

**PRELIMINARY OFFICIAL STATEMENT DATED MAY 18, 2011**

**NEW ISSUES  
BOOK ENTRY ONLY**

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

*In the opinion of Katten Muchin Rosenman LLP, and of Hurtado, S.C. Bond Counsel, in connection with the issuance of the General Obligation Cash Flow Promissory Notes, Series 2011 R2, the General Obligation Promissory Notes, Series 2011 N3, and the General Obligation Corporate Purpose Bonds, Series 2011 B4 (collectively, the "Tax-Exempt Obligations") under existing law, if there is continuing compliance with certain requirements of the Internal Revenue Code of 1986, interest on the Tax-Exempt Obligations will not be includable in gross income for federal income tax purposes. The Tax-Exempt Obligations are not "private activity bonds" and the interest thereon is not required to be included as an item of tax preference for purposes of computing individual or corporate "alternative minimum taxable income." However, interest on the Tax-Exempt Obligations is includable in corporate earnings and profits and therefore must be taken into account when computing corporate alternative minimum taxable income for purposes of the corporate alternative minimum tax.*

*In the opinion of Hurtado, S.C., Bond Counsel, in connection with the issuance of the Taxable General Obligation Corporate Purpose Bonds, Series 2011 T5 (the "Taxable Obligations"), under existing law, interest on the Taxable Obligations IS includable in gross income of the owners for federal income tax purposes.*

*Interest on the Tax-Exempt Obligations and the Taxable Obligations (collectively referred to herein as, the "Offered Obligations") is not exempt from Wisconsin income taxes.*



**CITY OF MILWAUKEE, WISCONSIN**

**\$100,000,000 General Obligation Cash Flow Promissory Notes, Series 2011 R2  
\$93,625,000 General Obligation Promissory Notes, Series 2011 N3  
\$28,890,000 General Obligation Corporate Purpose Bonds, Series 2011 B4  
\$33,930,000 Taxable General Obligation Corporate Purpose Bonds, Series 2011 T5**

**Dated:** Expected Date of Delivery (June 9, 2011)

**Due:** As shown on the inside cover

The \$100,000,000 General Obligation Cash Flow Promissory Notes, Series 2011 R2 (the "CFNs" or "R2 Notes"), the \$93,625,000 General Obligation Promissory Notes, Series 2011 N3 (the "N3 Notes" or the "G.O. Notes"), the \$28,890,000 General Obligation Corporate Bonds, Series 2011 B4 (the "Tax-Exempt Bonds" or "B4 Bonds") (collectively, the "Tax-Exempt Obligations") and the \$33,930,000 Taxable General Obligation Corporate Purpose Bonds, Series 2011 T5 (the "T5 Bonds" or the "Taxable Obligations") (the Tax-Exempt Obligations and the Taxable Obligations, collectively referred to herein as the "Offered Obligations") are direct general obligations of the City of Milwaukee, Wisconsin (the "City" and the "State" respectively), payable from taxes levied on all taxable property within the City, subject to taxation by the City, without limitation as to rate or amount.

The CFNs will be dated the Expected Date of Delivery, and will be payable on December 1, 2011. The CFNs are being issued for the public purpose of financing the City's operating budget on an interim basis in anticipation of the receipt of State shared revenue payments. Interest on the CFNs shall be payable at maturity. The CFNs are not subject to optional redemption prior to maturity.

The N3 Notes, B4 Bonds, and T5 Bonds will be dated the Expected Date of Delivery, will bear interest payable semi-annually on May 15 and November 15 of each year, commencing November 15, 2011 at the rates, and will mature on May 15, in the years and amounts, as detailed on the inside front cover hereof. The N3 Notes, B4 Bonds, and T5 Bonds are being issued for the purpose of financing various public improvements and fiscal requirements of the City, and for the purpose of current refunding of certain outstanding obligations of the City. The N3 Notes are **not** subject to optional redemption as provided herein. The B4 Bonds and T5 Bonds maturing on or after May 15, 2022 are subject to optional redemption on any date on or after May 15, 2021.

The Offered Obligations have been offered for sale by competitive bid in accordance with the Official Notices of Sale dated May 18, 2011 and are being issued subject to the legal opinions of Katten Muchin Rosenman LLP, Chicago, Illinois, and of Hurtado, S.C., Wauwatosa, Wisconsin, Bond Counsel to the City, and other conditions specified in the Official Notices of Sale. It is expected that the Offered Obligations will be delivered through the facilities of the Depository Trust Company ("DTC"), New York, New York on or about June 9, 2011 (the "Expected Date of Delivery").

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

For Further Information Contact:

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

**ELECTRONIC BIDS FOR R2 NOTES WILL BE RECEIVED UNTIL 9:45 A.M. (CT) ON WEDNESDAY, MAY 25, 2011**

**ELECTRONIC BIDS FOR N3 NOTES AND B4 BONDS WILL BE RECEIVED UNTIL 10:00 A.M. (CT)  
ON WEDNESDAY, MAY 25, 2011**

**ELECTRONIC BIDS FOR T5 BONDS WILL BE RECEIVED UNTIL 10:30 A.M. (CT)  
ON WEDNESDAY, MAY 25, 2011**

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

## MATURITY SCHEDULES

### \$100,000,000 GENERAL OBLIGATION CASH FLOW PROMISSORY NOTES, SERIES 2011 R2

The CFNs will be dated the Expected Date of Delivery, and will mature on December 1, 2011 without the option of prior redemption. Interest will be payable at maturity, at the rate or rates shown below.

Amount	Interest Rate	Yield	CUSIP <sup>(1)</sup> Base 602366
\$100,000,000			

### \$93,625,000 GENERAL OBLIGATION PROMISSORY NOTES, SERIES 2011 N3

The N3 Notes will be dated the Expected Date of Delivery, will bear interest at the rates shown below, payable semi-annually on May 15 and November 15 of each year, commencing November 15, 2011 and will mature on May 15 in the years and in the amounts shown below. The G.O. Notes are **not** subject to optional redemption.

Maturing (May 15)	Amount	Interest Rate	Yield	CUSIP <sup>(1)</sup> Base 602366	Maturing (May 15)	Amount	Interest Rate	CUSIP <sup>(1)</sup> Base 602366
2012	\$22,550,000				2017	\$9,020,000		
2013	13,180,000				2018	8,020,000		
2014	7,735,000				2019	6,145,000		
2015	7,280,000				2020	6,165,000		
2016	7,340,000				2021	6,190,000		

### \$28,890,000 GENERAL OBLIGATION CORPORATE PURPOSE BONDS, SERIES 2011 B4

The B4 Bonds will be dated the Expected Date of Delivery, will bear interest at the rates shown below, payable semi-annually on May 15 and November 15 of each year, commencing November 15, 2011 and will mature on May 15 in the years and in the amounts shown below. The B4 Bonds are subject to optional redemption on any date on or after May 15, 2021, as provided herein.

Maturing (May 15)	Amount	Interest Rate	Yield	CUSIP <sup>(1)</sup> Base 602366	Maturing (May 15)	Amount	Interest Rate	CUSIP <sup>(1)</sup> Base 602366
2022	\$5,460,000				2026	\$5,570,000		
2023	5,485,000				2027	645,000		
2024	5,510,000				2028	680,000		
2025	5,540,000							

### \$33,930,000 TAXABLE GENERAL OBLIGATION CORPORATE PURPOSE BONDS, SERIES 2011 T5

The T5 Bonds will be dated the Expected Date of Delivery, will bear interest at the rates shown below, payable semi-annually on May 15 and November 15 of each year, commencing November 15, 2011 and will mature on May 15 in the years and in the amounts shown below. The T5 Bonds maturing on or after May 15, 2022 are subject to optional redemption on any date on or after May 15, 2021, as provided herein.

Maturing (May 15)	Amount	Interest Rate	Yield	CUSIP <sup>(1)</sup> Base 602366	Maturing (May 15)	Amount	Interest Rate	CUSIP <sup>(1)</sup> Base 602366
2012	\$430,000				2021	\$2,315,000		
2013	445,000				2022	2,275,000		
2014	460,000				2023	2,380,000		
2015	475,000				2024	2,490,000		
2016	2,295,000				2025	2,610,000		
2017	2,370,000				2026	2,740,000		
2018	2,445,000				2027	2,835,000		
2019	2,150,000				2028	2,985,000		
2020	2,230,000							

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

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

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## INTRODUCTION TO THE OFFICIAL STATEMENT

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

\$100,000,000 General Obligation Cash Flow Promissory Notes, Series 2011 R2 (the “CFNs” or “R2 Notes”)  
\$93,625,000 General Obligation Promissory Notes, Series 2011 N3 (the “N3 Notes” or “G.O. Notes”)  
\$28,890,000 General Obligation Corporate Purpose Bonds, 2011 B4 (the “B4 Bonds” or “G.O. Bonds”)  
\$33,930,000 Taxable General Obligation Corporate Purpose Bonds, Series 2011 T5 (the “Taxable Bonds” or “T5 Bonds”)

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

### SUMMARY STATEMENT-CFNS

Issuer:	City of Milwaukee, Wisconsin
Issue:	\$100,000,000 General Obligation Cash Flow Promissory Notes, Series 2011 R2
Dated Date:	The Expected Date of Delivery, which is anticipated to be June 9, 2011
Maturity:	December 1, 2011
Principal:	\$100,000,000
Interest Payment Date:	Payable at maturity. Interest is calculated on the basis of 30-day months and a 360-day year (term of 172 days assuming a June 9, 2011 delivery date).
Denominations:	\$5,000 or integral multiples thereof.
Purpose:	The CFNs are issued for the purpose of financing the City’s operating budget on an interim basis in anticipation of the receipt of State shared revenue payments (“State Aid Payments”).
Security:	Principal and interest on the CFNs will be payable out of receipts from an irrevocable ad-valorem tax levied on all taxable property within the City. The City has also pledged and will irrevocably segregate upon receipt, State Aid Payments in an amount sufficient, with interest thereon, to pay, when due, the principal of and interest on the CFNs. The City has also pledged all other general fund revenues included in the budget for the current calendar year which are due the City, which have not been received as of the date of delivery of the Notes and which are not otherwise pledged or assigned. (See “THE CFNs - SECURITY FOR THE CFNs” herein).
Authority for Issuance:	The Common Council of the City has authorized the issuance and sale of the CFNs in accordance with the provisions of Chapters 65 and 67, including particularly Section 67.12(12) of the Wisconsin Statutes.
Form of Issuance:	The CFNs will be issued in Book-Entry-Only form, fully registered in the name of Cede & Co., as nominee of The Depository Trust Company of New York, New York, which will act as security depository for the CFNs. (See “BOOK-ENTRY-ONLY SYSTEM” herein).
Tax Status of Interest:	Bond Counsel are of the opinion that under existing law, interest on the CFNs is not includable in the gross income of the owners thereof for federal income tax purposes. If there is continuing compliance with the applicable requirements of the Internal Revenue Code of 1986 (the “Code”), Bond Counsel are of the opinion that interest on

the CFNs will continue to be excluded from the gross income of the owners thereof for federal income tax purposes. Bond Counsel are further of the opinion that the interest on the CFNs is not an item of tax preference for purposes of computing individual or corporate alternative minimum taxable income and is not taken into account when computing corporate alternative minimum taxable income for purposes of the corporate alternative minimum tax. Interest on the CFNs is not exempt from Wisconsin income taxes. (See "TAX MATTERS" herein).

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

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

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

Financial Advisor: Robert W. Baird & Co.  
Milwaukee, Wisconsin

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

Record Date: November 15, 2011 (whether or not a business day).

Delivery: Delivery of the CFNs will be on or about June 9, 2011 at the expense of the City, through the facilities of The Depository Trust Company, New York, New York.

Reoffering: The public reoffering price(s) or yield(s) of the CFNs will be set forth on the inside front cover page of the Final Official Statement.

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

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## SUMMARY STATEMENT-N3 NOTES

Issuer:	City of Milwaukee, Wisconsin
Issue:	\$93,625,000 General Obligation Promissory Notes, Series 2011 N3
Dated Date:	The Expected Date of Delivery, which is anticipated to be June 9, 2011
Principal Due Date:	May 15 of the years 2012 through 2021.
Interest Payment Date:	Interest on the N3 Notes is due each May 15 and November 15 commencing November 15, 2011. Interest is calculated on the basis of 30-day months and a 360-day year.
Denominations:	\$5,000 or integral multiples thereof.
Purpose:	The N3 Notes are issued pursuant to Chapters 65 and 67 of the Wisconsin Statutes for the public purpose of financing various public improvement projects and fiscal requirements of the City, and to current refund certain outstanding obligations of the City.
Security:	Principal and interest on the N3 Notes will be payable out of receipts from an irrevocable ad-valorem tax levied on all taxable property within the City.
Authority for Issuance:	The Common Council of the City has authorized the issuance and sale of the N3 Notes in accordance with the provisions of Chapters 65 and 67 of the Wisconsin Statutes.
Form of Issuance:	The N3 Notes will be issued in Book-Entry-Only form, fully registered in the name of Cede & Co., as nominee of The Depository Trust Company of New York, New York, which will act as security depository for the Notes. (See "BOOK-ENTRY-ONLY SYSTEM" herein).
Tax Status of Interest:	Bond Counsel are of the opinion that under existing law, interest on the Notes is not includable in the gross income of the owners thereof for federal income tax purposes. If there is continuing compliance with the applicable requirements of the Internal Revenue Code of 1986 (the "Code"), Bond Counsel are of the opinion that interest on the N3 Notes will continue to be excluded from the gross income of the owners thereof for federal income tax purposes. Bond Counsel are further of the opinion that the interest on the N3 Notes is not an item of tax preference for purposes of computing individual or corporate alternative minimum taxable income. However, interest on the N3 Notes is includable in corporate earnings and profits and, therefore, must be taken into account when computing corporate alternative minimum taxable income for purposes of the corporate alternative minimum tax. Interest on the N3 Notes is not exempt from Wisconsin income taxes. (See "TAX MATTERS" herein).
Redemption Feature:	The N3 Notes are <u>not</u> subject to redemption prior to maturity. (See "REDEMPTION PROVISIONS" herein.)
Official Statement:	The City will provide the original purchaser of the N3 Notes and B4 Bonds with an electronic copy and up to 100 copies of this Official Statement within seven business days following the award of the N3 Notes.
Professionals:	Bond Counsel: Katten Muchin Rosenman LLP Chicago, Illinois  Hurtado, S.C. Wauwatosa, Wisconsin

Financial Advisor: Robert W. Baird & Co.  
Milwaukee, Wisconsin

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

Record Date: May 1 and November 1 (whether or not a business day).

Delivery: Delivery of the N3 Notes will be on or about June 9, 2011 at the expense of the City, through the facilities of The Depository Trust Company, New York, New York.

Reoffering: The public reoffering price or yield of the N3 Notes will be set forth on the inside front cover page of the Final Official Statement.

Continuing Disclosure Certificate: In order to assist bidders in complying with the continuing disclosure requirements of SEC Rule 15c2-12 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 N3 Notes the City will provide an executed copy of its Continuing Disclosure Certificate. (See "CONTINUING DISCLOSURE" herein).

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## SUMMARY STATEMENT-B4 BONDS

Issuer:	City of Milwaukee, Wisconsin.
Issue:	\$28,890,000 General Obligation Corporate Purpose Bonds, Series 2011 B4.
Dated Date:	The Expected Date of Delivery, which is anticipated to be June 9, 2011.
Principal Due Dates:	May 15 of the years 2022 through 2028.
Interest Payment Dates:	Interest on the B4 Bonds is due each May 15 and November 15 commencing November 15, 2011. Interest is calculated on the basis of 30-day months and a 360-day year.
Denominations:	\$5,000 or integral multiples thereof.
Purpose:	The B4 Bonds are issued pursuant to Chapters 65 and 67 of the Wisconsin Statutes for the public purpose of financing various public improvement projects and to current refund certain outstanding obligations of the City.
Security:	Principal and interest on the B4 Bonds will be payable out of receipts from an irrevocable ad-valorem tax levied on all taxable property within the City.
Authority for Issuance:	The Common Council of the City has authorized the issuance and sale of the Bonds in accordance with the provisions of Chapters 65 and 67 of the Wisconsin Statutes.
Form of Issuance:	The B4 Bonds will be issued in Book-Entry-Only form, fully registered in the name of Cede & Co., as nominee of The Depository Trust Company of New York, New York, which will act as security depository for the B4 Bonds. (See "BOOK-ENTRY-ONLY SYSTEM" herein).
Tax Status of Interest:	Bond Counsel are of the opinion that under existing law, interest on the B4 Bonds is not includable in the gross income of the owners thereof for federal income tax purposes. If there is continuing compliance with the applicable requirements of the Internal Revenue Code of 1986 (the "Code"), Bond Counsel are of the opinion that interest on the B4 Bonds will continue to be excluded from the gross income of the owners thereof for federal income tax purposes. Bond Counsel are further of the opinion that the interest on the B4 Bonds is not an item of tax preference for purposes of computing individual or corporate alternative minimum taxable income but is includable in corporate earnings and profits and therefore must be taken into account when computing, for example, corporate alternative minimum taxable income for purposes of the corporate alternative minimum tax. Interest on the B4 Bonds is not exempt from Wisconsin income taxes. (See "TAX MATTERS" herein).
Redemption Feature:	The B4 Bonds are subject to optional redemption on any date on or after May 15, 2021. (See "REDEMPTION PROVISIONS" herein.)
Official Statement:	The City will provide the original purchaser of the N3 Notes and B4 Bonds with an electronic copy and up to 100 copies of this Official Statement within seven business days following the award of the B4 Bonds.



Professionals:	Bond Counsel:	Katten Muchin Rosenman LLP Chicago, Illinois
		Hurtado, S.C. Wauwatosa, Wisconsin
	Financial Advisor:	Robert W. Baird & Co. Milwaukee, Wisconsin
Paying Agent:	City Official:	City of Milwaukee, Comptroller's Office Milwaukee, Wisconsin
Record Date:	May 1 and November 1 (whether or not a business day).	
Delivery:	Delivery of the B4 Bonds will be on or about June 9, 2011 at the expense of the City, through the facilities of The Depository Trust Company, New York, New York.	
Reoffering:	The public reoffering price(s) or yield(s) of the B4 Bonds will be set forth on the inside front cover page of the Final Official Statement.	
Continuing Disclosure Certificate:	In order to assist bidders in complying with the continuing disclosure requirements of SEC Rule 15c2-12 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 B4 Bonds the City will provide an executed copy of its Continuing Disclosure Certificate. (See "CONTINUING DISCLOSURE" herein).	

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## SUMMARY STATEMENT-T5 BONDS

Issuer:	City of Milwaukee, Wisconsin.
Issue:	\$33,930,000 Taxable General Obligation Corporate Purpose Bonds, Series 2011 T5
Dated Date:	The Expected Date of Delivery, which is anticipated to be June 9, 2011
Principal Due Dates:	May 15 of the years 2012 through 2028
Interest Payment Dates:	Interest on the T5 Bonds is due each May 15 and November 15 commencing November 15, 2011. Interest is calculated on the basis of 30-day months and a 360-day year.
Denominations:	\$5,000 or integral multiples thereof.
Purpose:	The T5 Bonds are issued pursuant to Chapters 65 and 67 of the Wisconsin Statutes for the public purpose of financing various public improvement projects and to current refund certain outstanding obligations of the City.
Security:	Principal and interest on the T5 Bonds will be payable out of receipts from an irrevocable ad-valorem tax levied on all taxable property within the City.
Authority for Issuance:	The Common Council of the City has authorized the issuance and sale of the Bonds in accordance with the provisions of Chapters 65 and 67 of the Wisconsin Statutes.
Form of Issuance:	The T5 Bonds will be issued in Book-Entry-Only form, fully registered in the name of Cede & Co., as nominee of The Depository Trust Company of New York, New York, which will act as security depository for the T5 Bonds. (See "BOOK-ENTRY-ONLY SYSTEM" herein).
Tax Status of Interest:	Interest on the T5 Bonds <i>IS</i> includable in the gross income of the owners thereof for federal income tax purposes and is not exempt from State of Wisconsin income or franchise taxes. In addition, the Code contains a number of other provisions relating to the taxation of the T5 Bonds (including, but not limited, to the treatment of and accounting for interest, premium, original issue discount and market discount thereon, gain from the disposition thereof and withholding tax on income therefrom) that may affect the taxation of certain owners, depending on their particular tax situations. <b>PROSPECTIVE PURCHASERS SHOULD CONSULT THEIR TAX ADVISORS CONCERNING THE PARTICULAR FEDERAL INCOME TAX CONSEQUENCES OF THEIR OWNERSHIP OF THE T5 BONDS.</b> (See "TAX MATTERS" herein.)
Redemption Feature:	The T5 Bonds maturing on or after May 15, 2022 are subject to optional redemption on any date on or after May 15, 2021. (See "REDEMPTION PROVISIONS" herein.)
Official Statement:	The City will provide the original purchaser of the T5 Bonds with an electronic copy and up to 100 copies of this Official Statement within seven business days following the award of the T5 Bonds.

Professionals:	Bond Counsel:	Hurtado, S.C. Wauwatosa, Wisconsin
	Financial Advisor:	Robert W. Baird & Co. Milwaukee, Wisconsin
Paying Agent:	City Official:	City of Milwaukee, Comptroller's Office Milwaukee, Wisconsin
Record Date:	May 1 and November 1 (whether or not a business day).	
Delivery:	Delivery of the T5 Bonds will be on or about June 9, 2011 at the expense of the City, through the facilities of The Depository Trust Company, New York, New York.	
Reoffering:	The public reoffering price(s) or yield(s) of the T5 Bonds will be set forth on the inside front cover page of the Final Official Statement.	
Continuing Disclosure Certificate:	In order to assist bidders in complying with the continuing disclosure requirements of SEC Rule 15c2-12 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 T5 Bonds the City will provide an executed copy of its Continuing Disclosure Certificate. (See "CONTINUING DISCLOSURE" herein).	

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## **THE CFNs**

### **AUTHORITY AND PURPOSE**

The Common Council of the City has authorized the issuance and sale of the CFNs for the public purpose of financing the City's operating budget on an interim basis in anticipation of the receipt of State shared revenue payments, by the adoption of an authorizing resolution on December 21, 2010 in accordance with the provisions of Chapters 67.12(12) of the Wisconsin Statutes.

