STATE TAX MATTERS

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

NO DESIGNATION AS QUALIFIED TAX-EXEMPT OBLIGATIONS

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

CONTINUING DISCLOSURE

In order to assist the Underwriters in complying with SEC Rule 15c2-12 promulgated by the Securities and Exchange Commission, pursuant to the Securities Exchange Act of 1934 (the "Rule"), the Issuer shall covenant pursuant to a Resolution adopted by the Governing Body to enter into an undertaking (the "Undertaking") for the benefit of holders including beneficial holders of the Notes to provide notices of the occurrence of certain events enumerated in the Rule to certain information repositories or the Municipal Securities Rulemaking Board and to any state information depository. The detail and terms of the Undertaking, as well as the information to be contained in the notices of material events, are set forth in the Continuing Disclosure Certificate to be executed and delivered by the Issuer at the time the Notes are delivered in substantially the form attached hereto as Appendix B. The Issuer has never failed to comply in all material respects with any previous undertakings under the Rule to provide annual reports or notices of material events. A failure by the Issuer to comply with the Undertaking will not constitute an event of default on the Notes (although holders will have the right to obtain specific performance of the obligations under the Undertaking). Nevertheless, such a failure must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Notes in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Notes and their market price.

RATINGS

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

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

FINANCIAL ADVISOR

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

UNDERWRITING

The Notes have been purchased at competitive bidding conducted on August 24, 2004.

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

The public reoffering prices or yields of the Notes are detailed on the cover of the Final Official Statement.

LEGISLATION

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

CLOSING DOCUMENTS AND CERTIFICATES

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

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

REPRESENTATIONS OF THE CITY

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

ADDITIONAL INFORMATION

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

W. MARTIN MORICS
City Comptroller and Secretary
City of Milwaukee
Public Debt Commission
City Hall - Room 403
200 East Wells Street
Milwaukee, Wisconsin 53202
(414) 286-2301

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

August 12, 2004

APPENDIX A

MILWAUKEE PUBLIC SCHOOLS

**Basic Financial Statements
Year Ended June 30, 2003 and Independent Auditors' Report**

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**MILWAUKEE PUBLIC SCHOOLS
FINANCIAL STATEMENTS
For the Year Ended June 30, 2003
(Excerpts from Comprehensive Annual Financial Report)**

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APPENDIX B

Draft Form of Legal Opinion

HAWKINS DELAFIELD & WOOD LLP

67 Wall Street
New York, New York 10005

QUARLES & BRADY LLP

411 East Wisconsin Avenue
Milwaukee, Wisconsin 53202-4497

Mr. W. Martin Morics
City Comptroller
City of Milwaukee
Room 403, City Hall
200 East Wells Street
Milwaukee, Wisconsin 53202

Dear Sir:

CITY OF MILWAUKEE, WISCONSIN
SCHOOL REVENUE ANTICIPATION NOTES,
SERIES OF 2004 M5, \$199,000,000*

At your request, we have examined into the validity of an issue of \$199,000,000* School Revenue Anticipation Notes, Series 2004 M5 (the "Notes") of the City of Milwaukee, Wisconsin (the "City"), dated the Expected Date of Delivery, in fully registered form, payable on September 1, 2005 without option of prior redemption, bearing interest payable September 1, 2005 at the rates per annum, and numbered and in the amounts as set forth below:

<u>Number</u>	<u>Amount</u>	<u>Interest Rate</u>
---------------	---------------	--------------------------

The Notes recite that they are issued pursuant to the provisions of Section 67.12(1), Wisconsin Statutes, for the purpose of financing the operating budget of the Milwaukee Public Schools on an interim basis pending receipt of state school aid payments due in June of 2005. We have examined the Constitution and statutes of the State of Wisconsin, the Charter of the City and a certified transcript of proceedings relating to the authorization and the issuance of the Notes, also a specimen Note. We have relied upon such transcript as to the matters of fact stated therein, without independent verification.

We have not been engaged or undertaken to review the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Notes, and we express no opinion relating thereto.

In our opinion, (i) the Notes have been authorized and issued in accordance with the Constitution and statutes of the State of Wisconsin and the Charter of the City, and constitute valid and legally binding obligations of the City; (ii) payment of principal of the Notes is secured solely by an irrevocable pledge of all School Operations Fund revenues included in the budget for fiscal year 2004-2005 which are due and not yet paid the City as of the date of delivery of and payment for the Notes and which are not otherwise applied through June 30, 2005; and (iii) payment of interest on the Notes is secured by a pledge of surplus revenues in the City's Debt Service Fund.

It is to be understood that the rights of the holders of the Notes and the enforceability thereof may be subject to judicial discretion, to the exercise of the sovereign police powers of the State of Wisconsin and to valid bankruptcy, insolvency, reorganization, moratorium and other laws for the relief of debtors.

It is also our opinion that, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants, interest on the Notes is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and interest on the Notes is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. In rendering this opinion, we have relied on certain representations, certifications of fact, and statements of reasonable expectations made by the City and others in connection with the Notes, and

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

we have assumed compliance by the City with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Notes from gross income under Section 103 of the Code.

We express no opinion regarding any other Federal or state tax consequences with respect to the Notes. We have rendered this opinion under existing statutes and court decisions as of the issue date, and assume no obligation to update this opinion after the issue date to reflect any future action, fact or circumstance, or change in law or interpretation, or otherwise. We express no opinion on the effect of any action taken in reliance upon an opinion of other counsel on the exclusion from gross income for Federal income tax purposes of interest on the Notes.

Very truly yours,

APPENDIX C

Form of Continuing Disclosure Certificate

APPENDIX D

**OFFICIAL NOTICE OF SALE AND
OFFICIAL BID FORM**

FOR

\$199,000,000*

**CITY OF MILWAUKEE, WISCONSIN
SCHOOL REVENUE ANTICIPATION NOTES, SERIES 2004 M5
Not a general obligation of the City**

“Bids for Series 2004 M5 Notes”

DUTCH AUCTION

Sale Data:

SALE DATE AND TIME:

Tuesday, August 24, 2004
9:30 a.m. Central Time

PLACE OF ACCEPTANCE FOR SEALED BIDS:

City of Milwaukee *(Temporary Offices)*
Office of the City Comptroller
Room 1017-Zeidler Municipal Building
841 North Broadway
Milwaukee, Wisconsin 53202

Bids will also be accepted electronically
via PARITY

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

OFFICIAL NOTICE OF SALE

\$199,000,000*

CITY OF MILWAUKEE, WISCONSIN SCHOOL REVENUE ANTICIPATION NOTES, SERIES 2004 M5 (Not a general obligation of the City)

NOTICE IS HEREBY GIVEN that the City of Milwaukee, Wisconsin (the "City"), will receive sealed and electronic bids up to 9:30 A.M., Central Daylight Savings Time, on Tuesday, the

24th DAY OF AUGUST 2004

at the Office of the City Comptroller, in said City, for the purchase of One Hundred Ninety Nine Million Dollars (\$199,000,000*) School Revenue Anticipation Notes, Series 2004 M5 (the "Notes"). Sealed bids should be delivered to Room 1017, Zeidler Municipal Building, 841 North Broadway, Milwaukee, Wisconsin. Electronic bids must be submitted via PARITY through their competitive bidding application BidComp. Sealed bids will be opened, electronic bids will be retrieved and publicly announced in Room 1017, Zeidler Municipal Building, 841 North Broadway, Milwaukee, Wisconsin shortly after the deadline for the receipt of bids. In the event PARITY is not accessible during the 30 minutes prior to the time bids are due, the City reserves the right to extend the deadline for submitting bids. The official award will be considered at a meeting of the Public Debt Commission scheduled for 11:00 A.M. Central Time on August 24, 2004. *Information regarding the Notes is furnished solely to provide limited summary information, and does not purport to be comprehensive. All such information is qualified in its entirety by reference to the more detailed descriptions appearing in the Official Statement, including Appendices.*

Details of the Notes

The expected Date of Delivery is September 9, 2004 (the "Expected Date of Delivery"). The Notes will be dated as of the Expected Date of Delivery, and will bear interest payable at maturity. Interest will be computed on the basis of a 360-day year of twelve 30-day months. The Notes are not subject to redemption prior to maturity. The Notes mature on September 1, 2005.