### **SECURITY FOR THE CFNS**

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

Under and by virtue of Sections 67.05(10) and 67.12(12), Wisconsin Statutes, the City is obligated to levy a direct annual tax sufficient in amount to pay and for the express purpose of paying the interest on the CFNs as it falls due, and also to pay and discharge the principal thereof at maturity. The City is, and shall be, without power to repeal such levy or obstruct the collection of such tax until all such payments have been made or provided for.

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

The City also has pledged, and will irrevocably segregate upon receipt, State Aid Payments in an amount sufficient, with interest thereon, to pay, when due, the principal of and interest on the CFNs. The City has also pledged other General Fund Revenues included in the budget for the current calendar year which are due to the City, but which have not been received as of the date of delivery of the CFNs.

### **STATUTORY BORROWING LIMITATION**

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

# THE N3 NOTES, B4 BONDS and T5 BONDS

## AUTHORITY AND PURPOSE

The N3 Notes, B4 Bonds and T5 Bonds are being issued pursuant to Chapters 65 and 67 of the Wisconsin Statutes to finance various public improvement projects and fiscal requirements of the City, and to pay the associated financing costs. The Common Council of the City adopted resolutions on December 12, 2006, January 15, 2008, January 16, 2009, January 20, 2010, December 21, 2010, January 19, 2011, and March 1, 2011 which authorize the issuance of the N3 Notes, B4 Bonds and T5 Bonds. In addition, various initial resolutions have been adopted authorizing purposes for N3 Notes, B4 Bonds and T5 Bonds that have been combined into the corporate purpose bond issues.

Proceeds sale of the N3 Notes, B4 Bonds and T5 Bonds are anticipated to be used for various public improvements of the City as follows:

Renewal and Development	\$10,950,000
Library	4,650,000
Public Buildings	9,000,000
Harbor	675,000
Fire	4,425,000
Police	5,550,000
Bridges	4,425,000
Streets	28,725,000
Parks	1,875,000
Water	11,625,000
Parking	1,950,000
Financing Receivables	30,235,000
Tax Incremental Districts	36,520,000
Refunding of Series T and Series U	<u>5,840,000</u>
	<u>\$156,445,000</u>

The purposes shown in the prior table reflect the refunding of \$36,600,000 of Commercial Paper.

## PLAN OF REFUNDING

In addition to providing long-term financing for \$36,600,000 of outstanding Commercial Paper, the City is also refunding the 2017 and 2018 maturities of the City's outstanding \$86,135,000 General Obligation Corporate Purpose Bonds, Series T (Tax-Exempt) dated September 1, 2001 and the 2012 through 2018 maturities of the \$3,700,000 General Obligation Corporate Purpose Bonds, Series U (Taxable) dated September 1, 2001, (referred to herein as the "2001 Refunded Obligations"). The 2001 Refunded Obligations will be called for redemption on September 1, 2011. The refunding proceeds of the Offered

Obligations will be deposited in the City's General Obligation Debt Service Fund pending redemption of the refunded Commercial Paper and the 2001 Refunded Obligations.

### **SECURITY FOR THE N3 NOTES, B4 BONDS AND T5 BONDS**

The N3 Notes, B4 Bonds and T5 Bonds shall be general obligations of the City, and payment thereof is secured by a pledge of the full faith and credit of the City. The City is authorized and required to levy on all taxable property in the City such ad-valorem taxes, without limitation as to rate or amount, as may be necessary to meet the debt service requirements on the N3 Notes, B4 Bonds and T5 Bonds.

Under and by virtue of Sections 67.05(10) and 67.12(12), Wisconsin Statutes, the City is obligated to levy a direct annual tax sufficient in amount to pay, and for the express purpose of paying, the interest on the N3 Notes, B4 Bonds and T5 Bonds as it falls due, and also to pay and discharge the principal thereof at maturity. The City is, and shall be, without power to repeal such levy or obstruct the collection of such tax until all such payments have been made or provided for.

Under Section 67.035, Wisconsin Statutes, all taxes levied for paying principal and interest on valid notes or N3 Notes, B4 Bonds and T5 Bonds are declared to be without limitation. Under Section 65.06(18), Wisconsin Statutes, the omission from the budget of the payment of interest on or the principal of any bonded debt of the City when due shall not prevent the placing of the same on the tax roll for the levy and the collection of the tax and the payment of the money therefor.

### **MATURITY AND INTEREST RATES**

The N3 Notes, B4 Bonds and T5 Bonds are to be dated the Expected Date of Delivery, and will bear interest from that date at the rates, and shall mature each May 15 in the amounts and on the dates as set forth on the inside front cover page of this Preliminary Official Statement. Interest on the N3 Notes, B4 Bonds and T5 Bonds will be payable commencing November 15, 2011 and thereafter semiannually on May 15 and November 15 of each year and is calculated on the basis of 30-day months and a 360-day year.

### **REDEMPTION PROVISIONS**

The N3 Notes are **not** subject to call and redemption prior to maturity. The B4 Bonds and T5 Bonds maturing on or after May 15, 2022 will be subject to redemption prior to their maturity, at the option of the City, on any date on or after May 15, 2021 at a price of par plus accrued interest to the date fixed for their redemption. If less than all outstanding B4 Bonds and T5 Bonds are called for redemption, the B4 Bonds and T5 Bonds shall be called in such order of maturity as shall be determined by the City. If less than all of the B4 Bonds and T5 Bonds of any maturity are called for redemption, the particular B4 Bonds and T5 Bonds of such maturity to be redeemed shall be selected by lot. Notice of redemption shall be mailed, postage prepaid, to the owners of any B4 Bonds and T5 Bonds to be redeemed in whose name such B4 Bonds and T5 Bonds are registered as of a record date, which shall be 45 days prior to the redemption date. While in Book Entry Form, as the Registered Owner, DTC will receive the Redemption Notice. The City is not responsible for DTC's notification of redemption to Participants and Beneficial Owners.

### **STATUTORY BORROWING LIMITATION**

Wisconsin Statutes limit direct general obligation debt the City may issue. The N3 Notes, B4 Bonds and T5 Bonds do not cause these limitations to be exceeded. (See "DEBT STRUCTURE" herein for further details).

## INVESTMENT POLICIES

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

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

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

The LGIP is a local option City depository. The City utilizes the LGIP in a manner similar to a "money market" account. When other investment options provide more favorable results, such options are utilized. As of December 31, 2010, the City had approximately 30.16% (\$190,901,138) of its and MPS's investments deposited in the LGIP.

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

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

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

# THE CITY

## LOCATION, ORGANIZATION AND GOVERNMENT

### GENERAL

The City is located on the western shore of Lake Michigan in southeastern Wisconsin. The City is the hub of the metropolitan area and a thriving place to live and work. The City is Wisconsin's largest city with a population of approximately 594,833 and is the principal trade, service and financial center of southeastern Wisconsin. The surrounding Metropolitan Statistical Area ("MSA") include the principal cities of Milwaukee, Waukesha and West Allis, in the counties of Milwaukee, Ozaukee, Waukesha and Washington, Counties, has a population of nearly 1.6 million.

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

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

### ELECTED OFFICIALS

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

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

### CITY OFFICIALS

**As of April 15, 2010**

(initial year in office follows name)

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

### COMMON COUNCIL

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

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



## **PUBLIC SERVICES AND FACILITIES**

The City, employing approximately 7,297 people (some in a seasonal capacity), is charged with primary responsibility for public safety (via its police, fire and health departments); public works (including refuse removal and a City-owned water utility); various cultural and recreational services including a library system; and general municipal administration. City government also participates in housing and neighborhood programs through separate housing and redevelopment authorities. These two latter authorities have the ability to borrow directly and issue revenue backed financings.

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

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

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

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

On the lakefront is the Milwaukee Art Museum, which combines art, dramatic architecture and landscape design. The Quadracci Pavilion, the first Santiago Calatrava-designed building in the United States, features a 90-foot high glass-walled reception hall enclosed by the Burke Brise Soleil, a sunscreen that can be raised or lowered creating a unique moving sculpture.

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

## **EMPLOYEE RELATIONS**

Approximately 6,070 of the City's full-time employees are members of nineteen different bargaining units represented by unions. One labor agreement covering approximately 350 employees expired on December 31, 2006, and three labor agreements covering approximately 3,000 police, police supervisors, and firefighters expired on December 31, 2009. The City is currently operating under the terms of these expired contracts while negotiations on the new contracts are being conducted. The remaining sixteen agreements are in place through December 31, 2011.

## GENERAL, DEMOGRAPHIC AND ECONOMIC INFORMATION

### GENERAL

Based on 2010 census results, the City's population is 594,833. Population in the four county area surrounding the City is 1,619,429 and represents 28% of the population of the State of Wisconsin.

#### CITY OF MILWAUKEE SELECTED ECONOMIC DATA

<u>Year</u>	<u>Population</u>	<u>Adjusted Gross Income Per Return</u>
2010	580,500 (594,833 US Census)	Not Available
2009	584,000	\$32,492
2008	590,870	33,144
2007	590,190	33,225
2006	590,370	32,370

Sources: Wisconsin Department of Administration, Demographic Service Center and the Wisconsin Department of Revenue, Division of Research and Analysis. The Division's population estimates are used in the distribution of State Shared Revenues. It is anticipated that the 2011 population estimate will reflect the results of the 2010 US Census.

## BUILDING PERMITS

Another indicator of economic growth is the activity in the building industry. The following table indicates building permit activity during the period 2005 through December 2010.

### General Total

<u>Year</u>	<u>Value</u>	<u>Permits Issued</u>
2006	\$424,763,947	2,655
2007	336,748,300	2,405
2008	249,992,533	2,067
2009	290,326,431	1,723
2010	283,026,280	2,065

### 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>	
2006	\$25,146,380	162	\$95,804,142	519	\$120,950,522	681	189
2007	24,940,117	160	123,505,408	677	148,445,525	837	187
2008	15,632,811	90	63,975,007	509	79,607,818	599	104
2009	7,269,207	59	37,354,152	409	44,623,359	468	72
2010	8,400,090	84	91,179,501	726	99,579,591	810	118

### Commercial Building

<u>Year</u>	<u>Value</u>	<u>Permits Issued</u>
2006	\$134,084,138	113
2007	82,501,318	105
2008	59,502,236	74
2009	127,122,466	37
2010	53,319,884	67

### Public Building

<u>Year</u>	<u>Value</u>	<u>Permits Issued</u>
2006	\$38,009,733	243
2007	19,791,921	140
2008	9,107,611	85
2009	10,808,648	107
2010	22,238,704	129

### Alterations and Additions

<u>Year</u>	<u>Value</u>	<u>Permits Issued</u>
2006	\$131,719,554	2,110
2007	86,009,536	1,973
2008	101,774,868	1,804
2009	107,771,958	1,506
2010	107,888,101	1,751

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

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

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

Employer	2010 Employment Estimates	Type of Business or Service
Aurora Health Care	21,570 <sup>(1)</sup>	Health Care
U.S. Government (Includes Zablocki V.A. Medical Center)	10,800 <sup>(2)</sup>	Government
Milwaukee Public Schools	9,958	Education
Wheaton Franciscan Healthcare	8,377	Health Care
Wal-Mart Stores	7,360	Discount retail stores and warehouse clubs
City of Milwaukee	7,297	Government
Roundy's Supermarket	6,800	Retail grocer
Kohl's Corporation	6,384	Specialty department stores
Froedtert Memorial Lutheran Hospital and Community Health	6,090	Health Care
Quad Graphics	5,600	Commercial printing
Milwaukee County	5,457	Government
Northwestern Mutual Life	5,000	Insurance
Children's Hospital of Wisconsin	4,992	Health care
Medical College of Wisconsin	4,800	Medical school/academic/health care
Pro Healthcare, Inc.	4,401	Health care provider
AT & T Wisconsin	4,200	Communications
Columbia-St. Mary's	4,127	Health care provider
WE Energies	4,060	Electric/natural gas utility
M&I Marshall & Ilsley <sup>(3)</sup>	3,896	Holding company banking/finance and data services
University of Wisconsin-Milwaukee	3,881	Education
Harley-Davidson Motor Company	3,566	Manufacturer, motorcycles
U. S. Bank	3,318	Finance, banking
GE Healthcare Technologies	3,000	Medical imaging, healthcare services
Target Corporation	3,000	Discount department store chain
Rockwell Automation (formerly Allen-Bradley)	3,000	Manufacturer, electrical/electronic products
Walgreens Co.	2,641	Retail drugstore chain

<sup>(1)</sup> Aurora's employee number includes four hospitals, rehabilitation, homecare and hospice facilities and their corporate office within a six-county area in and around the City of Milwaukee.

<sup>(2)</sup> Preliminary.

<sup>(3)</sup> M&I Marshall & Ilsley Bank, which is the largest bank based in Wisconsin, announced in December 2010 that it would be acquired by Toronto-based BMO Financial Group. The acquisition is expected to be completed in July, 2011.

Source: The 2011 Business Journal Book of Lists, Employer contacts February 2011 and the U.S. Bureau of Labor Statistics February 2011.

## EMPLOYMENT AND INDUSTRY

During 2010, the City's unemployment rate averaged approximately 11.1%. Presented below are unemployment rates for the City, as compared to the State of Wisconsin and the United States for the period 2006 through December 2010. The information below reflects revisions, corrections, and new inputs from the 2000 census, including the application of the changes to the prior years shown. For further information on the changes, please contact the U.S. Bureau of Labor Statistics, or visit their website at <http://www.bls.gov>.

### ANNUAL UNEMPLOYMENT RATES

(Not Seasonally Adjusted)

<u>Year</u>	<u>City of Milwaukee</u>	<u>Milwaukee - Waukesha-West Allis Metropolitan Statistical Area</u>	<u>State of Wisconsin</u>	<u>United States</u>
2010	11.5%	8.7%	8.3%	9.6%
2009	11.4	8.9	8.7	9.3
2008	6.6	4.8	4.7	5.8
2007	7.2	5.1	4.9	4.6
2006	7.0	4.9	4.7	4.6

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

### RECENT MONTHLY UNEMPLOYMENT RATES

(Not Seasonally Adjusted)

<u>Month</u>	<u>City of Milwaukee</u>	<u>Milwaukee - Waukesha-West Allis Metropolitan Statistical Area</u>	<u>State of Wisconsin</u>	<u>United States</u>
March, 2011	10.4% <sup>(1)</sup>	8.1% <sup>(1)</sup>	8.1% <sup>(1)</sup>	9.2%

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

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

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

## TEN LARGEST TAXPAYERS WITH 2010 ESTIMATED EQUALIZED VALUATIONS

US Bank Corporation	\$ 252,667,854
Northwestern Mutual Life Ins.	\$ 201,313,197
Metropolitan Associates	\$ 100,776,260
Marcus Corp/Milw City Center/Pfister	\$ 99,813,952
NNN 411 East Wisconsin LLC	\$ 94,243,182
Towne Realty	\$ 88,769,553
100 E. Wisconsin Ave Joint Venture	\$ 68,592,078
Riverbend Place	\$ 61,600,076
Flanders Westborough	\$ 59,556,623
Geneva Exchange Fund	\$ 58,568,371

Source: City of Milwaukee, Assessor's Office February 2011.

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## DEBT STRUCTURE

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

### LEGAL DEBT LIMITATIONS

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

#### DEBT MARGIN

*(Includes the Offered Obligations to be issued by the City)*

<b>2010 Equalized Value of Taxable Property in the City</b>		\$29,520,783,200
<b>Legal Debt Limitation for City Borrowing</b>		
5% of Equalized Value		\$1,476,039,160
General Obligation Debt Outstanding subject to 5% Limit as of 05/01/11	\$831,890,000	
Plus: 2011 R2, N3, B4 and T5	256,445,000	
Less: Provision for current year maturities	(39,415,000)	
Less: Refunded Debt	(64,440,000)*	
Net General Obligation Debt Outstanding subject to the 5% Limit as of 03/01/11		\$984,480,000
Total Debt Margin for City Borrowing (in Dollars)		\$491,559,160
(As a percentage)		33.3%
(As a percentage excluding Cash Flow Notes)		40.1%
<b>Legal Debt Limitation for School Purpose Borrowing</b>		
2% of Equalized Value		\$590,415,664
General Obligation Debt Outstanding subject to 2% Limit as of 03/01/11	\$14,774,150	
Less: Provision for current year maturities	-	
Net General Obligation Debt Outstanding subject to the 2% Limit as of 03/01/11		\$14,774,150
Total Debt Margin for School Purpose Borrowing (in Dollars)		\$575,641,514
(As a percentage)		97.5%

\* Includes \$22,000,000 of Commercial Paper being refunded by Sewer Revenue Bonds that are being offered at the same time, but separately from, the Offered Obligations.

## **DEBT REFUNDED**

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

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

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

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

### **ANALYSIS OF GENERAL OBLIGATION DEBT OUTSTANDING AS OF MAY 1, 2011**

Tax Increment Districts	\$162,419,626
Public Buildings	160,908,940
Schools (5% City Borrowing)	124,908,481
Schools (2% School Purpose Borrowing)	14,774,150
Streets	109,324,749
Sewers	87,785,095
Police	30,933,932
Blight Elimination/Urban Renewal	28,935,077
Bridges	24,821,080
Finance Real & Personal Property Tax Receivables	22,943,460
Fire	17,352,386
Water	13,351,193
Local Improvement Projects/Special Assessments	11,564,063
Parking	11,067,447
Library	10,525,006
Playground/Recreational Facilities	9,619,723
Harbor	3,235,883
Municipal Expenses	1,914,020
Grant & Aid Improvements City Share	715,160
Economic Development	6,331
Industrial Land Bank	4,440
Milwaukee Exposition and Convention Center	1,913
Resource Recovery	1,443
Lakefront Development	552
<b>TOTAL</b>	<u><u>\$846,664,150</u></u>



## GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

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

	Total G.O. Debt Service as of 5/1/11 <sup>(3)</sup>		Series 2011 N3/B4/T5		Total Requirements After Issuance
	Principal <sup>(1)</sup>	Interest <sup>(2)</sup>	Principal	Interest <sup>(4)</sup>	
2011	\$39,415,000	\$20,808,897		\$3,389,642	\$63,613,538
2012	88,610,000	36,038,638	\$22,980,000	7,247,750	154,876,388
2013	81,795,000	32,180,272	13,625,000	6,332,625	133,932,897
2014	76,199,504	29,319,815	8,195,000	5,787,125	119,501,444
2015	70,853,467	26,548,677	7,755,000	5,388,375	110,545,519
2016	66,228,434	23,319,480	9,635,000	4,953,625	104,136,539
2017	57,090,239	21,087,750	11,390,000	4,428,000	93,995,989
2018	71,168,544	16,544,437	10,465,000	3,881,625	102,059,606
2019	47,196,727	14,706,112	8,295,000	3,412,625	73,610,464
2020	40,966,322	13,139,853	8,395,000	2,995,375	65,496,550
2021	37,323,148	10,912,464	8,505,000	2,572,875	59,313,487
2022	29,879,005	10,074,880	7,735,000	2,166,875	49,855,759
2023	26,558,761	8,459,627	7,865,000	1,776,875	44,660,263
2024	20,865,000	3,681,540	8,000,000	1,380,250	33,926,790
2025	16,860,000	2,586,766	8,150,000	976,500	28,573,266
2026	5,075,000	2,089,481	8,310,000	565,000	16,039,481
2027	6,140,000	1,023,663	3,480,000	270,250	10,913,913
2028	0	0	3,665,000	91,625	3,756,625
	<u>\$782,224,150</u>	<u>\$272,522,350</u>	<u>\$156,445,000</u>	<u>\$57,617,017</u>	<u>\$1,268,808,517</u>

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

<sup>(2)</sup> Assumes: the maximum interest rate of 12.0% on \$23,000,000 of variable rate debt and \$20,000,000 of remaining outstanding commercial paper (the tax levy requirement).

<sup>(3)</sup> Excludes debt to be refunded and \$22 million of Commercial Paper for Sewer Purposes being refunded at the same time as this offering.

<sup>(4)</sup> Assumes 5.00% on the 2011 N3 Notes/B4 Bonds/T5 Bonds

**TRENDS OF GENERAL OBLIGATION DEBT  
(THOUSANDS OF DOLLARS)**

Year 12/31	Total GO Debt	Self-Sustaining GO Debt*	Levy Supported GO Debt
2006	\$797,462	\$268,901	\$528,561
2007	747,298	294,952	452,346
2008	788,579	291,317	497,262
2009	804,474	293,039	511,435
2010	916,034	342,400	573,634

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

Year 12/31	TID Program	Parking Program	Special Assessments	Delinquent Taxes <sup>(1)</sup>	Water	Sewer <sup>(2)</sup>	Total Self-Sustaining
2006	\$146,232	\$12,747	\$18,449	\$27,070	\$23,257	\$41,146	\$268,901
2007	143,886	11,733	16,458	28,320	19,895	74,661	294,952
2008	165,217	10,743	14,631	34,136	17,049	49,541	291,317
2009	164,106	11,616	12,994	40,508	17,049	46,766	293,039
2010	167,944	11,753	11,623	47,575	13,453	90,052	342,400

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

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

<sup>(2)</sup> Amount reflects the portion of GO Sewer Debt paid by the Sewer Utility.  
Beginning in 2007, the Sewer Utility paid the full amount of the GO Sewer Debt.  
Also includes temporary borrowing pending refunding with revenue bonds.

**RATIO OF GENERAL OBLIGATION DEBT  
To Equalized And Assessed Values And To Per Capita**

Year <u>12/31</u>	<u>Population</u> <sup>(1)</sup>	Net Equalized <u>Valuation</u>	<u>AV</u>	Total <u>GO Debt</u>	GO Debt <u>/Net EV</u>	GO Debt <u>/AV</u>	GO Debt <u>/capita</u>
2006	590,370	\$30,226,985,500	\$28,354,951,841	\$797,462,085	2.64%	2.81%	\$1,351
2007	590,190	31,887,192,100	29,374,372,962	747,298,112	2.34	2.54	1,266
2008	590,870	32,257,525,000	30,431,675,204	788,579,150	2.44	2.59	1,335
2009	584,000	31,266,329,200	28,994,573,372	804,474,150	2.57	2.77	1,378
2010	580,500	29,520,783,200	28,048,464,348	916,034,150	3.10	3.27	1,578

<sup>(1)</sup> Population estimate from the Wisconsin Department of Revenue for use in the distribution of State Shared Revenues. It is anticipated that the 2011 population estimate will reflect the results of the 2010 US Census, which was 594,833.