Bid Parameters

Partial Bids: Bidders may bid for all of the Notes or part of the Notes. No bid for less than \$10,000,000 principal amount of the Notes at a particular interest rate will be entertained, and all bids must be in multiples of \$1,000,000. **Coupons:** Bidders are required to name the interest rate or rates the Notes are to bear. Such rates shall be no greater than 6%, and be in multiples of one-eighth of one percent or one-twentieth of one percent. **Minimum Price:** No bid at less than par value plus accrued interest, if any, will be considered.

Good Faith Deposit

Bids must be accompanied by a Good Faith Deposit ("Deposit") in the form of a certified check or a cashier's check drawn on a state or national bank or trust company, or a Financial Surety Bond, in the amount of one-half of one percent of the par value of the maximum amount of Notes bid for, payable to the City Treasurer of Milwaukee, Wisconsin, as a guarantee of good faith, to be forfeited to said City by the successful bidder(s) as liquidated damages should such bidder(s) fail to take up and pay for the Notes when ready. The deposit of the successful bidder(s) will be retained by the City and deducted from the purchase price at the time of closing. If a Financial Surety Bond is used, it must be from an insurance company licensed to issue such a bond in the State of Wisconsin and pre-qualified by the Commissioners of the Public Debt. Any such bond must be submitted to the City or its Financial Advisor prior to the opening of the bids. In order to be considered eligible under a Financial Surety Bond, a bidder bears the responsibility for the bidder being listed on a list of bid participants received by the Office of the Comptroller prior to the deadline for receipt of bids. Any transmission of the list of bid participants by electronic or facsimile transmission is at the bidder's own risk. The City of Milwaukee accepts

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

no responsibility for electronic or facsimile equipment being used and cannot and does not guarantee that electronic or facsimile equipment will always be working or available for the receipt of a list of bid participants.

If all, or any part, of the Notes are awarded to a bidder(s) utilizing a Financial Surety Bond, that purchaser(s) is required to submit its Deposit to the City in the form of a cashier's check or a certified check drawn on a state or national bank or trust company (or wire transfer such amount as instructed by the City) not later than 12:00 Noon, Central Time on the next business day after the official award. The good faith checks of the unsuccessful bidders will be returned promptly upon the official determination of the bid(s) to be accepted. In the event of an award of less than all of the Notes included in a bid, the City shall, promptly, issue to such successful bidder(s) a check representing the amount of good faith deposit in excess of one-half of one percent of the amount of the Notes awarded. All bids shall remain firm until 6:00 P.M. Central Daylight Savings Time. A meeting of the Public Debt Commission of the City is scheduled for 11:00 A.M. Central Daylight Savings Time on the sale date at which time the official award of the Notes will be made or all bids rejected.

Award

The Notes will be awarded to the qualified bidder or combination of bidders offering the lowest true interest cost to the City. The City's computation of true interest cost of each bid will be controlling. True interest cost can be estimated as follows: the present value rate necessary to discount, to the Purchase Price (hereinafter defined), the future debt service payments from the payment dates to the Expected Date of Delivery, calculated on the basis of a 360-day year of twelve 30-day months, and with semi-annual compounding. The "Purchase Price" is principal, plus premium, plus accrued interest to the Expected Date of Delivery. The City reserves the right to reject any or all bids or to waive any irregularity in any bid.

In awarding the Notes, the City may accept a bid in a principal amount less than the principal amount a bid. If only part of the Notes bid for are awarded to a bidder, the premium offered, if any, shall be prorated. If any two or more bids shall be equal, the City shall determine by lot, which bid to accept.

Prior to the award of the Notes, the aggregate principal amount of the Notes offered for sale may be revised downward in an amount not to exceed \$25,000,000. A SUCCESSFUL BIDDER MAY NOT WITHDRAW ITS BID OR CHANGE THE PRICE OR INTEREST RATE BID AT THE INITIAL OFFERING PRICE AS A RESULT OF ANY REVISION MADE TO THE PRINCIPAL AMOUNT OF THE NOTES. In the event of any such revision, no re-bidding or re-calculation of bids submitted will be required or permitted. Notes will be awarded up to the revised aggregate principal amount. The City will notify successful bidders of any revision to the principal amount at the time of the award.

Dutch Auction: All winning bids will be awarded at the yield of the winning bid with the highest true interest cost (the "Clearing TIC"). The award premium for each winning bid will be the premium required, for the principal amount awarded, to make the Purchase Price equal to the debt service payment due at maturity discounted to the Date of Delivery by the Clearing TIC truncated to one one-thousandth (1/1000) of one percent (i.e. a Clearing TIC of 1.014659% would be truncated to 1.0146%). In order to have an award price greater than par, in the event that the coupon rate of a winning bid is lower than the Clearing TIC, the bidder shall have the option of being awarded: 1) with the coupon rate and premium as bid (i.e. as bid); or 2) at a premium based upon the Clearing TIC and the lowest valid coupon rate equal to, or greater than, the Clearing TIC (i.e. in the prior example, a winning bid with a 1.00% coupon would be awarded with a coupon of 1.05%). In the event the TIC of a winning bid is between the Clearing TIC and the truncated Clearing TIC, then the award shall be as bid (i.e. in the prior example, a winning bid of 1.01463% would be awarded as bid, not at 1.0146%).

The winning bid or bids will be reported to PARITY, but the City assumes no responsibility or liability for auction results posted on such website.

Submission of Bids

Sealed proposals for the purchase of said Notes must be made using the Official Bid Form or, if submitted electronically via PARITY, in accordance with the requirements prescribed by this Notice of Sale. For bidders submitting their electronic bid via PARITY, please refer to your contract/agreement with PARITY regarding any requirements for participation. If more than one bid, either through the same method or through more than one method, shall be submitted by the same bidder for any part of the Notes, each such bid shall be considered a separate proposal for purchase of such part.

Any prospective bidder intending to submit an electronic bid must submit its electronic bid via PARITY through their competitive bidding application BidComp. By submitting an electronic bid, a Bidder agrees:

By submitting your electronic bid on Milwaukee debt issues, in accordance with the Notice of Sale as described herein, you have agreed to the following:

1. The City may regard the electronic transmission of your bid via the electronic service (including information about the purchase price for the Issue and interest rate or rates to be borne by the Issue and any other information included in such transmission) as though the same information were submitted on the Bid Form and executed on your behalf by a duly authorized signatory. If your bid is accepted by the City, the terms of the Bid Form, this Official Notice of Sale, and the information transmitted through the electronic service shall form a contract, and the Bidder shall be bound by the terms of such contract.
2. To comply with the rules of the electronic bidding service. In the event of any conflict between such rules (regardless of what the rules are called or how they are established) and the terms set forth in the Bid Form and this Official Notice of Sale, the terms set forth in the Bid Form and this Official Notice of Sale shall control.
3. That the Bidder is solely responsible for making necessary arrangements to access electronic bidding services. The City shall not have any duty or obligation to provide or assume such access. None of the electronic bidding services is an agent of the City. The City shall have no liability whatsoever based on the Bidders use of the electronic service, including, but not limited to any failure by the electronic service to correctly or timely transmit information provided by the Bidder.