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

Year <u>12/31</u>	PDAF Unsegregated <u>Balance</u>	GO Debt <u>/Net EV</u>	GO Debt <u>/capita</u>
2006	\$48,727,784	2.48%	\$1,268
2007	50,824,739	2.18	1,180
2008	50,916,679	2.29	1,248
2009	50,444,955	2.41	1,291
2010 <sup>(1)</sup>	50,444,955	2.93	1,491

<sup>(1)</sup> 12/31/10 balance is unknown at this time. Assumes balance is unchanged for the year.

**COMPUTATION OF NET DIRECT AND OVERLAPPING DEBT  
MAY 1, 2011**

<u>Governmental Unit</u>	<u>Debt Outstanding As of May 1, 2011</u>	<u>Approximate Percentage Applicable</u>	<u>Milwaukee's Share of Debt As of May 1, 2011</u>
City of Milwaukee <sup>(1)</sup>	\$970,649,150	100.00%	\$970,649,150
Area Board of Vocational, Technical and Adult Education, District No. 9	81,495,000	38.19	31,122,941
County of Milwaukee <sup>(2)</sup>	684,326,969	44.17	302,267,222
Milwaukee Metropolitan Sewerage District <sup>(3)</sup>	927,592,916	47.62	441,719,747
<b>TOTAL NET DIRECT AND OVERLAPPING DEBT</b>	<b>\$2,664,064,035</b>		<b>\$1,745,759,059</b>

<sup>(1)</sup> Includes \$108 million general obligation debt outstanding, which financed Milwaukee Public Schools improvements. Figure includes the new issue, and excludes debt to be refunded and provisions for current year maturities.

<sup>(2)</sup> Includes approximately \$672,439,101 of low interest loans from the State of Wisconsin Clean Water Fund, supported by the full faith and credit of the MMSD.

**FUTURE FINANCING**

The City is simultaneously offering for sale debt for cash flow purposes, long-term general obligation debt, and long-term sewer revenue debt. \$58,600,000 of commercial paper will be long-term financed with the offerings.

Prior to the issuance of the Offered Obligations, the City has \$464 million authorized unissued general obligation debt, for various corporate and capital improvement purposes, which can be issued at any time. In addition, the City has \$400 million of authorized unissued revenue anticipation borrowing for City and School cash flow purposes.

The authorized unissued general obligation debt includes \$55 million for sewer purposes. In addition, there is currently outstanding \$40 million of General Obligation Commercial Paper that was issued on a temporary basis for Sewer purposes, \$22,000,000 of which is being financed on a long-term basis with Sewerage System Revenue bonds being offered at the same time as the Offered Obligations. Most of the sewer purpose debt will be financed on a revenue bond basis, including second lien revenue bonds sold to the State of Wisconsin Clean Water Fund program. The remaining portion will be financed on a long-term basis with general obligation debt.

The City anticipates the issuance of \$48,000,000 of Commercial Paper for cash flow purposes in May, 2011, and repaying the Commercial Paper in June, 2011.

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

## COMMERCIAL PAPER PROGRAM

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

The CP Notes may be issued at any time for any purpose, including the purposes described in Future Financing above. The primary purpose of the CP Note program is to provide interim financing for expenditures pending the City’s next long-term financing. As of December 31, 2010, the City had \$76,000,000 of Series C2 Notes and \$2,600,000 of Series T4 Notes outstanding.

## AUCTION RATE AND OTHER VARIABLE RATE EXPOSURE

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

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

## REVENUE BONDING

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

Water System Revenue Bonds, Series 1998 — In 1998, the City and the State of Wisconsin entered into a loan agreement under the State of Wisconsin Safe Drinking Water Loan Program. Subsidized loans are available for certain projects, are secured by revenues of the Milwaukee Water Works, and are repayable over a period of 20 years. As of December 1, 2010, the outstanding balance was \$8.5 million.

Sewerage System Revenue Bonds — In 2001, the City created the Sewerage System with the issuance of \$29,095,000 of Sewerage System Revenue Bonds, and in 2003, the City issued an additional \$33,885,000 of Sewerage System Revenue Bonds. As of December 31, 2010, total outstanding Sewerage System Revenue Bonds was \$45,275,000 with a final maturity in 2023.

In 2006, the City created the Sewerage System Second Lien Revenue Bonds for the purpose of borrowing from the State of Wisconsin Clean Water Fund Program. As of December 31, 2010, the City had \$80.7 million outstanding under the Program. The City hopes to satisfy as much as possible of its Sewerage System capital needs with borrowings under the Program. (See “FUTURE FINANCING”).

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

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

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

Between the period 1983 and December 1, 2010 the Housing Authority issued revenue bonds of approximately \$149 million of which approximately \$8.990 million are still outstanding.

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

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

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

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

As of December 31, 2010, the Redevelopment Authority had outstanding: two bond issue with \$36,490,000 outstanding that have a Moral Obligation Pledge of the City; and \$253,939,122 in six bond issues for MPS, one secured by a lease, and five secured by loan agreement, with the Milwaukee Board of School Directors (“MBSD”). These bonds do not constitute general obligations of the City, or of MBSD, and shall not constitute or give rise to a charge against the City’s, or MBSD’s, taxing powers. These pledges create only financial obligations of the City, or MBSD, which are subject to annual appropriation. The loan agreement with MBSD includes a pledge of certain state aid payable to MBSD.

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

Milwaukee Economic Development Corporation — As of December 31, 2010, the Milwaukee Economic Development Corporation, or through a related entity, funded loans for 1,069 small businesses and redevelopment projects utilizing \$244.5 million to leverage a total of \$1.228 billion in investment. 944 loans have been enrolled in the Capital Access Program with covered loan amounts totaling \$52.5 million.

The Milwaukee Economic Development Corporation had notes and debentures payable under the Small Business Administration’s Section 503 and 504 loan programs in the amount of \$10.7 million as of December 31, 2010.

## **TAX INCREMENT DISTRICT FINANCING**

Five issues of the Redevelopment Authority and Housing Authority involving over \$60 million in bonds have financed projects located within tax increment districts (“TID”) of the City. The City has also financed public improvements and provided grants to the Redevelopment Authority for redevelopment purposes within such districts through the issuance of its general obligation bonds. As of December 31, 2010, \$166 million general obligation bonds for TID purposes was outstanding. Under current law, tax increments received by the City have been calculated based upon the assessed valuation and the applicable tax levy in the TID. The applicable tax levy includes the public school tax levy rate for Milwaukee Public Schools.

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

## **FINANCIAL INFORMATION**

### **BUDGETING**

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

## CITY CAPITAL IMPROVEMENTS PLAN

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

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

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

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

The Adopted 2011 Capital Improvements Budget totals \$254 million compared to a 2010 Budget of \$178 million and a CIP projection for 2011 of \$234 million. Note: The 2011 budget of \$254 million includes \$75 million of State and Federal aid for streets and bridges, which is \$63 million higher than 2010 and \$45 million higher than anticipated in the CIP. Major categories include \$134 million of public works projects (streets, buildings, etc.), \$60 million of water and sewer projects, and \$31 million of economic development projects.

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**ADOPTED BUDGET - COMBINED REVENUES - 2011**

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Enterprise</u>	<u>Total</u>
<b>Taxes</b>						
Property Tax - General	\$111,574,808	-	\$69,208,807	\$907,000	-	\$181,690,615
Provision for Empl Retirement	60,012,663	-	-	-	-	60,012,663
Common Council Cont	5,000,000	-	-	-	-	5,000,000
<b>Total Taxes</b>	<u>176,587,471</u>	<u>-</u>	<u>69,208,807</u>	<u>907,000</u>	<u>-</u>	<u>246,703,278</u>
<b>Revenues</b>						
Taxes	16,534,500	-	-	-	-	16,534,500
Licenses and Permits	12,428,200	-	-	-	-	12,428,200
Intergovernmental Revenues	271,595,500	\$72,446,206	-	-	-	344,041,706
Charges for Service	131,357,965	-	-	-	-	131,357,965
Fines and Forfeitures	5,255,000	-	-	-	-	5,255,000
Miscellaneous Revenues	1,770,825	12,300,000	-	-	-	14,070,825
Fringe benefits	24,000,000	-	-	-	-	24,000,000
Parking	20,787,000	-	3,200,000	-	\$19,866,400	43,853,400
Water Works	-	-	5,155,611	-	89,074,295	94,229,906
Sewer Maintenance Fund	12,734,075	-	9,522,000	-	32,474,421	54,730,496
Retained Earnings	-	-	-	-	20,775,400	20,775,400
Sinking Fund	-	-	236,775,348	-	-	236,775,348
Special Assessments	-	8,839,558	-	545,200	-	9,384,758
Capital Revenue	-	-	-	21,028,500	-	21,028,500
<b>Total Revenues</b>	<u>496,463,065</u>	<u>93,585,764</u>	<u>254,652,959</u>	<u>21,573,700</u>	<u>162,190,516</u>	<u>1,028,466,004</u>
<b>Tax Stabilization</b>						
Transfer from Reserves	14,600,000	-	-	-	-	14,600,000
Sale of Bonds and Notes	-	-	-	95,481,897	39,153,000	134,634,897
<b>Grand Total</b>	<u>\$687,650,536</u>	<u>\$93,585,764</u>	<u>\$323,861,766</u>	<u>\$117,962,597</u>	<u>\$201,343,516</u>	<u>\$1,424,404,179</u>

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

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

**ADOPTED BUDGET – COMBINED APPROPRIATIONS – 2011**

	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Total
Administration, Dept of	\$8,269,838	-	-	\$2,035,000	-	\$10,304,838
Assessor's Office	4,665,708	-	-	-	-	4,665,708
City Attorney	7,673,922	-	-	-	-	7,673,922
City Treasurer	3,241,414	-	-	-	-	3,241,414
Common Council - Clerk	8,287,572	-	-	-	-	8,287,572
Municipal Court	3,569,175	-	-	-	-	3,569,175
Comptroller	5,320,238	-	-	-	-	5,320,238
Dept of City Development	4,340,956	-	-	30,661,257	-	35,002,213
Election Commission	1,334,791	-	-	-	-	1,334,791
Employee Relations, Dept of	4,496,036	-	-	-	-	4,496,036
Fire and Police Commission	1,280,472	-	-	-	-	1,280,472
Fire Department	103,047,292	-	-	3,064,000	-	106,111,292
Health Department	12,898,015	-	-	110,000	-	13,008,015
Library Board	22,265,743	-	-	2,526,000	-	24,791,743
Mayor's Office	1,202,701	-	-	-	-	1,202,701
Neighborhood Services	15,685,462	-	-	-	-	15,685,462
Police Department	229,346,322	-	-	4,987,931	-	234,334,253
Port of Milwaukee	4,897,157	-	-	-	-	4,897,157
DPW-Administration	4,847,544	-	-	500,000	-	5,347,544
DPW-Infrastructure	36,912,077	-	-	49,839,950	-	86,752,027
DPW-Operations	72,647,341	-	-	9,103,459	-	81,750,800
Water Works	-	-	\$5,155,611	-	\$109,319,295	114,474,906
Sewer Maintenance Fund	-	-	9,522,000	-	66,407,421	75,929,421
Special Purpose Accounts	174,998,012	-	-	-	-	174,998,012
Pension Funds	91,552,796	-	-	-	-	91,552,796
Debt Service - City	-	-	288,390,226	-	-	288,390,226
Debt Service - Schools	-	-	17,593,929	-	-	17,593,929
Contingency	5,000,000	-	-	-	-	5,000,000
Delinquent Tax Fund	-	\$12,300,000	-	-	-	12,300,000
Parking	-	-	3,200,000	-	25,616,800	28,816,800
Grant & Aid Fund	-	72,446,206	-	-	-	72,446,206
Special Capital Projects	-	-	-	15,135,000	-	15,135,000
Economic Development	-	8,839,558	-	-	-	8,839,558
Fringe Benefit Offset <sup>(1)</sup>	(140,130,048)	-	-	-	-	(140,130,048)
<b>Grand Total</b>	<b>\$687,650,536</b>	<b>\$93,585,764</b>	<b>\$323,861,766</b>	<b>\$117,962,597</b>	<b>\$201,343,516</b>	<b>\$1,424,404,179</b>

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

**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**  
**FOR THE YEARS ENDING DECEMBER 31, 2005 THROUGH 2009**  
(Thousands of Dollars)

<b><u>Revenues:</u></b>	2005	2006	2007 <sup>(1)</sup>	2008	2009
Property Taxes	\$135,610	\$141,102	\$137,253	\$141,573	\$156,410
Other Taxes	3,709	5,202	5,311	4,839	3,504
Licenses and Permits	13,374	13,729	13,704	12,918	12,186
Intergovernmental	272,875	272,417	272,539	271,100	272,337
Charges for Services	63,410	73,528	76,496	86,410	91,057
Fines and Forfeitures	5,893	5,541	5,800	5,277	4,802
Other	12,179	17,353	18,883	12,864	19,967
TOTAL GENERAL FUND REVENUES	<u>507,050</u>	<u>528,872</u>	<u>529,986</u>	<u>534,981</u>	<u>560,263</u>
Tax Stabilization Fund Withdrawals	16,621	16,328	23,175	29,457	22,379
Other Financing Sources and Equity					
Transfers (Net)	39,444	37,761	43,224	40,234	46,896
TOTAL GENERAL FUND REVENUES TAX STABILIZATION FUND WITHDRAWALS AND OTHER FINANCING SOURCES	<u>563,115</u>	<u>582,961</u>	<u>596,385</u>	<u>604,672</u>	<u>629,538</u>
<b><u>Expenditures:</u></b>					
General Government	180,590	178,004	201,021	199,004	202,066
Public Safety	248,366	250,672	257,137	266,370	276,060
Public Works	89,180	86,482	93,956	103,149	97,093
Health	10,656	10,428	10,359	10,118	10,446
Culture and Recreation	16,744	17,882	17,548	16,782	17,329
Conservation and Development	2,767	3,217	3,279	3,456	4,230
TOTAL EXPENDITURES	<u>548,303</u>	<u>546,685</u>	<u>583,300</u>	<u>598,879</u>	<u>607,224</u>
SOURCES OVER (UNDER) EXPENDITURES	14,812	36,276	13,085	5,793	22,314
Fund Balance - January 1 (excludes reserved for use during the year)	70,415	68,899	82,000	65,628	49,042
Fund Balance - December 31	<u>\$85,227</u>	<u>\$105,175</u>	<u>\$95,085</u>	<u>\$71,421</u>	<u>\$71,356</u>

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

CITY OF MILWAUKEE  
GENERAL FUND - PROJECTED CASHFLOW SUMMARY  
(MILLIONS OF DOLLARS)  
JANUARY 1, 2011 TO DECEMBER 31, 2011

	January	February	March	April	May	June	July	August	September	October	November	December	TOTAL
<b>BALANCE</b>	<b>71.757</b>	<b>108.783</b>	<b>42.213</b>	<b>8.221</b>	<b>(7.968)</b>	<b>10.838</b>	<b>1.440</b>	<b>76.835</b>	<b>64.790</b>	<b>19.993</b>	<b>(0.076)</b>	<b>172.575</b>	
<b>RECEIPTS</b>													
Property Taxes	2.137	9.253	5.422	5.480	2.162	9.710	59.226	10.783	13.237	16.109	2.471	81.743	217.731
State Aids													
Shared Revenue	-	-	-	-	-	-	42.865	-	-	-	194.093	-	236.958
Highway Aids	6.805	0.453	-	6.788	-	-	7.488	-	-	6.788	-	-	28.320
Payment Muni. Services	-	1.968	-	-	-	-	-	-	-	-	-	-	1.968
Computer Exemption Aid	-	-	-	-	-	-	3.200	-	-	-	-	-	3.200
Other	11.872	13.947	11.903	14.918	12.046	11.485	8.340	13.589	9.081	5.069	17.846	18.058	148.154
Delinquent Taxes Transfer	30.156	-	-	-	-	-	-	-	-	-	-	-	30.156
Pension Fees	3.091	-	0.920	0.229	3.144	2.114	1.194	2.830	1.261	0.217	3.126	-	18.125
City Services Fees	2.623	2.340	2.236	1.983	1.957	2.327	1.808	2.373	2.111	2.809	4.284	3.695	30.546
City PILOTS (Major)	-	-	10.153	-	-	-	-	-	-	-	-	12.550	22.703
Parking Transfers	-	-	3.000	-	-	10.394	-	-	-	-	-	10.394	23.787
Summerfest Lease	-	-	-	-	-	-	-	-	-	-	-	1.337	1.337
Street Sweeping	-	-	-	-	-	6.367	-	-	-	-	-	6.367	12.734
Vehicle Registration Fee	-	-	-	-	-	-	0.550	0.550	0.550	0.550	0.550	0.550	3.300
Potawatomi PILOT	-	-	-	-	-	-	-	5.240	-	-	-	-	5.240
Year End Transfers	35.000	-	-	-	-	-	-	-	-	-	-	-	35.000
Note Proceeds <sup>(1)</sup>	-	-	-	-	48.000	100.000	-	-	-	-	-	-	148.000
<b>TOTAL RECEIPTS</b>	<b>91.683</b>	<b>27.960</b>	<b>33.633</b>	<b>29.397</b>	<b>67.308</b>	<b>142.396</b>	<b>124.671</b>	<b>35.365</b>	<b>26.240</b>	<b>31.542</b>	<b>222.371</b>	<b>134.693</b>	<b>967.260</b>

<sup>(1)</sup>Includes the use of \$48 million of Commercial Paper for cash flow purposes in May, 2011 for 1 month..

Maximum deficit occurs in July and November.

CITY OF MILWAUKEE  
GENERAL FUND - PROJECTED CASHFLOW SUMMARY (MILLIONS OF DOLLARS)  
(MILLIONS OF DOLLARS) (CONTINUED)  
JANUARY 1, 2011 TO DECEMBER 31, 2011

	January	February	March	April	May	June	July	August	September	October	November	December	TOTAL
<b>DISBURSEMENTS</b>													
Salaries & Benefits	43.393	45.892	54.247	41.336	41.293	41.633	41.783	42.401	54.885	43.470	41.875	43.621	535.829
Services & Supplies	11.264	12.775	13.378	4.250	7.209	5.793	7.493	5.009	16.152	8.141	7.846	7.513	106.824
Employer Pension Contribution	-	-	-	-	-	-	-	-	-	-	-	17.350	17.350
Purchase Tax Delinquents	-	35.864	-	-	-	-	-	-	-	-	-	-	35.864
Contractual Tax Payment	-	-	-	-	-	56.367	-	-	-	-	-	-	56.367
Year End Transfers	-	-	-	-	-	-	-	-	-	-	-	32.000	32.000
Note Principal Repayment	-	-	-	-	-	48.000	-	-	-	-	-	100.000	148.000
<b>TOTAL DISBURSEMENTS</b>	<b>54.657</b>	<b>94.531</b>	<b>67.625</b>	<b>45.586</b>	<b>48.502</b>	<b>151.793</b>	<b>49.276</b>	<b>47.410</b>	<b>71.037</b>	<b>51.611</b>	<b>49.721</b>	<b>200.484</b>	<b>932.233</b>
<b>BALANCE</b>	<b>108.783</b>	<b>42.213</b>	<b>8.221</b>	<b>(7.968)</b>	<b>10.838</b>	<b>1.440</b>	<b>76.835</b>	<b>64.790</b>	<b>19.993</b>	<b>(0.076)</b>	<b>172.575</b>	<b>106.784</b>	

CITY OF MILWAUKEE  
GENERAL FUND  
PROJECTED SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(MILLIONS OF DOLLARS)

	Beginning Cash Balance (Deficit)	Receipts	Disbursements	Ending Cash Balance (Deficit)	Ending Cash Balance Excluding Borrowing of \$100 Million
January	\$71.757	\$91.683	\$54.657	\$108.784	\$108.784
February	108.784	27.960	94.531	42.213	\$42.213
March	42.213	33.633	67.625	8.221	\$8.221
April	8.221	29.397	45.586	(7.968)	(\$7.968)
May	(7.968)	67.308	48.502	10.838	\$10.838 <sup>(1)</sup>
June	10.838	142.396	151.793	1.441	\$1.441 <sup>(1,2)</sup>
July	1.441	124.671	49.276	76.835	\$76.835
August	76.835	35.365	47.410	64.790	\$64.790
September	64.790	26.240	71.037	19.994	\$19.994
October	19.994	31.542	51.611	(0.075)	(\$0.075)
November	(0.075)	222.371	49.721	172.575	\$172.575
December	172.575	134.693	200.484	106.784	\$106.784 <sup>0</sup>
		<u>\$967.260</u>	<u>\$932.233</u>		

<sup>(1)</sup> Balance includes \$48 million of Commercial Paper proceeds and its repayment.

<sup>(2)</sup> Balance includes \$100 million RAN proceeds.

<sup>(3)</sup> Balance includes \$100 million of repayment of RANs.

CITY OF MILWAUKEE  
GENERAL FUND  
SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(MILLIONS OF DOLLARS)

	Beginning Cash Balance (Deficit)	Receipts	Disbursements	Ending Cash Balance (Deficit)
January	\$46.865	\$125.610	\$105.561	\$66.914
February	66.914	\$26.666	\$95.096	(1.517)
March	(1.517)	\$27.118	\$62.177	(36.576)
April	(36.576)	\$177.823 <sup>(1)</sup>	\$54.848	86.399
May	86.399	\$19.515	\$40.920	64.993
June	64.993	\$43.689	\$110.949	(2.268)
July	(2.268)	\$123.009	\$42.537	78.205
August	78.205	\$35.567	\$53.635	60.136
September	60.136	\$26.319	\$66.368	20.088
October	20.088	\$42.584	\$53.326	9.345
November	9.345	\$222.355	\$40.658	191.042
December <sup>(3)</sup>	191.042	\$113.939	\$233.224 <sup>(2)</sup>	71.757
		<u>\$984.193</u>	<u>\$959.301</u>	

Notes:

<sup>(1)</sup> Includes \$147 million of RAN proceeds.

<sup>(2)</sup> Includes \$147 million of repayment of RANs.

<sup>(3)</sup> Estimated.

**CITY OF MILWAUKEE**  
**SCHEDULE OF CASH AND INVESTMENT**  
**BALANCES - ALL FUNDS**  
**2010**  
**(MILLIONS OF DOLLARS)**

	<u>General Fund</u> <sup>(1)</sup>	<u>Other Governmental Funds</u>	<u>Enterprise Funds</u>	<u>Trust and Agency Funds</u> <sup>(2)</sup>	<u>Total</u>
January	\$66.914	\$228.851	\$11.578	\$196.820	\$504.163
February	(1.517)	315.058	19.488	178.987	512.016
March	(36.576)	272.168	18.436	74.062	328.090
April	86.399	300.562	22.481	135.964	545.406
May	64.993	235.815	21.600	45.793	368.201
June	(2.268)	233.823	71.698	83.789	387.042
July	78.205	209.730	95.729	26.886	410.550
August	60.136	188.296	94.960	11.058	354.450
September	20.088	144.311	93.724	27.655	285.778
October	9.345	234.119	61.875	77.505	382.844
November	191.042	228.273	53.431	22.890	495.636
December (estimate)	71.757	160.885	57.068	360.265	649.975

<sup>(1)</sup> Balances include RAN proceeds and their repayment.

<sup>(2)</sup> Agency Funds includes Milwaukee Public Schools.

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



CITY OF MILWAUKEE  
 PROJECTED SCHEDULE OF CASH AND INVESTMENT  
 BALANCES - ALL FUNDS  
 2011  
 (MILLIONS OF DOLLARS)

	<u>General Fund</u> <sup>(1)</sup>	<u>Other Governmental Funds</u>	<u>Enterprise Funds</u>	<u>Trust and Agency Funds</u> <sup>(2)</sup>	<u>Total</u>
January	\$108.784	\$211.091	\$45.377	\$195.957	\$561.209
February	\$42.213	203.740	56.981	174.808	477.742
March	\$8.221	196.369	57.649	72.176	334.415
April	(\$7.968)	227.650	59.294	132.154	411.130
May	\$10.838	211.010	60.033	44.208	326.089
June	\$1.441	193.713	70.681	82.399	348.234
July	\$76.835	193.841	80.457	27.274	378.407
August	\$64.790	177.090	80.614	11.744	334.238
September	\$19.994	140.685	79.097	27.460	267.236
October	(\$0.075)	154.360	73.042	80.517	307.844
November	\$172.575	149.576	63.976	21.713	407.840
December	\$106.784	168.854	55.861	358.850	690.349

<sup>(1)</sup> Balances include proceeds from the sale of the RANs and subsequent principal payment.

<sup>(2)</sup> Agency Funds includes Milwaukee Public Schools.

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

**CITY OF MILWAUKEE  
ASSESSED AND EQUALIZED VALUATIONS**

	Year 2006 For 2007 Purposes	Year 2007 For 2008 Purposes	Year 2008 For 2009 Purposes	Year 2009 For 2010 Purposes	Year 2010 For 2011 Purposes
Real Property					
Residential	\$18,211,503,605	\$18,753,914,925	\$19,173,232,823	\$17,743,825,065	\$17,156,626,561
Industrial (Manufacturing)	740,265,100	726,692,200	772,959,900	732,007,800	732,279,700
Mercantile (Commercial)	8,498,282,646	8,950,205,395	9,483,547,328	9,485,580,238	9,202,213,459
Total Real Property	<u>\$27,450,051,351</u>	<u>\$28,430,812,520</u>	<u>\$29,429,740,051</u>	<u>\$27,961,413,103</u>	<u>\$27,091,119,720</u>
Personal Property	904,900,490	943,560,442	1,001,936,153	983,160,269	957,344,628
Total Assessed Valuations	<u><u>\$28,354,951,841</u></u>	<u><u>\$29,374,372,962</u></u>	<u><u>\$30,431,676,204</u></u>	<u><u>\$28,944,573,372</u></u>	<u><u>\$28,048,464,348</u></u>
Equalized Valuation as determined by the State Department of Taxation is the basis used in computing the 7% statutory debt limitation of the City of Milwaukee	\$30,226,985,500	\$31,887,192,100	\$32,257,525,000	\$31,266,329,200	\$29,520,783,200
Ratio of Assessed to Equalized Valuation	94.05%	92.12%	94.34%	92.57%	95.01%

**CITY OF MILWAUKEE**  
**ASSESSED TAX RATES**  
(Per \$1,000 of Assessed Valuation)

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Unit of Government					
City Government	\$8.75	\$7.99	\$8.01	\$8.09	\$9.12
Milwaukee Public Schools	8.79	8.04	8.84	9.82	10.85
Milwaukee County	4.63	4.37	4.41	4.38	4.87
Milwaukee Area Technical College	1.96	1.89	1.92	1.94	2.02
Milwaukee Metropolitan Sewerage District	1.48	1.39	1.39	1.37	1.52
Gross Tax Rate Per \$1,000	25.61	23.68	\$24.57	\$25.60	\$28.38
Less: State Tax Credit	(\$1.11)	(\$1.27)	(\$1.43)	(\$1.57)	(\$1.81)
Net Tax Rate	<u>\$24.50</u>	<u>\$22.41</u>	<u>\$23.14</u>	<u>\$24.03</u>	<u>\$26.57</u>

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

Budget Year	Taxes Levied for the Fiscal Year			Cumulative Collected in Subsequent Years	
	<u>Levy</u>	<u>Collections</u>	<u>% of Levy</u>	<u>Amount</u>	<u>% Collected</u>
2005	\$248,267	\$242,587	97.71%	\$5,300	99.85%
2006	261,685	255,818	97.76	5,423	99.83
2007	265,319	257,350	97.00	6,992	99.63
2008	286,180	277,119	96.83	5,880	98.89
2009	276,186	265,691	96.20	0	96.20

## **COLLECTION PROCEDURES**

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

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

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

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

The rate of current tax collections continues at an historically high level. Current collections for 2009 were approximately 96.2% percent of the total tax levied.

## **INSURANCE**

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

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# PENSION SYSTEM

## EMPLOYEES' RETIREMENT SYSTEM

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

Membership in the System consists of specified classes of part-time and all full-time municipal employees including elected officials. Persons employed as teachers are specifically excluded from membership. Membership in the System totals 11,664 active and 4,123 vested, inactive members at December 31, 2009. There were 11,205 retirees and beneficiaries receiving benefits as of December 31, 2009.

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

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

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

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

Chapter 36 was amended so that various groups of represented and non-represented City employees hired on or after January 1, 2010 shall contribute 5.5% of their earnable compensation has been reflected with the latest valuation.

For the year ended December 31, 2009, the latest year for which audited figures are available, required member contributions totaled \$35.895 million and required employer contributions totaled \$60.098 dollars. 79.55% of these contributions were for requirements of the City of Milwaukee employees. The original cost of fund investments totaled \$3.593 billion with a corresponding market value of \$3.896 billion or 108.42% of the original cost at December 31, 2009.

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

The latest actuarial valuation was as of January 1, 2010. The valuation reveals the System continues to remain actuarially sound.

The Governmental Accounting Standards Board ("GASB") Statement No. 25 Disclosure of "Schedule of Funding Progress" indicates an Actuarial Value of Assets of \$4.817 billion as of January 1, 2010 and an Actuarial Accrued Liability of \$4.269 billion as of that date. This results in a Funded Ratio of 112.8%.

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

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

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

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

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

## **OTHER POST-EMPLOYMENT BENEFITS**

According to the City's Comprehensive Annual Financial Report ("CAFR"), the Governmental Accounting Standards Board ("GASB") issued Statement No. 45, Accounting and Financial Reporting by Employers for Post-employment Benefits Other than Pensions effective for fiscal year 2007. This Statement requires the City to account for and report the value of its future other post-employment benefits ("OPEB") obligation currently rather than on a pay-as-you-go basis. The actuarially required contribution ("ARC") is \$77.4 million. The City's total annual OPEB pay-as-you-go obligation is \$28.7 million. As of January 1, 2009, the unfunded actuarial accrued liability was \$960 million or 229% of covered payroll. Please see the CAFR at [www.milwaukee.gov](http://www.milwaukee.gov) for more information.

## **LEGAL MATTERS**

### **LITIGATION STATEMENT**

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

The City Attorney's office has reviewed the status of pending or threatened litigation, claims and assessments to which the office has devoted substantive attention in the form of legal consultation or representation and which individually represent maximum potential loss exposure in excess of \$1 million, existing on May 1, 2011.

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

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

Four lawsuits have been filed relative to this matter. Mr. Jude and his wife sued the City and several individuals relative to his beating. The City has settled with three other individuals who attended the party with Mr. Jude and alleged that they were unlawfully arrested and that excessive force was used. Mr. Jude is seeking more than \$25 million dollars in damages. The City has answered the suit and maintains that none of the individually named defendant officers, both on and off duty, were acting within the scope of their employment with regard to the subject events. The City has also denied all requests by the individual officer defendants for representation. On August 31, 2009, Mr. Jude filed an amended complaint adding Nicole (Martinez) Belmore as a defendant. Ms. Belmore was an on-duty officer who responded to the scene. Ms. Belmore was acting in the scope of her employment and has been provided outside counsel. No criminal conduct has ever been alleged with respect to her. The current fact discovery deadline was February 1, 2011, expert discovery deadline is October 1, 2011, and the dispositive motion deadline is November 1, 2011.

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

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

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

## LEGAL OPINIONS

The legal opinions of Katten Muchin Rosenman LLP, Chicago, Illinois, and Hurtado, S.C., Wauwatosa, Wisconsin, Bond Counsel to the City, will be delivered to the purchasers of the Offered Obligations. Drafts of the legal opinions for the Offered Obligations are included herein as Appendix B.

## **RATINGS**

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

FITCH Ratings has assigned a rating of “\_\_\_” on the CFNs and “\_\_\_” on the N3 Notes, B4 Bonds and T5 Bonds. Moody's Investors Service, Inc. has assigned a rating of “\_\_\_” on the CFNs and “\_\_\_” on the N3 Notes, B4 Bonds and T5 Bonds. Standard & Poor's Ratings Group has assigned a rating of “\_\_\_” on the CFNs and “\_\_\_” on the N3 Notes, B4 Bonds and T5 Bonds.

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

## **TAX MATTERS**

### **TAX-EXEMPT OBLIGATIONS**

Summary of Bond Counsel Opinion in connection with the Tax-Exempt Obligations

Bond Counsel is of the opinion that under existing law, interest on the Tax-Exempt Obligations is not includable in the gross income of the owners thereof for federal income tax purposes. If there is continuing compliance with the applicable requirements of the Internal Revenue Code of 1986 (the “Code”), Bond Counsel is of the opinion that interest on the Tax-Exempt Obligations will continue to be excluded from the gross income of the owners thereof for federal income tax purposes. Bond Counsel is further of the opinion that (i) interest on the Tax-Exempt Obligations is not an item of tax preference for purposes of computing individual or corporate alternative minimum taxable income; (ii) interest on the Notes is not includable in corporate earnings and profits for purposes of the corporate alternative minimum tax; and (iii) interest on the Bonds is includable in corporate earnings and profits and therefore must be taken into account when computing, for example, corporate alternative minimum taxable income for purposes of the corporate alternative minimum tax. Interest on the Tax-Exempt Obligations is not exempt from Wisconsin income taxes.

The Code contains certain requirements that must be satisfied from and after the date of issuance of the Tax-Exempt Obligations in order to preserve the exclusion from gross income for federal income tax purposes of interest on the Tax-Exempt Obligations. These requirements relate to the use and investment of the proceeds of the Tax-Exempt Obligations, the payment of certain amounts to the United States, the security and source of payment of the Tax-Exempt Obligations and the use of the property financed with the proceeds of the Tax-Exempt Obligations.

#### **Tax-Exempt Obligations Purchased at a Premium or at a Discount**

The difference (if any) between the initial price at which a substantial amount of each maturity of the Tax-Exempt Obligations is sold to the public (the “Offering Price”) and the principal amount payable at maturity of such Tax-Exempt Obligations is given special treatment for federal income tax purposes. If the Offering Price is higher than the maturity value of a Tax-Exempt Obligation, the difference between the two is known as “bond premium;” if the Offering Price is lower than the maturity value of a Tax-Exempt Obligation, the difference between the two is known as “original issue discount.”

Bond premium and original issue discount are amortized over the term of a Offered Obligation on the basis of the owner's yield from the date of purchase to the date of maturity, compounded at the end of each accrual period of one year or less with straight line interpolation between compounding dates, as provided more specifically in the Income Tax Regulations. The amount of bond premium accruing during each period is treated as a reduction in the amount of tax-exempt interest earned during such period. The amount of original issue discount accruing during each period is treated as interest that is excludable from the gross income of the owner of such Tax-Exempt Obligations for federal income tax purposes, to the same extent and with the same limitations as current interest.



Owners who purchase Tax-Exempt Obligations at a price other than the Offering Price, after the termination of the initial public offering or at a market discount should consult their tax advisors with respect to the tax consequences of their ownership of the Tax-Exempt Obligations. In addition, owners of Tax-Exempt Obligations should consult their tax advisors with respect to the state and local tax consequences of owning the Tax-Exempt Obligations; under the applicable provisions of state or local income tax law, bond premium and original issue discount may give rise to taxable income at different times and in different amounts than they do for federal income tax purposes.

### **Exclusion from Gross Income: Requirements**

The Code sets forth certain requirements that must be satisfied on a continuing basis in order to preserve the exclusion from gross income for federal income tax purposes of interest on the Tax-Exempt Obligations. Among these requirements are the following:

**Limitations on Private Use.** The Code includes limitations on the amount of proceeds of the Tax-Exempt Obligations that may be used in the trade or business of, or used to make or finance loans to, persons other than governmental units.

**Investment Restrictions.** Except during certain “temporary periods,” proceeds of the Tax-Exempt Obligations and investment earnings thereon (other than amounts held in a reasonably required reserve or replacement fund, if any, or as part of a “minor portion”) may generally not be invested in investments having a yield that is “materially higher” (1/8 of one percent) than the yield on the Tax-Exempt Obligations.

**Rebate of Arbitrage Profit.** Unless the City qualifies for an exemption, earnings from the investment of the “gross proceeds” of the Tax-Exempt Obligations in excess of the earnings that would have been realized if such investments had been made at a yield equal to the yield on the Tax-Exempt Obligations are required to be paid to the United States at periodic intervals. For this purpose, the term “gross proceeds” includes the original proceeds of the Tax-Exempt Obligations, amounts received as a result of investing such proceeds and amounts to be used to pay debt service on the Tax-Exempt Obligations.

### **Covenants to Comply**

The City has covenanted to comply with the requirements of the Code relating to the exclusion from gross income for federal income tax purposes of interest on the Tax-Exempt Obligations.

### **Risks of Non-Compliance**

In the event that the City fails to comply with the requirements of the Code, interest on the Tax-Exempt Obligations may become includable in the gross income of the owners thereof for federal income tax purposes retroactively to the date of issue. In such event, the City’s agreements with the owners of the Tax-Exempt Obligations require neither acceleration of payment of principal of, or interest on, the Tax-Exempt Obligations, nor payment of any additional interest or penalties to the owners of the Tax-Exempt Obligations.

### **Federal Income Tax Consequences in connection with the Tax-Exempt Obligations**

Pursuant to Section 103 of the Code, interest on the Tax-Exempt Obligations is not includable in the gross income of the owners thereof for federal income tax purposes. However, the Code contains a number of other provisions relating to the treatment of interest on the Tax-Exempt Obligations that may affect the taxation of certain types of owners, depending on their particular tax situations. Some of the potentially applicable federal income tax provisions are described in general terms below. PROSPECTIVE PURCHASERS SHOULD CONSULT THEIR TAX ADVISORS CONCERNING THE PARTICULAR FEDERAL INCOME TAX CONSEQUENCES OF THEIR OWNERSHIP OF THE TAX-EXEMPT OBLIGATIONS.

**Cost of Carry.** Owners of the Tax-Exempt Obligations will generally be denied a deduction for otherwise deductible interest on any debt which is treated for federal income tax purposes as incurred or continued to purchase or carry the Tax-Exempt Obligations. As discussed below, special allocation rules apply to financial institutions.

**Corporate Owners.** Except as set forth under "Summary of Bond Counsel Opinion in connection with the Tax-Exempt Obligations" above, interest on the Tax-Exempt Obligations is generally taken into account in computing the earnings and profits of a corporation and consequently may be subject to federal income taxes based thereon. Thus, for example, interest on the Tax-Exempt Obligations is taken into account in computing the branch profits tax imposed on certain foreign corporations, the passive investment income tax imposed on certain S corporations, and the accumulated earnings tax.

**Individual Owners.** Receipt of interest on the Tax-Exempt Obligations may increase the amount of social security and railroad retirement benefits included in the gross income of the recipients thereof for federal income tax purposes.

**Certain Blue Cross or Blue Shield Organizations.** Receipt of interest on the Tax-Exempt Obligations may reduce a special deduction otherwise available to certain Blue Cross or Blue Shield organizations.

**Property or Casualty Insurance Companies.** Receipt of interest on the Tax-Exempt Obligations may reduce otherwise deductible underwriting losses of a property or casualty insurance company.

**Financial Institutions.** Financial institutions may be denied a deduction for their otherwise allowable interest expense in an amount determined by reference, in part, to their adjusted basis in the Tax-Exempt Obligations.

**Foreign Personal Holding Company Income.** A United States shareholder of a foreign personal holding company may realize taxable income to the extent that interest on the Tax-Exempt Obligations held by such a company is properly allocable to the shareholder.

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

## **TAXABLE OBLIGATIONS**

In the opinion of Bond Counsel, under existing statutes and court decisions, interest on the Taxable Obligations will be **included** in gross income for federal income tax purposes.

## **STATE TAX MATTERS**

Interest on the Tax-Exempt Obligations and the Taxable Obligations is not exempt from State of Wisconsin income tax or franchise tax.

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

The City will not designate the Offered Obligations as "qualified tax-exempt obligations" for purposes of Section 265 (b)(3) of the Code.

## **CONTINUING DISCLOSURE**

In order to assist the Underwriters in complying with SEC Rule 15c2-12 promulgated by the Securities and Exchange Commission (the “Commission”), pursuant to the Securities Exchange Act of 1934 (the “Rule”), the City shall covenant pursuant to a Resolution adopted by the Governing Body to enter into an undertaking (the “Undertaking”) for the benefit of holders including beneficial holders of the Offered Obligation to provide certain financial information and operating data relating to the City annually to a central repository designated by the Commission, currently the Municipal Securities Rulemaking Board (the “MSRB”), and to provide notices of the occurrence of certain events enumerated in the Rule electronically or in the manner otherwise prescribed by the MSRB to the MSRB. The MSRB has designated its Electronic Municipal Market Access (“EMMA”) system as the system to be used for continuing disclosures to investors. The details and terms of the Undertaking, as well as the information to be contained in the annual report or the notices of material events, are set forth in the Continuing Disclosure Certificate to be executed and delivered by the City at the time the Offered Obligations are delivered. Such Certificate will be in substantially the form attached hereto as Appendix C. The City intends to fully comply with the Undertaking relating to the Offered Obligations.

Certain previous continuing disclosure undertakings by the City have a requirement to provide Annual Financial Information within six months of the end of each year. However, year-end financial information is not normally available within the six month requirement, and the City has filed notices to that effect. In the future, the City anticipates continuing to file notices that Annual Financial Information will not be filed within six months, and to file the required Annual Financial Information for all undertakings within nine months (the requirement for the Offered Obligations).

A failure by the City to comply with the Undertaking will not constitute an event of default on the Offered Obligations (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 Offered Obligations in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Offered Obligations and their market price.

## **FINANCIAL ADVISOR**

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

## **UNDERWRITING**

The Offered Obligations will be purchased at competitive bidding conducted on May 25, 2011.

The award of the R2 Notes was made to \_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_, its co-managers and associates.

The award of the N3 Notes and B4 Bonds was made to \_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_, its co-managers and associates.

The award of the T5 Bonds was made to \_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_, its co-managers and associates.

The public reoffering yields of the Offered Obligations will be detailed on the inside front cover of the Final Official Statement.

## **CLOSING DOCUMENTS AND CERTIFICATES**

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

- (1) signature and no litigation certificates;
- (2) tax certificates;
- (3) certificates of delivery and payment;
- (4) the opinions as to the legality of the Offered Obligations under Wisconsin law and as to the tax-exempt status of the interest thereon for federal income tax purposes rendered by Katten Muchin Rosenman LLP, Chicago, Illinois, and Hurtado, S.C., Wauwatosa, Wisconsin, Bond Counsel to the City, in substantially the forms as set forth in Appendix B;
- (5) copies of this Official Statement issued in conjunction with the Offered Obligations within seven business days after the award of the Offered Obligations in accordance with SEC Rule 15c2-12(b)(3);
- (6) Continuing Disclosure Certificates; and
- (7) a statement to the effect that this Official Statement, to the best of its knowledge and belief as of the date of sale and the date of delivery, is true and correct in all material respects and does not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made herein, in light of the circumstances under which they were made, not misleading.

## **REPRESENTATIONS OF THE CITY**

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

## **ADDITIONAL INFORMATION**

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

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

/s/

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

May \_\_, 2011

**APPENDIX A**

**Audited Annual Financial Report of  
the City of Milwaukee, Wisconsin  
for the Year Ended December 31, 2009**

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

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

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

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

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## **INTRODUCTORY SECTION**

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

## Independent Auditors' Report

The Honorable Members  
Common Council  
City of Milwaukee, Wisconsin:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Milwaukee, Wisconsin (the City) as of and for the year ended December 31, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Housing Authority of the City of Milwaukee, the Redevelopment Authority of the City of Milwaukee, the Milwaukee Economic Development Corporation, and the Neighborhood Improvement Development Corporation, which represents 100% of the assets and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the aggregate discretely presented component units, is based on the reports of the other auditors.

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

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of December 31, 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

The management's discussion and analysis, budgetary comparison information, and schedule of funding progress on pages 19 through 34 and 96 through 98 are not required parts of the basic financial statements, but are supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the



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

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

In accordance with *Government Auditing Standards*, we have also issued a report dated July 30, 2010, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in assessing the results of our audit.