The City assumes no responsibility or liability for bids submitted through PARITY. The City also assumes no responsibility for the accuracy of information on the City's Notes presented by, nor of calculations performed by, nor of restrictions on the entry of bids enforced by, PARITY. If any provisions in this Official Notice of Sale conflict with information provided by PARITY, this Official Notice of Sale shall control. The City's computation of true interest cost of each bid will be controlling.

An electronic bid shall be deemed an irrevocable offer to purchase the Notes on the terms provided in the Official Notice of Sale, and shall be binding upon the bidder as if made by a signed, sealed bid delivered to the City. The City shall not be responsible for any malfunction or mistake made by, or as a result of the use of the facilities of PARITY, the use of such facility being the sole risk of the prospective bidder.

For purposes of both the sealed bid process and the electronic bid process, the time as maintained by the City shall constitute the official time. For information purposes only, bidders are requested to state in their bids the true interest cost to the City. All bids shall be deemed to incorporate the provisions of this Official Notice of Sale and the Official Bid Form.

Bids may be submitted electronically via PARITY pursuant to this notice, but no bid will be received after the time for receiving bids specified above. To the extent any instructions or directions set forth in PARITY® conflict with this notice, the terms of this notice shall control. For further information about PARITY®, potential bidders may contact PARITY® at (212) 404-8102. The fee for use of PARITY may be obtained from PARITY, and such fee shall be the responsibility of the bidder.

Payment and Delivery of the Notes

Payment for the Notes shall be made in Federal Reserve Funds or other available funds immediately subject to use by the City. The Notes will be delivered on or about September 9, 2004, or as soon thereafter as the Notes may be ready for delivery, at the expense of the City of Milwaukee, through the facilities of The Depository Trust Company, New York, New York.

The Notes, when issued, will be registered only in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository of the Notes. A certificate for each interest rate will be issued to DTC and immobilized in its custody. Individual purchases will be made in book-entry-only form pursuant to the rules and procedures established between DTC and its participants, in the principal amount of \$5,000 and integral multiples thereof. Individual purchasers will not receive certificates evidencing their ownership of the Notes purchased. The successful bidder(s) shall be required to deposit the Notes with DTC as a condition to delivery of the Notes.

The City will make payment of the principal and interest on the Notes to DTC or its nominee as registered owner of the Notes. Transfer of said payments to participants of DTC will be the responsibility of DTC; transfer of said payments to beneficial owners by DTC participants will be the responsibility of such participants and other nominees of beneficial owners all as required by rules and procedures of DTC and the participants. No assurance can be given by the City that DTC, its participants and other nominees of beneficial owners will make prompt transfer of said payments. The City assumes no liability for failures of DTC, its participants or other nominees to promptly transfer said payments to beneficial owners of the Notes. Notices, if any, given by the City to DTC are redistributed in the same manner as are payments. The City assumes no liability for the failure of DTC, its participants or other nominees to promptly transfer said notices to the beneficial owners of the Notes. The City is not responsible for supervising the activities or reviewing the records of DTC, its participants or other persons acting through such participants. In the event that the securities depository relationship with DTC for the Notes is terminated and the City does not appoint a successor depository, the City will prepare, authenticate and deliver, at its expense, Notes in fully registered certificated notes in the denomination of \$5,000 or any integral multiple thereof in the aggregate principal amount of Notes of the same interest rate then outstanding as directed by the registered owners of the Notes.

Minority Participation

The Commission has been disappointed with the degree of minority underwriter participation in the bidding for City Notes and Bonds. The Commission, under its stated policy, strongly desires that a minimum of 5% of the Notes are underwritten by firms which are certified by the State of Wisconsin as being minority-owned. The Commission urges prospective bidders to utilize the list of firms so certified by the State of Wisconsin that is available from the City Comptroller upon request, and to include such firms in their bidding group. The Commission further strongly desires certified minority-owned firms to submit bids directly and to assemble bidding groups for the submission of bids. Minority participation in bids is strongly encouraged by the Commission, but is not a requirement for submitting a bid. Minority-owned firms that are not yet certified by the State of Wisconsin and wish to be, may contact the State of Wisconsin Department of Development.