KPMG LLP

Milwaukee, Wisconsin  
July 30, 2010

CITY OF MILWAUKEE  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
FOR THE YEAR ENDED DECEMBER 31, 2009

Within this section of the City of Milwaukee Comprehensive Annual Financial Report, the City's management provides narrative discussion and analysis of the financial activities of the City for the fiscal year ended December 31, 2009. The City's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section. This *Management Discussion and Analysis* (MD&A) should be read in conjunction with the City's basic financial statements, which follow this discussion. Additional information is available in the letter of transmittal, which precedes Management's Discussion and Analysis. The MD&A focuses on the City's primary government and, unless otherwise noted, component units reported separately from the primary government are not included.

**FINANCIAL HIGHLIGHTS**

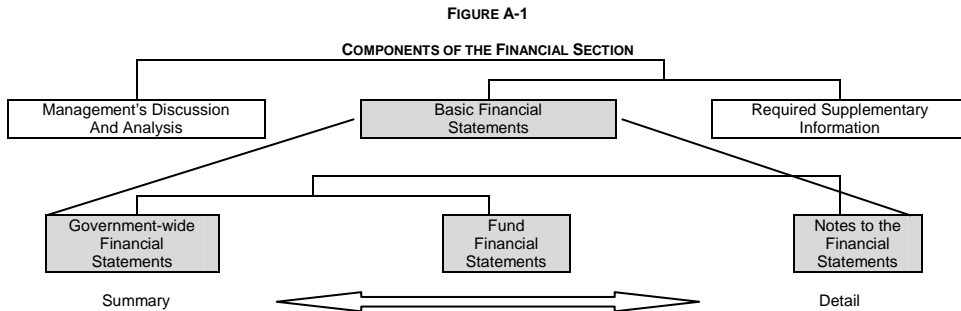
- The assets of the City of Milwaukee exceeded its liabilities at the close of fiscal year 2009 by \$929 million (net assets); \$248 million in governmental activities and \$681 million in business-type activities. Governmental activities' unrestricted assets are a deficit of \$283 million. This indicates that the City is financing long-term liabilities as they come due rather than when they are incurred. The City's net assets decreased 4% compared to the previous year of \$972 million.
- The vast majority of the City's net assets are capital assets, most of which do not generate revenues by their use or sale – Total net assets are comprised of the following:
  - Capital assets, including property and equipment, net of related debt and accumulated depreciation – \$1,018 million.
  - Restricted net assets, limited by constraints imposed externally such as debt covenants, grantors, laws, or regulations – \$175 million.
  - Unrestricted net assets – (\$264) million.
- The City's total 2009 year-end other post-employment benefits (OPEB) obligation is \$127 million; an increase of 63% from the 2008 obligation of \$78 million. The obligation is based on an actuarial valuation as of January 1, 2009, which indicates the actuarial accrued liability for benefits was \$960 million over a 30-year amortization period.
- Total liabilities of the City increased by \$91 million to \$1,735 million. The long-term portion of total liabilities (\$1,098 million) consists of \$127 million for OPEB, \$907 million for outstanding debt and \$64 million for compensated absences, claims, and judgments.
- City governmental expenses exceeded combined program revenues by \$689 million. General revenues and transfers of \$630 million resulted in a \$59 million decrease of net assets for the year. Business-type activities produced an increase of net assets of 2% over 2008, generating a \$16 million surplus in 2009.
- For governmental activities, program revenue supported 19% of the total expenses for 2009. Property taxes and other taxes represented 32% of the primary government's governmental activities' expenses, state aids for the General Fund equaled 32% and miscellaneous revenues and transfers supported 10% of the expenses. Expenses exceeded revenues and transfers by 7% in 2009.
- For business-type activities, program revenue supported 132% of the expenses for 2009; and, in total exceeded the expenses by \$56 million. Miscellaneous revenue net of transfers out reduced this excess to \$16 million for the year.
- The City's total governmental funds reported total ending fund balances of \$226 million this year. Compared to the prior year ending fund balance of \$203 million, an increase of \$23 million resulted by year end 2009; an 11% increase.
- The General Fund balance at year-end 2009 totaled \$71 million – a \$2 million reduction compared to 2008 (-3%). This ending Fund balance is about 10% of General Fund expenditures and transfers.
- The operating expenditures of the General Fund were \$18 million less than budgeted. This favorable variance is a result of savings from general government departments of \$15 million, public safety departments of \$2 million, and a combined savings of \$1 million in other departments. Savings included \$9.5 million from the wage supplement account due to delays in filling positions, two furlough days and savings on snow plowing operations due to the mild winter. In addition, savings of \$3.5 million were realized in the non-departmental account for contingencies, \$2 million in Police and other Public Safety departments' operating accounts and the remaining \$3 million from all other operating accounts of various departments.

CITY OF MILWAUKEE  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
 FOR THE YEAR ENDED DECEMBER 31, 2009

- General obligation bonds and notes payable increased by \$19 million during the current fiscal year from \$761 million to \$780 million. The key factors contributing to this increase were scheduled and early retirement of general obligation debt of \$281 million and the issuance of \$300 million in new general obligation bonds and notes for the continuing funding of capital projects and the issuance of debt on behalf of the Milwaukee Public Schools.
- The City issued General Obligation Cash-flow Promissory Notes for \$116 million in advance of receipt of the State Shared Revenues. With the receipt of these revenues, an amount equal to the debt was transferred to the Debt Service Fund.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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



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

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

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

CITY OF MILWAUKEE  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
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FIGURE A-2  
 MAJOR FEATURES OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

**Government-wide Financial Statements**

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

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

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

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

**Fund Financial Statements**

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

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

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

**Notes to the Financial Statements**

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

**Required Supplementary Information**

In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information to demonstrate legal budgetary compliance for each major fund for which an annual budget is adopted. Required supplementary information is presented in Exhibit E-1. A *Schedule of Funding Progress* relating to retiree health and life insurance is depicted in Exhibit E-2.

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

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

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

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

CITY OF MILWAUKEE  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
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**Table 1**  
**Summary of Statement of Net Assets**  
*(Thousands of Dollars)*

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Primary Government</b>	
	2008	2009	2008	2009	2008	2009
Current and other assets .....	\$ 796,030	\$ 839,138	\$ 109,611	\$ 99,970	\$ 905,641	\$ 939,108
Capital assets .....	955,475	929,995	755,598	795,192	1,711,073	1,725,187
Total assets .....	1,751,505	1,769,133	865,209	895,162	2,616,714	2,664,295
Long-term obligations .....	878,734	948,158	151,810	149,645	1,030,544	1,097,803
Other liabilities .....	565,616	572,852	48,277	64,488	613,893	637,340
Total liabilities .....	1,444,350	1,521,010	200,087	214,133	1,644,437	1,735,143
Net assets:						
Invested in Capital assets, net of related debt .....	559,343	367,061	607,122	650,478	1,166,465	1,017,539
Restricted .....	143,951	164,011	10,935	30,551	154,886	194,562
Unrestricted .....	(396,139)	(282,949)	47,065	-	(349,074)	(282,949)
Total net assets .....	\$ 307,155	\$ 248,123	\$ 665,122	\$ 681,029	\$ 972,277	\$ 929,152

Net assets of the City's governmental activities decreased 19% to \$248 million for 2009. These net assets are restricted as to use in the amount of \$164 million or are invested in capital assets in the amount of \$367 million (buildings, roads, bridges, etc) less any related debt used to acquire those assets that is still outstanding. The City uses these assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in capital assets are reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The unrestricted net assets deficit (\$283 million) at the end of the year does not mean that the City does not have adequate financial resources available to pay its bills next year. Instead, it is because the City's annual budgets do not include the full amounts needed to finance future liabilities arising from property and casualty claims, and to pay for unused employee vacation and sick days, and debt not issued for City capital assets. The City will include these amounts in future years' budgets as they come due.

The net assets of business-type activities increased 2% to \$681 million in 2009. The City generally can only use these net assets to finance the continuing operations of its specific enterprise activities.

Long-term obligations for governmental activities increased 8% and for business-type activities decreased 1% from 2008 due primarily to the issuance and retirement of long-term debt and the recording of the OPEB obligation.

Total assets, including capital assets increased \$47 million or 2% from 2008. Capital assets of the primary government decreased 3% from the previous year due to the allocation of completed projects in Construction in Progress to Buildings offset by the removal of original costs. For 2009, the Water Works and the Sewer Maintenance Funds have 92% of the City's total capital assets related to business-type activities. These are the City's two largest enterprise funds (business-type). The Water Works capital assets (49%) consist primarily of water mains and related water facilities and plants; and, the Sewer Maintenance Fund (43%) includes all the various sewer mains and connections.

**Changes in net assets.** City revenues less expenses yields the change in net assets. The City's total program and general revenues totaled \$754 million for the governmental activities. Of revenues, 36% comes from property and other taxes and 46% comes from intergovernmental revenues (state aids, federal and state grants). Charges for services category represents only 12% of the total revenues, and the remaining 6% coming from licenses, permits, fines and forfeits and miscellaneous other sources.

The City's governmental activity expenses cover a range of services, with 39% related to public safety (fire and police, neighborhood services). Program revenues generated only about 19% of the revenue needed to support the cost of governmental activities. General City revenues, taxes and State aids provide the remaining funds. Total governmental activities expenditures exceeded revenues and transfers by \$59 million (7%). However, business-type activities revenues exceeded its expenses by \$16 million (9%). Chart 1, Expenses and Program Revenues – Governmental Activities and Chart 2 Expenses and Program Revenues – Business-type Activities depict this comparison by major function.

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

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

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u> <u>Primary Government</u>	
	2008	2009	2008	2009	2008	2009
Revenues:						
Program revenues:						
Charges for services .....	\$ 86,410	\$ 91,057	\$ 203,512	\$ 213,032	\$ 289,922	\$ 304,089
Operating grants and contributions .....	77,032	73,694	-	-	77,032	73,694
Capital grants and contributions .....	-	-	10,203	18,674	10,203	18,674
General revenues:						
Property taxes and other taxes .....	257,210	270,191	-	-	257,210	270,191
State aids for General Fund .....	271,100	272,337	-	-	271,100	272,337
Miscellaneous .....	61,949	47,217	979	120	62,928	47,337
Total revenues .....	<u>753,701</u>	<u>754,496</u>	<u>214,694</u>	<u>231,826</u>	<u>968,395</u>	<u>986,322</u>
Expenses						
General government .....	208,608	207,504	-	-	208,608	207,504
Public safety .....	314,935	331,409	-	-	314,935	331,409
Public Works .....	174,629	167,983	-	-	174,629	167,983
Health .....	20,830	22,995	-	-	20,830	22,995
Culture and recreation .....	20,639	22,901	-	-	20,639	22,901
Conservation and development .....	61,693	50,683	-	-	61,693	50,683
Capital contribution to						
Milwaukee Public Schools .....	6,474	5,153	-	-	6,474	5,153
Contributions .....	22,177	21,026	-	-	22,177	21,026
Interest on long-term debt .....	28,368	23,985	-	-	28,368	23,985
Water .....	-	-	64,562	67,946	64,562	67,946
Sewer Maintenance .....	-	-	29,167	34,847	29,167	34,847
Parking .....	-	-	25,078	24,659	25,078	24,659
Port of Milwaukee .....	-	-	4,182	3,811	4,182	3,811
Metropolitan Sewerage District User Charges.	-	-	40,219	44,545	40,219	44,545
Total expenses .....	<u>858,353</u>	<u>853,639</u>	<u>163,208</u>	<u>175,808</u>	<u>1,021,561</u>	<u>1,029,447</u>
Increase in net assets before transfers .....	(104,652)	(99,143)	51,486	56,018	(53,166)	(43,125)
Transfers .....	<u>38,052</u>	<u>40,111</u>	<u>(38,052)</u>	<u>(40,111)</u>	-	-
Increase in net assets .....	(66,600)	(59,032)	13,434	15,907	(53,166)	(43,125)
Net assets – Beginning .....	<u>373,755</u>	<u>307,155</u>	<u>651,688</u>	<u>665,122</u>	<u>1,025,443</u>	<u>972,277</u>
Net assets – Ending .....	<u>\$ 307,155</u>	<u>\$ 248,123</u>	<u>\$ 665,122</u>	<u>\$ 681,029</u>	<u>\$ 972,277</u>	<u>\$ 929,152</u>

**Governmental Activities**

Revenues for the City's governmental activities totaled \$754 million, while total expenses totaled \$854 million for 2009. All revenues, excluding transfers, are supporting 88% of the total expenses; 93% with transfers. Comparable data for 2008 indicates 88% of all revenues, excluding transfers supported the 2008 expenses and, 92% with transfers.

Property taxes represent 36% of the total revenues for 2009 compared to 34% for 2008; a 2% increase in this category. The increase in revenues is primarily due to an increase in collections; however, the City of Milwaukee's share of the Tax Rate increased eight cents (from \$8.01 in 2008 to \$8.09 in 2009 [per \$1,000 of Assessed Value]). State aids for the General Fund of \$272 million increased by \$1 million or 0.4% in 2009. The combined property taxes and State aids comprised approximately 72% of the total revenues for governmental funds in 2009 compared to 70% in 2008. Charges for services equaled 12% of the total revenues in 2009 compared to 11% in 2008.



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Governmental activities expenses decreased by \$5 million (0.6%) in 2009 to \$854 million. Expenses for general government, which comprise 24% of the total expenses, decreased 0.5% in 2009. Public safety expenses represent the largest category of governmental activities or 39% of the total expenses for 2009 which is an increase of 5% over 2008. Due to the mild snowfall during 2009, public works expenses decreased 4% over 2008.

**Chart 1**  
**2009 Expenses and Program Revenues - Governmental Activities**

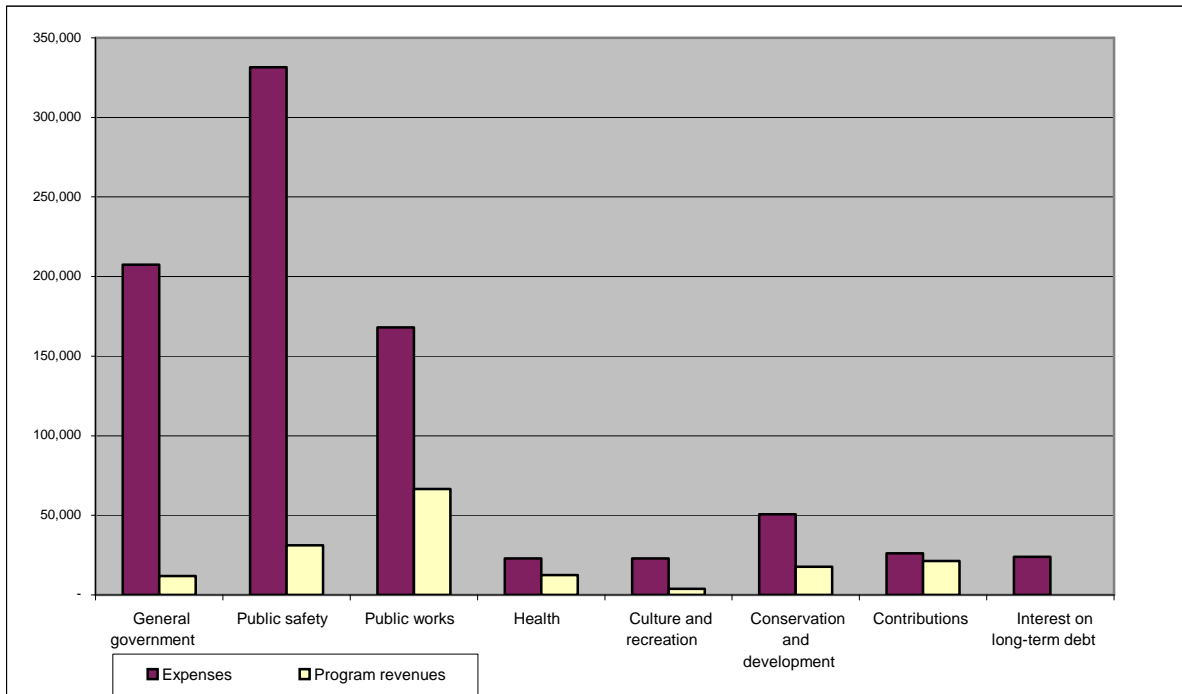


Table 3 presents the cost of each of the City's largest programs as depicted in the Chart 1 above, as well as each program's net costs (total cost less the revenues generated by the activities). General government includes most City departments, such as: Mayor, Common Council, Administration, Employee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

CITY OF MILWAUKEE  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
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**Table 3**  
**Governmental Activities**  
*(Thousand of Dollars)*

	<b>Total Cost of Services</b>		<b>Net Cost of Services</b>	
	<b>2008</b>	<b>2009</b>	<b>2008</b>	<b>2009</b>
General government .....	\$ 208,608	\$ 207,504	\$ 194,038	\$ 195,668
Public safety .....	314,935	331,409	283,373	300,285
Public works .....	174,629	167,983	115,234	101,405
Health .....	20,830	22,995	9,556	10,496
Culture and recreation .....	20,639	22,901	17,120	19,094
Conservation and development .....	61,693	50,683	40,103	33,076
Contributions .....	28,651	26,179	7,119	4,879
Interest on long-term debt .....	28,368	23,985	28,368	23,985
<b>Total Governmental Activities .....</b>	<b><u>\$ 858,353</u></b>	<b><u>\$ 853,639</u></b>	<b><u>\$ 694,911</u></b>	<b><u>\$ 688,888</u></b>

The Table 3 above indicates that the cost of services not funded with direct program revenue for governmental activities decreased in 2009 to \$689 million from \$695 million in 2008 or 1% change. Because such a small portion of total costs are supported by program revenue, the remainder of the total costs of service must be funded by general City taxes and State aids.

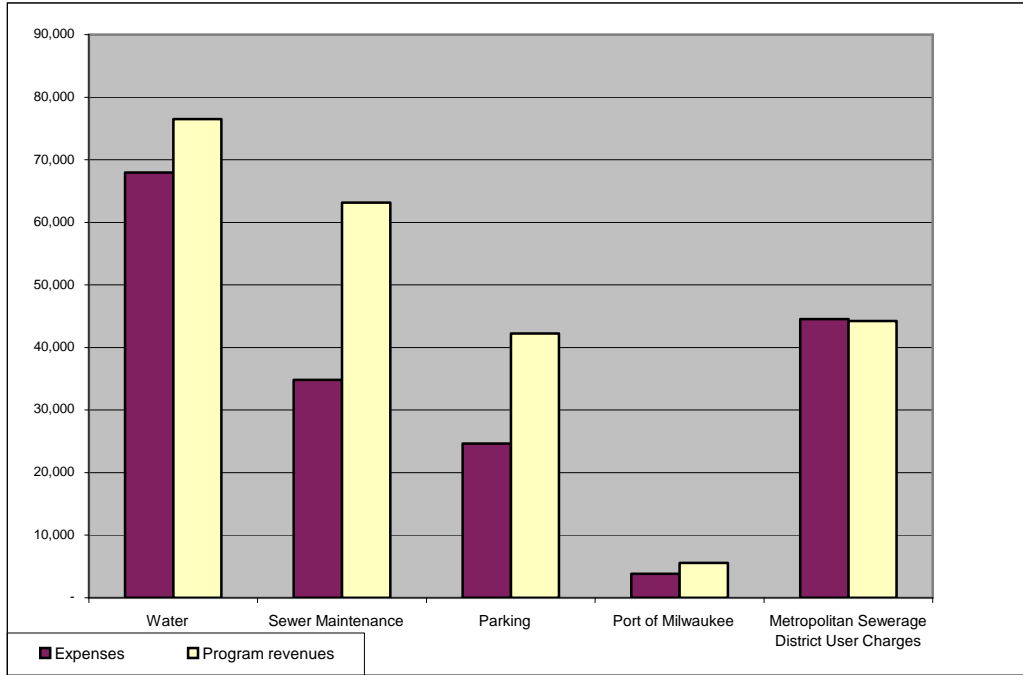
**Business-type Activities**

The three major enterprises or business-type activities for the City of Milwaukee are water services, sewer maintenance and parking operations. The Water Works had operating expenses of \$67 million and operating income of \$6 million. The Sewer Maintenance produced a net operating income of \$27 million after incurring expenses of \$21 million. The City parking facilities operating expenses during 2009 were \$24 million with net operating income of \$18 million.

Business-type revenues on Table 2 increased by \$17 million in 2009 compared to 2008, or 8%. Total expenses and transfers of all enterprise funds of the City increased \$15 million, from \$201 million in 2008 to \$216 million in 2009 (+7%). Overall, 2009 year-end Total Net Assets increased by \$16 million to \$681 million, or +2%.

CITY OF MILWAUKEE  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
 FOR THE YEAR ENDED DECEMBER 31, 2009

**Chart 2**  
**2009 Expenses and Program Revenues - Business-type Activities**



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

The City uses fund accounting consistent with finance related legal requirements and external government accounting standards..

**Governmental Funds**

Governmental Funds are reported in the fund based financial statements with a focus on the annual inflow and outflow of spendable resources. This information is useful in assessing resources available at the end of the year in comparison with upcoming financing requirements. In particular, the Reserved for Tax Stabilization account in the General Fund serves as one useful measure of the City's net resources available for financing subsequent year's budget. This budgeted reserve is intended to help stabilize year-to-year fluctuations in the City property tax rate. Types of Governmental Funds reported by the City include the General Fund, Special Revenue Funds, Debt Service Funds and Capital Project Funds.