Notice Regarding Negotiated Sales: Bidders who are interested in participating in future negotiated sales of the City are encouraged to read the "Special Notice Regarding Negotiated Underwritings" that is included in the enclosure entitled "Minority Owned Underwriting Firms".

Authorization, Security, and Conditions of Delivery

The Notes have been approved by a resolution adopted by the Common Council of the City of Milwaukee. The Notes are not a general obligation, do not constitute an indebtedness of the City for the purpose of determining the City's constitutional debt limitation, and no additional tax shall be levied to pay the Notes or the interest thereon. The Notes are being issued pursuant to the provisions of Section 67.12(1), Wisconsin Statutes, for the purpose of financing the operating budget of the Milwaukee Public Schools (the "MPS") on an interim basis pending receipt of school State Aid Payments due in June, 2005. In accordance with the authorization contained in a resolution adopted by the School Board on June 24, 2004, the City has irrevocably pledged all revenues of the School Operations Fund included in the budget for the current fiscal year which are due MPS, which have not been received as of the date of delivery of the Notes, and which are not otherwise pledged or assigned, as security for repayment of the Notes. Such pledge is on parity with other obligations of MPS. In accordance with the authorization contained in said resolution adopted by the School Board, the City has authorized and directed the proper City officers to segregate within the School Operations Fund the school State Aid Payments received under Section 121.15, Wisconsin Statutes, in June, 2005 in the principal amount of the Notes. In addition, the City has pledged surplus revenues in its Debt Service Fund to the payment of interest on the Notes.

The Notes are being issued subject to the legal opinion of Hawkins Delafield & Wood LLP, New York, New York and Quarles & Brady LLP, Milwaukee, Wisconsin, Bond Counsel, which opinion, together with the completed Notes, will be furnished to the successful bidder(s) at the expense of the City. The form of such opinion appears as Appendix B in the Official Statement.

The successful bidder(s) will be furnished with the usual closing documents, including a certificate that no litigation is pending affecting the issuance of said Notes. The Preliminary Official Statement is in a form which the City "deems final" as of August 12, 2004 for purposes of SEC Rule 15c2-12(b)(1), but is subject to revision, amendment and completion in a Final Official Statement as defined in SEC Rule 15c2-12(e)(3). The successful bidder(s) will also be furnished with up to one hundred copies of the Final Official Statement (pro rata) issued in conjunction with this offering

within seven business days after the award of the Notes in accordance with SEC Rule 15c2-12(b)(3). It is anticipated that CUSIP identification numbers will be included on the Notes, but neither the failure to include such numbers on any Notes nor any error with respect thereto shall constitute cause for failure or refusal by the purchaser thereof to accept delivery of and pay for the Notes in accordance with terms of its proposal. No CUSIP identification number shall be deemed to be a part of any Note or a part of the contract evidenced thereby, and no liability shall hereafter attach to the City or any of its officers or agents because of or on account of such numbers.

In order to assist bidders in complying with the continuing disclosure requirements of SEC Rule 15c2-12 and as part of the City's contractual obligation arising from its acceptance of the successful bidder's proposal, at the time of the delivery of the Notes the City will provide an executed copy of its Continuing Disclosure Certificate. Said Certificate will constitute a written agreement or contract of the City for the benefit of holders of and owners of beneficial interests in the Notes, to provide in a timely manner and notice of certain events with respect to the Notes. Notice of the occurrence of certain events with respect to the Notes will be provided to each nationally recognized municipal securities information repository, to the Municipal Securities Rulemaking Board and to the Wisconsin State Information Repository, if created.

The successful bidder(s) may, at its option, refuse to accept the Notes if prior to their delivery, any income tax law of the United States of America shall provide that the interest on such Notes is includable or shall be includable at a future date in gross income for federal income tax purposes, and in such case the deposit made by them will be returned and they will be relieved of their contractual obligations arising from the acceptance of their proposal.