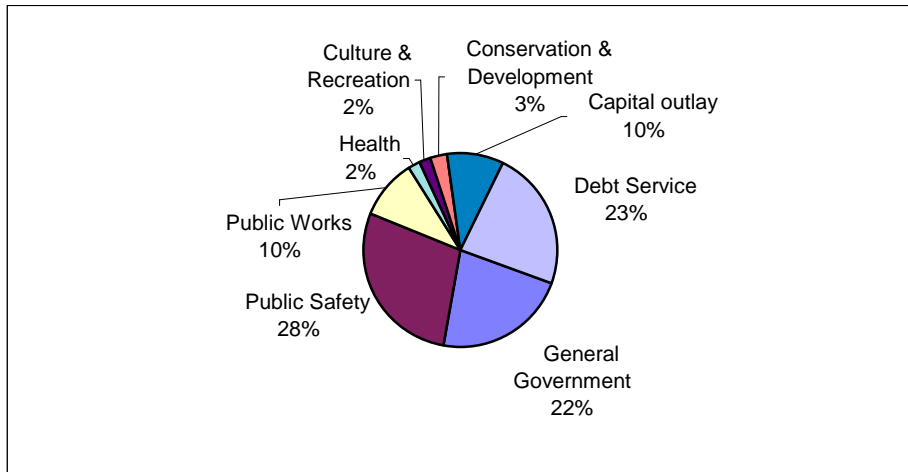
As the City completed 2009, its Governmental Funds (as presented in the balance sheet on Exhibit A-1) reported a combined fund balance of \$226 million, an increase of \$23 million or 11% over 2008. The General Obligation Debt Service Fund and the Public Debt Amortization Fund generated nearly \$18 million of this increase. Non-major governmental funds produced a positive change from operations of \$6 million. The Capital Projects Fund balance increased by about \$1 million, although the total Fund balance remains negative (\$36 million). This negative balance persists because the City of Milwaukee typically borrows to fund authorized capital projects only after expenditures for these projects. This practice minimizes City borrowing costs and facilitates compliance with Federal IRS regulations. Debt issued for capital projects totaled \$84 million in 2009 compared to \$125 million in 2008.

The total reserves of the General Fund decreased 2% to \$71 million from \$73 million in 2008. This decrease was due to a reduction in required reserves for encumbrances, carryovers and inventory. Of the total year-end 2009 General Fund fund balance of \$71 million, \$29 million is reserved and available for 2011 and subsequent years' budgets, compared to \$20 million at year-end 2008 (+45%).

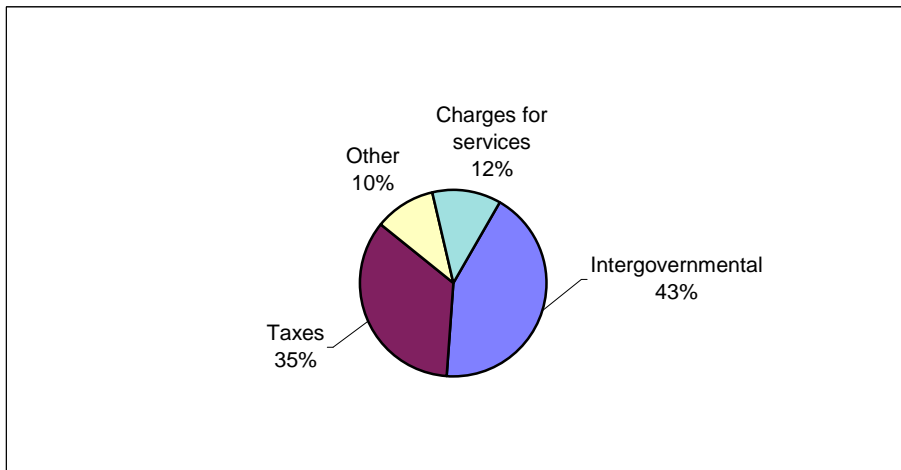
CITY OF MILWAUKEE  
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Chart 3 and 4 graphically depict spending by function and revenues by source for all governmental funds.

**Chart 3**  
**2009 City Spending by Function - Governmental Funds**



**Chart 4**  
**2009 Revenues by Source - Governmental Funds**



Revenues for governmental functions overall totaled \$776 million in the fiscal year ended December 31, 2009 (+3%). Expenditures for governmental funds totaled \$1,024 million (+0.9%) Expenditures exceeded revenues by \$248 million. Other financing sources closed the gap, leaving a total net increase in governmental fund balances of \$23 million for the year compared to an increase of \$18 million in 2008. Other financing sources include, proceeds from issuance of debt, refunding payment and issuance premiums; transfers from enterprise funds; and receipt of loans receivable transferred from the Neighborhood Improvement Development Corporation component unit.

CITY OF MILWAUKEE  
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*Major Governmental Funds*

The General Fund is the City's primary operating fund and the largest funding source for day-to-day services. The fund balance of the General Fund decreased by \$2 million or 2%. Revenues and other financing sources totaled approximately \$744 million and expenditures and other financing uses totaled approximately \$746 million - detailed in Table 4 below. While revenues growth remained consistent with the prior year (increasing by 5% over 2008), expenditures increased by 1% over 2008, with expenditures exceeding revenues by 8%. Other Financing Sources (consisting of debt proceeds and transfers in from other funds), exceeded Other Financing Uses (consisting of transfers out to other funds) by \$45 million. This excludes the budgeted use of funds from the Reserve for Tax Stabilization account. Twenty-two million was budgeted from the Reserve for Tax Stabilization to fund the 2009 General Fund budget. This was a decrease of \$7 million from 2008.

Total General Fund revenues for 2009 totaled \$582 million. The largest revenue category is intergovernmental at \$272 million with 47% of the total revenue. The second largest revenue source is Property Taxes with \$156 million or 27%. Charges for Services, which includes revenues for services provided by City departments, comprises 16% or \$91 million. These three categories combined comprise 90% of the total revenues for 2009. The largest increase in revenues compared to 2008 was the Other category with a 55% increase.

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

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

<b>Revenues and Other Financing Sources</b>				<b>Expenditures and Other Financing Uses</b>			
<b>Revenues:</b>	<b>2008</b>	<b>2009</b>	<b>% Change</b>	<b>Expenditures:</b>	<b>2008</b>	<b>2009</b>	<b>% Change</b>
Property taxes .....	\$ 141,573	\$ 156,410	10.5%	General government.....	\$ 221,023	\$ 222,809	0.8%
Other taxes .....	4,839	3,504	-27.6%	Public safety.....	266,370	276,060	3.6%
Licenses and permits .....	12,918	12,186	-5.7%	Public works.....	103,149	97,093	-5.9%
Intergovernmental .....	271,100	272,337	0.5%	Health.....	10,118	10,446	3.2%
Charges for services .....	86,410	91,057	5.4%	Culture and recreation .....	16,782	17,329	3.3%
Fines and forfeits .....	5,277	4,802	-9.0%	Conservation and development .....	3,456	4,230	22.4%
Contributions received .....	21,532	21,300	-1.1%	-	-	-	-
Other .....	12,864	19,967	55.2%	-	-	-	-
Total Revenues .....	556,513	581,563	4.5%	Total Expenditures ....	620,898	627,967	1.1%
<b>Other Financing Sources</b>				<b>Other Financing Uses</b>			
Debt proceeds .....	91,600	119,000	29.9%	Transfers out .....	92,080	118,081	28.2%
Transfers in .....	47,019	43,834	-6.8%	Total Expenditures and other Financing Uses .....	<u>\$ 712,978</u>	<u>\$ 746,048</u>	4.6%
Total Revenues and Other Financing Sources .	<u>695,132</u>	<u>744,397</u>	7.1%				
Excess of Revenues over Expenditures .....	<u>(64,385)</u>	<u>(46,404)</u>	27.9%				
Net Change in Fund Balance .....	<u>\$ (17,846)</u>	<u>\$ (1,651)</u>	90.7%				

Beginning in 2006, the City began issuing General Obligation Cash-Flow Promissory Notes (rather than Revenue Anticipation Notes) in advance of receipt of the State Shared Revenues. For 2009, \$116 million was issued. With the adoption of the 2009 budget, an amount equal to the estimated debt principal and interest on this debt is appropriated to the General Obligation Debt Service Fund.

CITY OF MILWAUKEE  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
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The City maintains two separate debt service funds. The General Obligation Debt Service Fund accounts for resources accumulated and payments made for principal and interest on the City's outstanding general obligation debt. The Public Debt Amortization Fund is governed by State Statutes Section 67.101 whereby accumulated resources can be used for the retirement of the public debt. The General Obligation Debt Service Fund increased its fund balance from \$71 million to \$81 million or 14%. Total revenues of the General Obligation Debt Service increased from \$102 million 2008 to \$103 million in 2009. Revenues combined with *Other Financing Sources* totaled \$328 million; expenditures combined with *Other Financing Uses* totaled \$318 million; resulting in a *net increase in Fund Balance* for year end 2009 of \$10 million.

Capital Projects Funds are used to account for the financial resources segregated for the acquisition, construction, or repair of major capital facilities other than those financed by proprietary funds. At year end, 2009 showed a fund balance deficit of \$36 million (an increase in the fund balance of \$1 million compared to a fund balance deficit of \$37 million in 2008). In 2009, total debt proceeds amounted to \$84 million as compared to \$125 million in 2008, a 33% decrease. Total revenues decreased 15% from \$20 million to \$17 million; expenditures decreased from \$115 million to \$98 million or 14%. The issuance of bonds and notes during 2009 for capital purposes combined with revenues and transfers were sufficient to cover the current year's expenditures and also reduced the 2009 year end deficit in fund balance by \$1 million.

### **Proprietary Funds**

The proprietary fund statements provide information on both short and long-term financial status, focusing on net assets and the change in net assets as a result of operations.

At the end of the fiscal year, the total unrestricted net assets for all enterprise funds were \$19 million. This was a decrease from \$47 million at December 31, 2008 or 59%. This decrease consists of \$14 million in Water Works, \$13 million in Sewer Maintenance, \$0.3 million in Parking and \$0.3 million in the nonmajor enterprise funds.

In 2009, operating revenues of the enterprise funds totaled \$212 million (+4%); total operating expenses increased to \$160 million in 2009 (+5%). The Water Works is the largest enterprise activity for the City, comprising approximately 34% of the total operating revenues. The Sewer Maintenance Fund comprises 23% of the total operating revenues. Both funds primarily bill customers based on water consumption. For 2009, Water Works operating revenues decreased 0.6% while Sewer Maintenance operating revenues increased 18%; all other enterprise funds combined increased by 3%. Water Works non-operating revenues for 2009 are mainly composed of interest income. Investment income decreased by 87%, or 582,000, from 2008. Other miscellaneous non-operating revenue also decreased from \$194,000 to \$63,000 in 2009. These miscellaneous revenues (fees for servicing of branch water mains and water tapping services) decreased 68% from 2008.

The Water Works incurred total expenses of \$68 million for 2009 compared to \$65 million for 2008. Excluding depreciation expense, operating expenses increased over the previous year by \$3 million or 7%. The non-operating expenses (interest expense) of the Water Works decreased by \$142,000 due to the declining principal balances on outstanding debt.

Excluding the Water Works, total operating expenses of all other enterprises funds increased 4% over 2008.

### **General Fund Budgetary Highlights**

For the fiscal year ended December 31, 2009, the General Fund revenue budget exceeded actual revenues by \$2 million. Actual 2009 General Fund revenues also exceeded that of the prior year. General Fund actual revenues totaled \$560 million in 2009, a \$25 million (5%) increase over 2008. Property Taxes and Other Revenues increased by 10% and 55%, respectively. Noteworthy increases over 2008 actual revenue include a \$6 million increase in Other Revenue relating to the withdrawal of Employees' Retirement System funds to provide the required pension contribution and \$3 million (1/2 of total) in Vehicle Registration Fees received for various street maintenance expenses. Property Taxes increased nearly \$15 million due to a slight increase in the tax rate for City purposes of eight cents (from \$8.01 to \$8.09 per \$1,000 of Assessed Value). All other categories (Other Taxes, Licenses and permits, Intergovernmental, Charges for Services and Fines and forfeits) increased by over \$3 million or 0.9%. A major Other Revenue decrease was interest on investments, declining by \$3 million or 86%. The average interest earnings rate was 0.746% compared to 2.743% in 2008 with an increase in the average investable balance from \$218.2 million in 2008 to \$238.3 million in 2009.

The year 2009 also produced an unexpended budget surplus of \$18 million. The general government category contributed \$15 million; public safety had a surplus by \$2 million. Public works, health culture and recreation and conservation and development, in the aggregate, added nearly \$1 million. These savings included \$9.5 million from the wage supplement account due to delays in filling positions, two furlough days and savings on snow plowing operations due to the mild winter. In

CITY OF MILWAUKEE  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
FOR THE YEAR ENDED DECEMBER 31, 2009

addition, savings of \$3.5 million was realized in the non-departmental account for departments' contingencies primarily earmarked for snow operations. The remaining savings of \$5 million was achieved with \$2 million from various Police operating accounts and \$3 million from all other operating accounts of various departments.

During 2009, the Common Council adopted four resolutions which increased the General Fund appropriations due to greater than anticipated revenues. These increased revenues provided departments an additional \$404,000 in appropriation authority.

The original budget for expenditures includes the adopted budget plus the encumbrances carried over from 2008 less the encumbrances carried over to 2010. The final budget includes the original budget as defined plus appropriations authorized for carryover from 2008 by the Common Council less those appropriations authorized for carryover to 2010. In addition, certain appropriations are budgeted in a general non-departmental account (i.e. contingency) and are only transferred from this account to specific departments during the year to expend after authorization by the Common Council. These appropriation adjustments are part of the final budget. As detailed in the Required Supplementary Information Section, Exhibit E-1 shows both the original 2009 General Fund expenditure budget of \$616 million and the final budget of \$625 million. This is a 4% increase over the final 2008 budget of \$600 million. The original General Fund revenue budget totaled \$563 million with the final budget increasing approximately \$99,000. This is a 5% increase over the final 2008 revenue budget of \$538 million.

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

The City's General Fund's beginning fund balance of \$73 million as reported on the General Fund Statement of Revenues, Expenditures and Changes in Fund Balance differs from the General Fund's budgetary fund balance reported in the budgetary comparison schedule by the amount of the budgeted withdrawal from the Reserve for Tax Stabilization of \$22 million.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

The City's capital assets for governmental and business-type activities as of December 31, 2009 total \$1,725 million (net of accumulated depreciation). Capital assets include land, buildings, infrastructure, improvements other than buildings, machinery and equipment, furniture and furnishings, non-utility property, and construction in progress. The total increase in the City's capital assets for the current fiscal year was \$14 million or 0.8%. Governmental activities' capital assets decreased \$25 million or a 3% decrease from 2008. Business-type activities' capital assets increased \$40 million or 5% at the end of 2009. A schedule comparing the assets by type for 2008 and 2009 for both governmental and business-type activities is depicted in Table 5 below. The net change in assets as detailed in Note 4 reports that additions were \$79 million and deletions were \$104 million for 2009 for governmental activities. The Sewer Maintenance Fund had a net change in capital assets that resulted in an increase of \$31 million. Of the Sewer Maintenance Fund's net assets at year end, 99% relate to the sewer mains infrastructure. Infrastructure net assets of the Water Works Fund comprise 65% of its total net assets with 27% consisting of machinery and equipment. The total net change in all Water Works net assets was an increase of 3%.

Debt issued to finance tax incremental districts (TID) totals \$158 million outstanding at year end. The majority of these expenditures have no related assets for TID, so the net increase in TID debt reduces unrestricted net assets by an equal amount. In addition, debt issued for school purposes at year end was \$93 million. The Milwaukee Public Schools (MPS) is a separate governmental entity. By State Statute, MPS cannot issue its own debt. As a result, the City issues debt for school purposes. The City has the option of providing funds from its treasury or issue debt to finance school construction, operations and/or maintenance. The City chooses to issue debt. The MPS's assets are not an asset of the City and, as a result, capital expenditures for school purposes also reduce unrestricted net assets by an equal amount.

CITY OF MILWAUKEE  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
 FOR THE YEAR ENDED DECEMBER 31, 2009

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	2008	2009	2008	2009	2008	2009
Capital assets not being depreciated:						
Land .....	\$ 163,797	\$ 164,250	\$ 18,167	\$ 18,167	\$ 181,964	\$ 182,417
Construction in progress .....	123,768	40,839	61,966	18,095	185,734	58,934
Capital assets being depreciated:.....						
Buildings .....	194,782	257,076	85,421	89,407	280,203	346,483
Infrastructure .....	1,355,649	1,377,383	713,333	802,717	2,068,982	2,180,100
Improvements other than buildings .....	11,573	11,687	7,717	7,717	19,290	19,404
Machinery and equipment .....	162,573	164,265	212,266	215,306	374,839	379,571
Nonutility property .....	-	-	5,509	5,509	5,509	5,509
Accumulated depreciation .....	<u>(1,056,667)</u>	<u>(1,085,505)</u>	<u>(348,781)</u>	<u>(361,726)</u>	<u>(1,405,448)</u>	<u>(1,447,231)</u>
 Total .....	 <u>\$ 955,475</u>	 <u>\$ 929,995</u>	 <u>\$ 755,598</u>	 <u>\$ 795,192</u>	 <u>\$ 1,711,073</u>	 <u>\$ 1,725,187</u>

**Debt**

At year-end, the City had \$780 million in general obligation bonds and notes, \$48 million in State loans, and \$58 million in revenue bonds outstanding as itemized in Table 6.

New debt (excluding refunding bonds) issued for general obligation bonds and notes totaled \$234 million, of which \$6 million related to Water Works, Sewer Maintenance, and Parking Enterprises.

The City continues to maintain high investment grade ratings from the three major rating agencies. A rating of AA+ from Fitch Ratings, AA from Standard and Poor's Corporation, and Aa2 from Moody's Investors Service, Inc, were received on the City's February 2009 general obligation bond issues.

The City's gross general obligation debt per capita, excluding enterprise fund debt, was \$1,127 at the end of 2008 and \$1,155 at the end of 2009; an 8.6% increase from the prior year. As of December 31, 2009, the City's outstanding net general obligation debt for governmental activities was 2.09% of the City's total taxable value of property. (Statistical Section - Table 9) The legal debt limit is 7% of equalized property value, including Milwaukee Public Schools debt, which also is issued by the City. Excluding the 2% limit on School debt, the City has a 5% legal debt limit and has reached about 43.3% of this limit. The City issues general obligation notes to purchase a portion of General Fund delinquent taxes. During 2009, notes were issued in the amount of approximately \$24.7 million. Collections on these taxes and related interest will be used to meet the related debt service requirements.



CITY OF MILWAUKEE  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
 FOR THE YEAR ENDED DECEMBER 31, 2009

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	2008	2009	2008	2009	2008	2009
General obligation bonds and notes (backed by the City) .....	\$ 725,670	\$ 742,752	\$ 34,970	\$ 36,803	\$ 760,640	\$ 779,555
State loans .....	-	-	49,653	48,002	49,653	48,002
Revenue bonds (backed by specific fee revenues) .....	-	-	61,170	57,515	61,170	57,515
<b>Total .....</b>	<b>\$ 725,670</b>	<b>\$ 742,752</b>	<b>\$ 145,793</b>	<b>\$ 142,320</b>	<b>\$ 871,463</b>	<b>\$ 885,072</b>

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND TAX RATE**

The average unemployment rate within the city of Milwaukee for 2009 is 11%, three percentage points above that of 2008. City of Milwaukee per capita income for the most recent fiscal year available (2008) was \$36,880 - a 2.4% increase from 2007. The City's population over the last five years is depicted in the table below. This data is estimated from the Wisconsin Department of Revenue used in the distribution of State Shared Taxes and differs from the U.S. Census Bureau.

2005	592,765
2006	590,370
2007	590,190
2008	590,870
2009	584,000

The 2010 adopted City Budget is about \$1.4 billion with a General Fund budget of \$684 million. The General Fund budget increased 3% over the 2008 budget of \$667 million. In 2010, the City will expend \$120 million for health insurance and related costs compared to \$115 million budgeted for 2009, an increase of 4%. A major decrease from 2009 is the cost of salaries and wages. Recent and pending labor contract settlements and related constraints on cost of living rate increases, direct salaries, vacation pay, holiday pay and other salary constraints worked to reduce City personnel budgets for 2010. This decrease totals \$42 million below 2009 or a minus 9%. Estimated Full-time Equivalent (FTE) employment for all General Fund departments decreased by 361 FTE with the Police Department and the Fire Department showing a decrease of 177 and 64 FTE, respectively. The Department of Public Works decreased by 65 FTE's for 2010. The City reached agreements with its largest labor union (District Council (DC) 48) holding wage rates for 2010 and 2011 at 2009 levels, with progression steps not awarded. Also, the City increased mandatory furloughs to four furlough days for both 2010 and 2011.

Total property taxes levied for all funds of the City in 2009 for 2010 purposes increased \$.80 per thousand dollars of assessed valuation to a rate of \$8.89. The 2008 for 2009 rate increased \$.08 (from \$8.01 to \$8.09).

The total City property tax levy increased from \$237 million for 2009 to \$247 million for 2010 (+4%). The property tax levy will provide \$90 million for general City purposes in 2010. This represents a decrease of \$34 million from 2009 or -27%. The 2010 General City Purpose budget includes \$96 million in estimated revenue for City charges for services rendered, an increase of \$9 million. A City Solid Waste Fee is the largest revenue source in this category and is expected to generate \$32 million for 2010. This fee represents 34% of the total charges for services in the 2010 budget. The Street Sweeping and Leaf Collection Fee is expected to generate \$12 million for 2010 (+21%) This Fee now comprises 13% of the total charges for services for 2010 compared to 12% in 2009.

Estimated General City Purposes intergovernmental revenues, primarily from the State of Wisconsin, are projected to total \$271 million; a slight decrease of \$1 million from 2009.

CITY OF MILWAUKEE  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
FOR THE YEAR ENDED DECEMBER 31, 2009

Revenue increases were also implemented in City enterprise funds for 2010 including the following: the Sewer Maintenance Fee was raised from \$86 to \$95, and the Storm Water Fee increased from \$47 to \$56. To offset the costs of certain service levels in the 2010 budget, the Council also raised the Overnight Parking Permit Fee from \$44 to \$55 per year.

The City remains in sound financial condition, as demonstrated by the financial statements and schedules included in this report. The General Fund Reserve for Tax Stabilization remained stable at \$42 million for both 12/31/08 and 12/31/09. Moreover, that portion of the Reserve for Tax Stabilization available for future years increased from \$20 million at year-end 2008 to \$29 million at year-end 2009 (+45%). With expected continuing limitations on State Shared Revenue, growing health care and post employment costs and other fiscal pressures, the City is taking action to restrain spending and increase revenues in 2010.

**CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

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

**BASIC  
FINANCIAL  
STATEMENTS**

**GOVERNMENT-WIDE  
FINANCIAL STATEMENTS**

CITY OF MILWAUKEE  
**STATEMENT OF NET ASSETS**  
December 31, 2009  
*(Thousands of Dollars)*

Exhibit 1

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>Assets</b>				
Cash and cash equivalents .....	\$ 238,763	\$ 38,743	\$ 277,506	\$ 55,778
Investments .....	2,855	-	2,855	10,347
Receivables (net):				
Taxes .....	214,885	-	214,885	2,837
Accounts .....	27,981	42,774	70,755	-
Unbilled accounts .....	1,225	15,060	16,285	-
Special assessments .....	12,889	-	12,889	-
Notes and loans .....	65,554	-	65,554	89,124
Accrued interest .....	215	113	328	4,443
Due from component units .....	18,295	-	18,295	-
Due from primary government .....	-	-	-	410
Due from other governmental agencies .....	247,078	-	247,078	19,412
Inventory of materials and supplies .....	7,075	2,616	9,691	-
Inventory of property for resale .....	26	-	26	8,225
Prepaid items .....	254	40	294	926
Deferred charges .....	2,043	370	2,413	1,056
Other assets .....	-	254	254	451
 Total Noncapital Assets .....	 839,138	 99,970	 939,108	 193,009
 Capital assets:				
Capital assets not being depreciated:				
Land .....	164,250	18,167	182,417	56,526
Construction in progress .....	40,839	18,095	58,934	3,179
Capital assets being depreciated:				
Buildings .....	257,076	89,407	346,483	488,043
Infrastructure .....	1,377,383	802,717	2,180,100	789
Improvements other than buildings .....	11,687	7,717	19,404	1,725
Machinery and equipment .....	164,265	215,306	379,571	3,509
Nonutility property .....	-	5,509	5,509	-
Accumulated depreciation .....	(1,085,505)	(361,726)	(1,447,231)	(244,430)
 Total Capital Assets .....	 929,995	 795,192	 1,725,187	 309,341
 Total Assets .....	 1,769,133	 895,162	 2,664,295	 502,350

CITY OF MILWAUKEE  
**STATEMENT OF NET ASSETS**  
 December 31, 2009  
 (Thousands of Dollars)

Exhibit 1 (Continued)

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>LIABILITIES</b>				
Accounts payable .....	\$ 34,965	\$ 17,246	\$ 52,211	\$ 11,099
Accrued expenses .....	32,764	2,767	35,531	13,103
Accrued interest payable .....	10,064	960	11,024	-
Internal balances .....	(43,490)	43,490	-	-
Due to component units .....	410	-	410	-
Due to other governmental agencies .....	355	-	355	2,442
Deferred revenue .....	309,784	25	309,809	4,074
Revenue anticipation notes payable .....	228,000	-	228,000	-
Other payables .....	-	-	-	-
Other liabilities .....	-	-	-	7,300
Due to primary government:				-
Due within one year .....	-	-	-	1,408
Due in more than one year .....	-	-	-	16,887
Long-term obligations:				-
Due within one year .....	108,973	11,787	120,760	4,494
Due in more than one year .....	<u>839,185</u>	<u>137,858</u>	<u>977,043</u>	<u>133,613</u>
 Total Liabilities .....	 <u>1,521,010</u>	 <u>214,133</u>	 <u>1,735,143</u>	 <u>194,420</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt .....	367,061	650,478	1,017,539	187,782
Restricted for:				
Debt Service .....	163,870	11,159	175,029	10,546
Other purposes .....	141	-	141	8,095
Unrestricted .....	<u>(282,949)</u>	<u>19,392</u>	<u>(263,557)</u>	<u>101,507</u>
 Total Net Assets .....	 <u>\$ 248,123</u>	 <u>\$ 681,029</u>	 <u>\$ 929,152</u>	 <u>\$ 307,930</u>

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

CITY OF MILWAUKEE  
**STATEMENT OF ACTIVITIES**  
 FOR THE YEAR ENDED DECEMBER 31, 2009  
 (Thousands of Dollars)

Exhibit 2

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary government:</b>				
Governmental Activities:				
General government .....	\$ 207,504	\$ 9,011	\$ 2,825	\$ -
Public safety .....	331,409	16,649	14,475	-
Public works .....	167,983	62,553	4,025	-
Health .....	22,995	1,078	11,421	-
Culture and recreation .....	22,901	1,482	2,325	-
Conservation and development .....	50,683	284	17,323	-
Capital contribution to Milwaukee Public				
Schools .....	5,153	-	-	-
Contributions .....	21,026	-	21,300	-
Interest on long-term debt .....	23,985	-	-	-
Total Governmental Activities .....	<u>853,639</u>	<u>91,057</u>	<u>73,694</u>	<u>-</u>
Business-type Activities:				
Water .....	67,946	73,132	-	3,353
Sewer Maintenance .....	34,847	48,199	-	14,975
Parking .....	24,659	42,245	-	-
Port of Milwaukee .....	3,811	5,212	-	346
Metropolitan Sewerage District				
User Charges .....	44,545	44,244	-	-
Total Business-type Activities .....	<u>175,808</u>	<u>213,032</u>	<u>-</u>	<u>18,674</u>
Total Primary Government .....	<u>\$ 1,029,447</u>	<u>\$ 304,089</u>	<u>\$ 73,694</u>	<u>\$ 18,674</u>
<b>Component units:</b>				
Housing Authority .....	\$ 92,230	\$ 20,366	\$ 50,727	\$ 13,677
Redevelopment Authority .....	18,131	5,497	5,543	4,140
Milwaukee Economic Development Authority	3,601	3,340	906	-
Neighborhood Improvement Development Corporation .....	1,783	888	372	-
Total Component Units .....	<u>\$ 115,745</u>	<u>\$ 30,091</u>	<u>\$ 57,548</u>	<u>\$ 17,817</u>

General revenues:  
 Property taxes and other taxes .....

State aids for General Fund .....

Miscellaneous .....

Transfers .....

    Total General Revenues and Transfers .....

Change in Net Assets .....

Net Assets - Beginning .....

**Net Assets - Ending** .....

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

<b>Net (Expenses) Revenue and Changes in Net Assets</b>			
<b>Primary Government</b>			
<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	<b>Component Units</b>
\$ (195,668)		\$ (195,668)	
(300,285)		(300,285)	
(101,405)		(101,405)	
(10,496)		(10,496)	
(19,094)		(19,094)	
(33,076)		(33,076)	
(5,153)		(5,153)	
274		274	
<u>(23,985)</u>		<u>(23,985)</u>	
<u>(688,888)</u>		<u>(688,888)</u>	
-	\$ 8,539	8,539	
-	28,327	28,327	
-	17,586	17,586	
-	1,747	1,747	
<u>-</u>	<u>(301)</u>	<u>(301)</u>	
<u>-</u>	<u>55,898</u>	<u>55,898</u>	
<u>(688,888)</u>	<u>55,898</u>	<u>(632,990)</u>	
			\$ (7,460)
			(2,951)
			645
			<u>(523)</u>
			<u>(10,289)</u>
270,191	-	270,191	-
272,337	-	272,337	-
47,217	120	47,337	4,371
40,111	(40,111)	-	-
<u>629,856</u>	<u>(39,991)</u>	<u>589,865</u>	<u>4,371</u>
(59,032)	15,907	(43,125)	(5,918)
<u>307,155</u>	<u>665,122</u>	<u>972,277</u>	<u>313,848</u>
<u>\$ 248,123</u>	<u>\$ 681,029</u>	<u>\$ 929,152</u>	<u>\$ 307,930</u>

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**FUND  
FINANCIAL  
STATEMENTS**

CITY OF MILWAUKEE  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
 DECEMBER 31, 2009  
 (Thousands of Dollars)

Exhibit A-1

	<b>General</b>
<b>ASSETS</b>	
Assets:	
Cash and cash equivalents .....	\$ 46,884
Investments .....	141
Receivables (net):	
Taxes .....	141,577
Accounts .....	25,712
Unbilled accounts .....	1,225
Special assessments .....	-
Notes and loans .....	37
Accrued interest .....	145
Due from other funds .....	76,750
Due from component units .....	1,538
Due from other governmental agencies .....	441
Advances to other funds .....	12,036
Inventory of materials and supplies .....	6,801
Inventory of property for resale .....	26
Prepaid items .....	254
<b>Total Assets</b> .....	<b><u>\$ 313,567</u></b>
<b>LIABILITIES AND FUND BALANCES</b>	
Liabilities:	
Accounts payable .....	\$ 21,345
Accrued expenses .....	32,183
Due to other funds .....	1,891
Due to component units .....	1
Due to other governmental agencies .....	-
Deferred revenue .....	186,791
Revenue anticipation notes payable .....	-
Advances from other funds .....	-
<b>Total Liabilities</b> .....	<b><u>242,211</u></b>
Fund Balances:	
Reserved for debt service .....	-
Reserved for delinquent taxes receivable .....	-
Reserved for economic development .....	-
Reserved for encumbrances, prepaids, and carryovers .....	21,919
Reserved for inventory .....	6,827
Reserved for mortgage trust .....	141
Reserved for environmental remediation .....	303
Reserved for tax stabilization - 2010 .....	13,070
Reserved for tax stabilization - 2011 and subsequent years' budgets and advances to other funds .....	29,096
Unreserved:	
Undesignated .....	-
Special assessment (deficit) .....	-
<b>Total Fund Balances</b> .....	<b><u>71,356</u></b>
<b>Total Liabilities and Fund Balances</b> .....	<b><u>\$ 313,567</u></b>

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

General Obligation Debt Service	Public Debt Amortization	Capital Projects	Nonmajor Governmental Funds	Total
\$ 124,411	\$ 44,229	\$ 4,361	\$ 18,878	\$ 238,763
-	2,714	-	-	2,855
57,126	-	2,795	13,387	214,885
-	-	2,054	215	27,981
-	-	-	-	1,225
-	-	12,889	-	12,889
24,752	21,245	-	19,520	65,554
17	53	-	-	215
-	-	-	714	77,464
16,562	-	138	57	18,295
228,000	-	6,042	12,595	247,078
-	-	-	-	12,036
-	-	274	-	7,075
-	-	-	-	26
-	-	-	-	254
<b><u>\$ 450,868</u></b>	<b><u>\$ 68,241</u></b>	<b><u>\$ 28,553</u></b>	<b><u>\$ 65,366</u></b>	<b><u>\$ 926,595</u></b>
\$ 8	\$ -	\$ 8,366	\$ 5,246	\$ 34,965
6	-	295	280	32,764
3,269	-	21,509	7,305	33,974
-	-	262	147	410
-	-	-	355	355
138,805	-	22,570	9,749	357,915
228,000	-	-	-	228,000
-	-	12,036	-	12,036
<u>370,088</u>	<u>-</u>	<u>65,038</u>	<u>23,082</u>	<u>700,419</u>
80,780	68,241	-	14,849	163,870
-	-	-	10,830	10,830
-	-	-	829	829
-	-	2,017	-	23,936
-	-	274	-	7,101
-	-	-	-	141
-	-	-	-	303
-	-	-	-	13,070
-	-	-	-	29,096
-	-	(27,929)	15,776	(12,153)
-	-	(10,847)	-	(10,847)
<u>80,780</u>	<u>68,241</u>	<u>(36,485)</u>	<u>42,284</u>	<u>226,176</u>
<b><u>\$ 450,868</u></b>	<b><u>\$ 68,241</u></b>	<b><u>\$ 28,553</u></b>	<b><u>\$ 65,366</u></b>	<b><u>\$ 926,595</u></b>

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CITY OF MILWAUKEE  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
 TO THE STATEMENT OF NET ASSETS**  
 DECEMBER 31, 2009  
*(Thousands of Dollars)*

Exhibit A-2

Fund balances - total governmental funds \$ 226,176

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

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

Land	\$ 164,250	
Buildings, net of \$72,025 accumulated depreciation	185,051	
Infrastructure, net of \$911,616 accumulated depreciation	465,767	
Improvements other than buildings, net of \$7,731 accumulated depreciation	3,956	
Machinery and equipment, net of \$94,133 accumulated depreciation	70,132	
Construction in progress	<u>40,839</u>	
		929,995

Deferred charges for debt issuance costs are not available to pay for current-period expenditures and therefore are deferred in the funds. 2,043

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

Taxes to be collected after year-end	10,539	
Special assessments to be collected after year-end	11,627	
Other revenues to be collected after year-end	1,213	
Notes and loans receivable to repay long-term bonds and notes	<u>24,752</u>	
		48,131

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

Accrued interest payable	(10,064)	
Bonds and notes payable	(742,752)	
Deferred amount on refunding	4,000	
Unamortized premiums	(23,839)	
Compensated absences	(38,904)	
Net other postemployment benefits obligation	(122,944)	
Claims and judgments	<u>(23,719)</u>	
		<u>(958,222)</u>

Total net assets of governmental activities (Exhibit 1) **\$ 248,123**

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

CITY OF MILWAUKEE  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
 FOR THE YEAR ENDED DECEMBER 31, 2009  
 (Thousands of Dollars)

Exhibit A-3

	<b>General</b>
Revenues:	
Property taxes .....	\$ 156,410
Other taxes .....	3,504
Special assessments .....	-
Licenses and permits .....	12,186
Intergovernmental .....	272,337
Charges for services .....	91,057
Fines and forfeits .....	4,802
Contributions received .....	21,300
Other .....	19,967
Total Revenues .....	<u>581,563</u>
Expenditures:	
Current:	
General government .....	222,809
Public safety .....	276,060
Public works .....	97,093
Health .....	10,446
Culture and recreation .....	17,329
Conservation and development .....	4,230
Capital outlay .....	-
Debt Service:	
Principal retirement .....	-
Interest .....	-
Bond issuance costs .....	-
Total Expenditures .....	<u>627,967</u>
Excess (Deficiency) of Revenues over Expenditures .....	<u>(46,404)</u>
Other Financing Sources (Uses):	
General obligation bonds and notes issued .....	119,000
Proceeds current refunding .....	-
Payment current refunding .....	-
Loans receivable activities .....	-
Issuance premium .....	-
Transfers in .....	43,834
Transfers out .....	(118,081)
Total Other Financing Sources and Uses .....	<u>44,753</u>
Net Change in Fund Balances .....	(1,651)
Fund Balances - Beginning .....	<u>73,007</u>
<b>Fund Balances - Ending .....</b>	<b><u>\$ 71,356</u></b>

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

General Obligation Debt Service	Public Debt Amortization	Capital Projects	Nonmajor Governmental Funds	Total
\$ 70,606	\$ -	\$ 6,506	\$ 5,310	\$ 238,832
23,879	2,908	-	-	30,291
-	-	2,418	-	2,418
-	-	-	-	12,186
1,202	-	4,641	53,958	332,138
2,441	-	-	-	93,498
-	-	-	-	4,802
-	-	-	-	21,300
4,938	1,992	3,667	10,118	40,682
<u>103,066</u>	<u>4,900</u>	<u>17,232</u>	<u>69,386</u>	<u>776,147</u>
315	3	-	4,198	227,325
-	-	-	14,475	290,535
-	-	-	4,025	101,118
-	-	-	11,421	21,867
-	-	-	2,325	19,654
-	-	-	24,068	28,298
-	-	98,003	-	98,003
205,228	-	-	-	205,228
31,941	-	-	-	31,941
463	-	-	-	463
<u>237,947</u>	<u>3</u>	<u>98,003</u>	<u>60,512</u>	<u>1,024,432</u>
<u>(134,881)</u>	<u>4,897</u>	<u>(80,771)</u>	<u>8,874</u>	<u>(248,285)</u>
-	-	83,845	24,680	227,525
66,585	-	-	-	66,585
(71,800)	-	-	-	(71,800)
-	-	-	(250)	(250)
9,437	-	-	-	9,437
149,201	3,695	200	-	196,930
(9,002)	(200)	(2,408)	(27,128)	(156,819)
<u>144,421</u>	<u>3,495</u>	<u>81,637</u>	<u>(2,698)</u>	<u>271,608</u>
9,540	8,392	866	6,176	23,323
<u>71,240</u>	<u>59,849</u>	<u>(37,351)</u>	<u>36,108</u>	<u>202,853</u>
<b><u>\$ 80,780</u></b>	<b><u>\$ 68,241</u></b>	<b><u>\$ (36,485)</u></b>	<b><u>\$ 42,284</u></b>	<b><u>\$ 226,176</u></b>

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CITY OF MILWAUKEE  
**RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES**  
FOR THE YEAR ENDED DECEMBER 31, 2009  
*(Thousands of Dollars)*

Exhibit A-4

Net change in fund balances - total governmental funds (Exhibit A-3) \$ 23,323

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay (\$33,775) exceeded depreciation expense (\$47,702) in the current period less loss on disposals (\$11,553) (25,480)

Notes and loans receivable to repay long-term bonds and notes 10,897

Revenues in the statement of activities that do not provide current financial resources are reported as deferred revenue in the funds.

Taxes accrued in prior years	\$ 1,068	
Special assessments deferred revenue beginning of the year \$12,922 less deferred at end of the year \$11,627	(1,295)	
Other revenues deferred at year end	<u>1,213</u>	986

The issuance of long-term debt (bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Debt issued:		
Bonds and notes issued	(294,110)	
Issuance premiums	(9,437)	
Issuance costs	463	
Repayments:		
Principal retirement	277,028	
Amortization:		
Premiums	8,480	
Issuance costs	(470)	
Deferred amount on refunding	<u>(1,197)</u>	(19,243)

Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather as it accrues. The adjustment combines the net changes of the following balances.

Compensated absences	(7,696)	
Net other postemployment benefits obligation	(47,239)	
Claims and judgments	4,747	
Accrued interest on bonds and notes	<u>673</u>	(49,515)

Changes in net assets of governmental activities (Exhibit 2) **\$ (59,032)**

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

CITY OF MILWAUKEE  
**STATEMENT OF NET ASSETS**  
**ENTERPRISE FUNDS**  
 DECEMBER 31, 2009  
 (Thousands of Dollars)

Exhibit B-1

	Water Works	Sewer Maintenance	Parking	Nonmajor Enterprise Funds	Total
<b>ASSETS</b>					
Current Assets:					
Cash and cash equivalents .....	\$ 6,565	\$ -	\$ 21,019	\$ -	\$ 27,584
Restricted cash and cash equivalents .....	667	1,823	-	-	2,490
Receivables (net):					
Accounts .....	14,092	14,675	718	13,289	42,774
Unbilled accounts .....	9,882	2,283	-	2,895	15,060
Accrued interest .....	4	109	-	-	113
Due from other funds .....	4,446	719	-	1,074	6,239
Due from other governmental agencies .....	-	-	-	-	-
Inventory of materials and supplies .....	2,616	-	-	-	2,616
Prepaid items .....	40	-	-	-	40
Deferred charges .....	-	370	-	-	370
Other assets .....	254	-	-	-	254
Total Current Assets .....	<u>38,566</u>	<u>19,979</u>	<u>21,737</u>	<u>17,258</u>	<u>97,540</u>
Noncurrent assets:					
Restricted cash and cash equivalents .....	-	8,669	-	-	8,669
Capital assets:					
Capital assets not being depreciated:					
Land .....	1,936	-	8,440	7,791	18,167
Construction in progress .....	15,635	16	2,435	9	18,095
Capital assets being depreciated:					
Buildings .....	24,135	-	51,788	13,484	89,407
Infrastructure .....	338,510	448,298	-	15,909	802,717
Improvements other than buildings .....	-	-	5,429	2,288	7,717
Machinery and equipment .....	202,027	4,419	4,068	4,792	215,306
Nonutility property .....	5,509	-	-	-	5,509
Accumulated depreciation .....	<u>(193,770)</u>	<u>(111,415)</u>	<u>(34,793)</u>	<u>(21,748)</u>	<u>(361,726)</u>
Net Capital Assets .....	<u>393,982</u>	<u>341,318</u>	<u>37,367</u>	<u>22,525</u>	<u>795,192</u>
Total Noncurrent Assets .....	<u>393,982</u>	<u>349,987</u>	<u>37,367</u>	<u>22,525</u>	<u>803,861</u>
Total Assets .....	<u>432,548</u>	<u>369,966</u>	<u>59,104</u>	<u>39,783</u>	<u>901,401</u>

CITY OF MILWAUKEE  
**STATEMENT OF NET ASSETS**  
**ENTERPRISE FUNDS**  
 DECEMBER 31, 2009  
 (Thousands of Dollars)

Exhibit B-1 (Continued)

	Water Works	Sewer Maintenance	Parking	Nonmajor Enterprise Funds	Total
<b>LIABILITIES</b>					
Current Liabilities:					
Accounts payable .....	\$ 3,849	\$ 2,788	\$ 1,121	\$ 9,488	\$ 17,246
Accrued expenses .....	1,242	772	573	180	2,767
Accrued interest payable .....	280	-	188	44	512
Compensated absences .....	1,248	-	-	-	1,248
Due to other funds .....	9,492	27,958	-	12,279	49,729
Deferred revenue .....	-	-	25	-	25
General obligation debt payable - current .....	2,507	270	1,492	430	4,699
Revenue bonds payable - current .....	939	-	-	-	939
<b>Total Current Liabilities</b> .....	<u>19,557</u>	<u>31,788</u>	<u>3,399</u>	<u>22,421</u>	<u>77,165</u>
Current Liabilities Payable from Restricted Assets:					
Revenue bonds payable .....	-	4,901	-	-	4,901
Accrued interest payable .....	-	448	-	-	448
<b>Total Current Liabilities Payable from     Restricted Assets</b> .....	<u>-</u>	<u>5,349</u>	<u>-</u>	<u>-</u>	<u>5,349</u>
Noncurrent Liabilities:					
General obligation debt .....	13,131	6,897	10,164	2,317	32,509
Revenue bonds payable .....	8,461	92,758	-	-	101,219
Other post employment benefits obligation .....	2,400	904	673	153	4,130
<b>Total Noncurrent Liabilities</b> .....	<u>23,992</u>	<u>100,559</u>	<u>10,837</u>	<u>2,470</u>	<u>137,858</u>
<b>Total Liabilities</b> .....	<u>43,549</u>	<u>137,696</u>	<u>14,236</u>	<u>24,891</u>	<u>220,372</u>
<b>Net Assets:</b>					
Invested in capital assets, net of related debt .....	368,944	236,492	25,711	19,778	650,925
Restricted for Debt Service .....	667	10,492	-	-	11,159
Unrestricted .....	19,388	(14,714)	19,157	(4,886)	18,945
<b>Total Net Assets</b> .....	<u>\$ 388,999</u>	<u>\$ 232,270</u>	<u>\$ 44,868</u>	<u>\$ 14,892</u>	<u>\$ 681,029</u>