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

W. MARTIN MORICS
City Comptroller and Secretary
Public Debt Commission
200 East Wells Street
City Hall, Room 403
Milwaukee, WI 53202

By order of the Commissioners of the
Public Debt of the City of Milwaukee

MARGARET J. HENNINGSSEN, Chairperson
TIMOTHY J. ELVERMAN, Member
MICHELLE J. NATE, Member
COMMISSIONERS OF THE PUBLIC DEBT

August 12, 2004

BID FORM
(Electronic Bids also accepted via Parity – See the Official Notice of Sale)
\$199,000,000*
CITY OF MILWAUKEE, WISCONSIN
SCHOOL REVENUE ANTICIPATION NOTES, SERIES 2004 M5
(Not a general obligation of the City)

August 24, 2004

Commissioners of the Public Debt
 City Comptroller's Office
 Room 1017, Zeidler Municipal Building
 841 North Broadway
 Milwaukee, Wisconsin 53202

Commissioners:

We offer to purchase the School Revenue Anticipation Notes, Series 2004 M5 (the "Notes") of the City of Milwaukee, Wisconsin, in the principal amount(s) set forth below, described in the Official Notice of Sale, dated August 12, 2004 of said Notes, which Notice is by reference incorporated herein, and made a part of the bid described herein.

The Notes shall bear interest at the following rate(s) per annum (a 352 day term on a 360 day basis), and we will pay you par value and accrued interest to the date of delivery (plus a premium, if any), as shown:

	Principal Amount (\$10,000,000 minimum)**	Interest Rate***	Premium (if any)
Bid A:	\$ _____	_____._____%	\$ _____
Bid B:	\$ _____	_____._____%	\$ _____
Bid C:	\$ _____	_____._____%	\$ _____
Bid D:	\$ _____	_____._____%	\$ _____
Bid E:	\$ _____	_____._____%	\$ _____

** Bids in excess of \$10,000,000 must be in multiples of \$1,000,000.

*** Interest rate must be no greater than 6.00%, and in multiples of 1/8 or 1/20 of one percent.

This bid is made for prompt acceptance and subject to the conditions of the Official Notice of Sale. As required by said Notice, enclosed herewith is a certified check or a cashier's check drawn on a state or national bank or trust company, or a Financial Surety Bond, for one-half of one percent of the maximum amount of the Notes bid for as a good faith deposit, payable to the City Treasurer of the City of Milwaukee, which deposit is to be promptly returned to us if our bid is not accepted, but otherwise to be applied in accordance with said Notice. We understand that in the event the Commission awards to us part of the Notes subject to the bids described herein, it will refund a pro rata share of the selected good faith deposit.

By 3:00 p.m. Central Time on the day after receiving the award, we will provide to the City the following information for each member of the underwriting syndicate: Names, initial participation, and minority status. In addition, prior to closing, we agree to provide final participation for each member.

By: _____

Phone Number: _____

 Company Name

No addition, alteration or change is to be made to the form of this bid.

If we receive the award of the Notes, we agree to provide the Commissioners of the Public Debt with a list of all firms that are participating with us in the underwriting of the Notes so awarded and the amount of each firm's participation, specifying which are minority-owned and specifying the amount of the initial participation and the final participation of each firm. We further agree to supply to the City all necessary pricing information and any Participating Underwriter identification necessary to complete the Final Official Statement within 24 hours after the award of the Notes. Immediately upon receiving the Final Official Statement from you, we agree to file with, and provide a sufficient number of copies of the Final Official Statement, to the following nationally recognized municipal securities information repositories ("NRMSIR's"): (1) Bloomberg Municipal Repository; (2) DPC Data Inc.; (3) Standard & Poor's Securities Evaluation, Inc.; and (4) FT Interactive Data. Thereafter, additional copies of the Final Official Statement may be obtained from the NRMSIR's.

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

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