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

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CITY OF MILWAUKEE  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**  
**ENTERPRISE FUNDS**  
 FOR THE YEAR ENDED DECEMBER 31, 2009  
 (Thousands of Dollars)

Exhibit B-2

	Water Works	Sewer Maintenance	Parking	Nonmajor Enterprise Funds	Total
Operating Revenues:					
Charges for Services:					
Water sales .....	\$ 59,051	\$ -	\$ -	\$ -	\$ 59,051
Statutory sewer user fee .....	-	-	-	42,878	42,878
Sewer maintenance fee .....	-	48,199	-	-	48,199
Rent .....	-	-	7,574	5,106	12,680
Fire protection service .....	6,421	-	-	-	6,421
Parking meters .....	-	-	4,653	-	4,653
Parking permits .....	-	-	3,165	-	3,165
Vehicle towing .....	-	-	5,471	-	5,471
Parking forfeitures .....	-	-	20,879	-	20,879
Other .....	7,597	-	3	1,366	8,966
<b>Total Operating Revenues .....</b>	<b><u>73,069</u></b>	<b><u>48,199</u></b>	<b><u>41,745</u></b>	<b><u>49,350</u></b>	<b><u>212,363</u></b>
Operating Expenses:					
Milwaukee Metropolitan Sewerage District charges ..	-	-	-	39,666	39,666
Employee services .....	-	8,522	7,857	1,901	18,280
Administrative and general .....	6,054	-	-	55	6,109
Depreciation .....	13,328	4,759	2,533	936	21,556
Transmission and distribution .....	22,483	-	-	3,450	25,933
Services, supplies, and materials .....	-	7,916	13,713	928	22,557
Water treatment .....	14,339	-	-	-	14,339
Water pumping .....	7,884	-	-	-	7,884
Billing and collection .....	2,819	-	-	1,274	4,093
<b>Total Operating Expenses .....</b>	<b><u>66,907</u></b>	<b><u>21,197</u></b>	<b><u>24,103</u></b>	<b><u>48,210</u></b>	<b><u>160,417</u></b>
<b>Operating Income .....</b>	<b><u>6,162</u></b>	<b><u>27,002</u></b>	<b><u>17,642</u></b>	<b><u>1,140</u></b>	<b><u>51,946</u></b>
Nonoperating Revenues (Expenses):					
Investment income .....	88	32	-	-	120
Grant Revenue .....	-	14,632	-	-	14,632
Interest expense .....	(1,039)	(3,552)	(556)	(146)	(5,293)
Gain (Loss) on disposal of fixed assets .....	-	-	-	-	-
Other .....	63	(10,098)	500	106	(9,429)
<b>Total Nonoperating Revenues (Expenses) .....</b>	<b><u>(888)</u></b>	<b><u>1,014</u></b>	<b><u>(56)</u></b>	<b><u>(40)</u></b>	<b><u>30</u></b>
<b>Income before Contributions and Transfers.....</b>	<b>5,274</b>	<b>28,016</b>	<b>17,586</b>	<b>1,100</b>	<b>51,976</b>
Capital contributions .....	3,353	343	-	346	4,042
Transfers in .....	-	-	-	670	670
Transfers out .....	(9,440)	(9,300)	(19,940)	(2,101)	(40,781)
<b>Change in Net Assets .....</b>	<b>(813)</b>	<b>19,059</b>	<b>(2,354)</b>	<b>15</b>	<b>15,907</b>
<b>Total Net Assets - Beginning .....</b>	<b><u>389,812</u></b>	<b><u>213,211</u></b>	<b><u>47,222</u></b>	<b><u>14,877</u></b>	<b><u>665,122</u></b>
<b>Total Net Assets - Ending .....</b>	<b><u>\$ 388,999</u></b>	<b><u>\$ 232,270</u></b>	<b><u>\$ 44,868</u></b>	<b><u>\$ 14,892</u></b>	<b><u>\$ 681,029</u></b>

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

CITY OF MILWAUKEE  
**STATEMENT OF CASH FLOWS**  
**ENTERPRISE FUNDS**  
FOR THE YEAR ENDED DECEMBER 31, 2009  
*(Thousands of Dollars)*

Exhibit B-3

	<b>Water Works</b>	<b>Sewer Maintenance</b>	<b>Parking</b>	<b>Nonmajor Enterprise Funds</b>	<b>Total</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>					
Receipts from customers and users .....	\$ 67,381	\$ 45,406	\$ 41,005	\$ 48,808	\$ 202,600
Receipts from interfund services provided .....	5,408	-	-	-	5,408
Payments to suppliers .....	(22,063)	(7,244)	(13,902)	(45,001)	(88,210)
Payments to employees .....	(24,860)	(8,102)	(7,623)	(1,844)	(42,429)
Payments from other funds .....	-	15,078	-	1,714	16,792
Payments to other funds .....	<u>(4,604)</u>	<u>-</u>	<u>-</u>	<u>(2,285)</u>	<u>(6,889)</u>
 Net Cash Provided by Operating Activities.....	 <u>21,262</u>	 <u>45,138</u>	 <u>19,480</u>	 <u>1,392</u>	 <u>87,272</u>
 <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>					
Miscellaneous nonoperating revenue .....	63	14,632	-	-	14,695
Other nonoperating expenses .....	-	(10,098)	-	-	(10,098)
Transfers from other funds .....	-	-	-	670	670
Transfers to other funds .....	<u>(9,440)</u>	<u>(9,300)</u>	<u>(19,940)</u>	<u>(2,101)</u>	<u>(40,781)</u>
 Net Cash Used for Noncapital Financing Activities .....	 <u>(9,377)</u>	 <u>(4,766)</u>	 <u>(19,940)</u>	 <u>(1,431)</u>	 <u>(35,514)</u>
 <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>					
Capital contributions .....	-	-	-	1,346	1,346
Proceeds from sale of bonds and notes .....	225	3,863	2,595	-	6,683
Acquisition of property, plant, and equipment .....	(20,530)	(35,196)	(1,314)	(642)	(57,682)
Retirement of bonds, notes, and revenue bonds .....	(2,905)	(5,020)	(1,722)	(508)	(10,155)
Interest paid .....	(1,114)	(3,734)	(571)	(157)	(5,576)
Other .....	<u>-</u>	<u>-</u>	<u>500</u>	<u>-</u>	<u>500</u>
 Net Cash Used for Capital and Related Financing Activities .....	 <u>(24,324)</u>	 <u>(40,087)</u>	 <u>(512)</u>	 <u>39</u>	 <u>(64,884)</u>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>					
Investment income .....	<u>119</u>	<u>(73)</u>	<u>-</u>	<u>-</u>	<u>46</u>
 Net Increase (Decrease) in Cash and Cash Equivalents .....	 <u>(12,320)</u>	 <u>212</u>	 <u>(972)</u>	 <u>-</u>	 <u>(13,080)</u>
Cash and Cash Equivalents - Beginning .....	<u>19,552</u>	<u>10,280</u>	<u>21,991</u>	<u>-</u>	<u>51,823</u>
 <b>Cash and Cash Equivalents - Ending .....</b>	 <b><u>\$ 7,232</u></b>	 <b><u>\$ 10,492</u></b>	 <b><u>\$ 21,019</u></b>	 <b><u>\$ -</u></b>	 <b><u>\$ 38,743</u></b>

CITY OF MILWAUKEE  
**STATEMENT OF CASH FLOWS**  
**ENTERPRISE FUNDS**  
FOR THE YEAR ENDED DECEMBER 31, 2009  
*(Thousands of Dollars)*

Exhibit B-3 (Continued)

	Water Works	Sewer Maintenance	Parking	Nonmajor Enterprise Funds	Total
Cash and Cash Equivalents at Year-End Consist of:					
Unrestricted Cash .....	\$ 6,565	\$ -	\$ 21,019	\$ -	\$ 27,584
Restricted Cash .....	<u>667</u>	<u>10,492</u>	<u>-</u>	<u>-</u>	<u>11,159</u>
	<u>\$ 7,232</u>	<u>\$ 10,492</u>	<u>\$ 21,019</u>	<u>\$ -</u>	<u>\$ 38,743</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:					
Operating income .....	\$ 6,162	\$ 27,002	\$ 17,642	\$ 1,140	\$ 51,946
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:					
Depreciation .....	13,328	4,759	2,533	936	21,556
Changes in assets and liabilities:					
Receivables .....	(703)	(2,611)	(714)	(615)	(4,643)
Due from other funds .....	1,370	(182)	-	(540)	648
Due from other governmental agencies .....	-	-	-	73	73
Inventories .....	(285)	-	-	-	(285)
Prepaid items .....	408	-	-	-	408
Other assets .....	31	-	-	-	31
Accounts payable .....	519	672	(188)	371	1,374
Accrued liabilities .....	(387)	96	(3)	2	(292)
Net other postemployment benefits obligation .....	819	324	236	56	1,435
Due to other funds .....	-	15,078	-	(31)	15,047
Deferred revenue .....	<u>-</u>	<u>-</u>	<u>(26)</u>	<u>-</u>	<u>(26)</u>
Net Cash Provided by Operating Activities .....	<u>\$ 21,262</u>	<u>\$ 45,138</u>	<u>\$ 19,480</u>	<u>\$ 1,392</u>	<u>\$ 87,272</u>

Non-cash Activities:

During the year, water mains and related property, installed by others were deeded to the Water Works in the amount of \$3.4 million.

During the year, the Sewer Maintenance Fund removed infrastructure assets costing \$64,608 with a net value of \$0, and, received donated assets in the amount of \$342,482.

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

CITY OF MILWAUKEE  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
 DECEMBER 31, 2009  
*(Thousands of Dollars)*

Exhibit C-1

	Pension and Other Employee Benefit Trusts	Private- Purpose Trusts	Agency Funds
<b>ASSETS</b>			
Cash and cash equivalents .....	\$ 402	\$ 2,158	\$ 336,934
Investments .....	<u>-</u>	<u>2,887</u>	<u>-</u>
Total Assets .....	<u>402</u>	<u>5,045</u>	<u><b>\$ 336,934</b></u>
<b>LIABILITIES</b>			
Liabilities:			
Accounts payable .....	-	10	1,511
Due to other governmental agencies .....	<u>-</u>	<u>-</u>	<u>335,423</u>
Total Liabilities .....	<u>-</u>	<u>10</u>	<u><b>\$ 336,934</b></u>
Net Assets			
Employees' pension benefits and other purposes .....	<u><b>\$ 402</b></u>	<u><b>\$ 5,035</b></u>	

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



CITY OF MILWAUKEE  
**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
 FOR THE YEAR ENDED DECEMBER 31, 2009  
*(Thousands of Dollars)*

Exhibit C-2

	<b>Pension and Other Employee Benefit Trusts</b>	<b>Private- Purpose Trusts</b>
Additions		
Contributions:		
Plan members .....	\$ 1,331	\$ -
Private donations .....	<u>-</u>	<u>2,564</u>
Total Contributions .....	<u>1,331</u>	<u>2,564</u>
Investment earnings:		
Net appreciation in fair value of investments, dividends and interest .....	<u>-</u>	<u>6</u>
Total Additions .....	<u>1,331</u>	<u>2,570</u>
Deductions		
Benefits .....	1,280	-
Fees remitted from Trust .....	-	2,084
Other .....	<u>-</u>	<u>1,401</u>
Total Deductions .....	<u>1,280</u>	<u>3,485</u>
Change in Net Assets .....	51	(915)
Net Assets - Beginning .....	<u>351</u>	<u>5,950</u>
Net Assets - Ending .....	<u><b>\$ 402</b></u>	<u><b>\$ 5,035</b></u>

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

CITY OF MILWAUKEE  
**COMBINING STATEMENT OF NET ASSETS**  
**COMPONENT UNITS**  
 DECEMBER 31, 2009  
 (Thousands of Dollars)

Exhibit D-1

	Housing Authority	Redevelopment Authority	Milwaukee Economic Development Corporation	Neighborhood Improvement Development Corporation	Total
<b>ASSETS</b>					
Current Assets:					
Cash and cash equivalents .....	\$ 28,001	\$ 17,204	\$ 8,872	\$ 1,701	\$ 55,778
Investments .....	3,247	6,800	-	300	10,347
Receivables (net):					
Accounts .....	2,465	229	55	88	2,837
Notes and loans .....	33,264	19,247	36,261	352	89,124
Accrued interest .....	4,042	121	152	128	4,443
Due from primary government .....	-	382	28	-	410
Due from other governmental agencies .....	1,933	962	16,517	-	19,412
Inventory of property for resale .....	-	4,811	1,594	1,820	8,225
Prepaid items .....	878	48	-	-	926
Deferred charges .....	236	820	-	-	1,056
Other assets .....	372	-	79	-	451
	<u>74,438</u>	<u>50,624</u>	<u>63,558</u>	<u>4,389</u>	<u>193,009</u>
Total Noncapital Assets .....					
Capital assets:					
Capital assets not being depreciated:					
Land and land improvements .....	39,898	16,628	-	-	56,526
Construction in progress .....	3,179	-	-	-	3,179
Capital assets being depreciated:					
Buildings .....	394,102	93,941	-	-	488,043
Infrastructure .....	-	789	-	-	789
Improvements other than buildings .....	882	843	-	-	1,725
Machinery and equipment .....	3,311	-	198	-	3,509
Accumulated depreciation .....	<u>(236,076)</u>	<u>(8,201)</u>	<u>(153)</u>	<u>-</u>	<u>(244,430)</u>
Total Capital Assets, Net of Depreciation	<u>205,296</u>	<u>104,000</u>	<u>45</u>	<u>-</u>	<u>309,341</u>
Total Assets .....	<u>279,734</u>	<u>154,624</u>	<u>63,603</u>	<u>4,389</u>	<u>502,350</u>

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

CITY OF MILWAUKEE  
**COMBINING STATEMENT OF NET ASSETS**  
**COMPONENT UNITS**  
 DECEMBER 31, 2009  
 (Thousands of Dollars)

Exhibit D-1 (Continued)

	Housing Authority	Redevelopment Authority	Milwaukee Economic Development Corporation	Neighborhood Improvement Development Corporation	Total
<b>LIABILITIES</b>					
Current Liabilities:					
Accounts payable .....	\$ 5,669	\$ 3,185	\$ 2,226	\$ 19	\$ 11,099
Accrued expenses .....	4,879	8,224	-	-	13,103
Due to other governmental agencies .....	1,150	1,289	3	-	2,442
Deferred revenue .....	3,074	667	-	333	4,074
Other liabilities .....	<u>3,004</u>	<u>3,238</u>	<u>849</u>	<u>209</u>	<u>7,300</u>
 Total Current Liabilities .....	 <u>17,776</u>	 <u>16,603</u>	 <u>3,078</u>	 <u>561</u>	 <u>38,018</u>
Due to primary government:					
Due within one year .....	1,323	-	31	54	1,408
Due in more than one year .....	<u>-</u>	<u>15,436</u>	<u>1,451</u>	<u>-</u>	<u>16,887</u>
 Total Due to Primary Government .....	 <u>1,323</u>	 <u>15,436</u>	 <u>1,482</u>	 <u>54</u>	 <u>18,295</u>
Long-term obligations:					
Due within one year .....	4,494	-	-	-	4,494
Due in more than one year .....	<u>45,245</u>	<u>84,178</u>	<u>4,190</u>	<u>-</u>	<u>133,613</u>
 Total Noncurrent Liabilities .....	 <u>49,739</u>	 <u>84,178</u>	 <u>4,190</u>	 <u>-</u>	 <u>138,107</u>
 Total Liabilities .....	 <u>68,838</u>	 <u>116,217</u>	 <u>8,750</u>	 <u>615</u>	 <u>194,420</u>
<b>NET ASSETS:</b>					
Invested in capital assets, net of related debt ...	158,013	29,769	-	-	187,782
Restricted .....	5,099	4,395	8,095	1,052	18,641
Unrestricted .....	<u>47,784</u>	<u>4,243</u>	<u>46,758</u>	<u>2,722</u>	<u>101,507</u>
 Total Net Assets .....	 <u><b>\$ 210,896</b></u>	 <u><b>\$ 38,407</b></u>	 <u><b>\$ 54,853</b></u>	 <u><b>\$ 3,774</b></u>	 <u><b>\$ 307,930</b></u>

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

CITY OF MILWAUKEE  
**COMBINING STATEMENT OF ACTIVITIES**  
**COMPONENT UNITS**  
 FOR THE YEAR ENDED DECEMBER 31, 2009  
*(Thousands of Dollars)*

Exhibit D-2

		<b>Program Revenues</b>		
<b>Expenses</b>	<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>	
<b>Housing Authority</b>				
Low income housing .....	\$ 92,230	\$ 20,366	\$ 50,727	\$ 13,677
<b>Redevelopment Authority</b>				
Prevention and elimination of blight .....	18,131	5,497	5,543	4,140
<b>Milwaukee Economic Development Corporation</b>				
Increase employment and expansion of business ..	3,601	3,340	906	-
<b>Neighborhood Improvement Development Corp.</b>				
Housing improvements .....	<u>1,783</u>	<u>888</u>	<u>372</u>	<u>-</u>
 Total Component Units .....	 <u>\$115,745</u>	 <u>\$ 30,091</u>	 <u>\$ 57,548</u>	 <u>\$ 17,817</u>

General revenues:
Miscellaneous .....
 Total General Revenues .....
 Change in Net Assets .....
Net Assets - Beginning.....
Net Assets - Ending .....

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

<b>Net (Expense) Revenue and Changes in Net Assets</b>				
<b>Housing Authority</b>	<b>Redevelopment Authority</b>	<b>Milwaukee Economic Development Corporation</b>	<b>Neighborhood Improvement Development Corporation</b>	<b>Total</b>
\$ (7,460)	\$ -	\$ -	\$ -	\$ (7,460)
-	(2,951)	-	-	(2,951)
-	-	645	-	645
<u>-</u>	<u>-</u>	<u>-</u>	<u>(523)</u>	<u>(523)</u>
<u>(7,460)</u>	<u>(2,951)</u>	<u>645</u>	<u>(523)</u>	<u>(10,289)</u>
 <u>3,252</u>	 <u>385</u>	 <u>717</u>	 <u>17</u>	 <u>4,371</u>
<u>3,252</u>	<u>385</u>	<u>717</u>	<u>17</u>	<u>4,371</u>
(4,208)	(2,566)	1,362	(506)	(5,918)
<u>215,104</u>	<u>40,973</u>	<u>53,491</u>	<u>4,280</u>	<u>313,848</u>
<b><u>\$ 210,896</u></b>	<b><u>\$ 38,407</u></b>	<b><u>\$ 54,853</u></b>	<b><u>\$ 3,774</u></b>	<b><u>\$ 307,930</u></b>

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**NOTES  
TO THE  
FINANCIAL  
STATEMENTS**

CITY OF MILWAUKEE  
**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED DECEMBER 31, 2009

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Reporting Entity**

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

**Discretely Presented Component Units**

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

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

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

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

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

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

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



CITY OF MILWAUKEE  
**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED DECEMBER 31, 2009

**Related Organizations**

*Milwaukee Area Workforce Investment Board*

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

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

**B. Basis of Presentation**

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

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

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

Proprietary fund operating revenues and expenses are a result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for enterprise funds include the cost of rents, sales and services, administrative expenses, and depreciation on capital assets. All expenses not meeting these criteria are reported as nonoperating expenses. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

The City reports the following major governmental funds:

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

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

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

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

CITY OF MILWAUKEE  
**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED DECEMBER 31, 2009

The City reports the following major enterprise funds:

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

**Sewer Maintenance** – This fund accounts for the maintenance of the City's sewer system. Wisconsin State Statutes Section 66.0821, permit municipalities to implement sewer fees to recover the costs of operation, maintenance, repair, and depreciation of sewer collection and transportation facilities. Sewer maintenance costs are recovered through a user fee rather than through the property tax.

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

Additionally, the City reports the following fiduciary fund types:

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

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

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

**C. Basis of Accounting**

The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flow takes place. Non-exchange transactions, in which the City receives value without directly giving equal value in return, include property tax revenue, grants, and other contributions. On an accrual basis, revenue from property taxes is recognized in the period for which the levy is intended to finance, which is the year after the taxes are levied. Taxes levied in 2009 that will be collected in 2010 are recorded as receivable and deferred revenue. Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Revenue from grants and other contributions are recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the City must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the City on a reimbursement basis.

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

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

CITY OF MILWAUKEE  
**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED DECEMBER 31, 2009

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

**D. Cash and Cash Equivalents**

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

**E. Investments**

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

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

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

CITY OF MILWAUKEE  
**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED DECEMBER 31, 2009

**F. Property Taxes**

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

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

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

**G. Accounts Receivable**

Accounts receivables are presented net of allowances. The amount of the General Fund allowance as of December 31, 2009 is \$2,877,000.

**H. Unbilled Services**

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

**I. Special Assessments**

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

**J. Notes and Loan Receivables**

The General Fund, the Special Revenue Fund - Community Development Block Grant, and Neighborhood Improvement Development Corporation hold notes and loans receivable from individuals, small businesses, and corporations in the Milwaukee area that are secured by primary or secondary security interests in real estate or other assets. The City periodically analyzes the collectibility of the notes and loans that are not insured and provides allowances as considered necessary. The amount of the allowance in the nonmajor governmental fund is \$9,543,000 as of December 31, 2009.

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

CITY OF MILWAUKEE  
**NOTES TO THE FINANCIAL STATEMENTS**  
 FOR THE YEAR ENDED DECEMBER 31, 2009

**K. Inventories**

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

**L. Prepaid Items**

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

**M. Capital Assets**

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

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

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

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

**N. Pension Contributions**

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

**O. Compensated Absences**

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

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

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**P. Claims and Judgments**

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

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

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

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

**R. Advance Refundings of Debt**

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

**S. Fund Balances**

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

**T. Net Assets**

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

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

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

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

CITY OF MILWAUKEE  
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**U. Interfund Transactions**

The City has the following types of interfund transactions:

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

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

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

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

**V. Use of Estimates**

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

**W. New Accounting Pronouncements**

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

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

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

**X. Reclassifications**

Certain 2008 amounts have been reclassified to conform to the 2009 presentation.

CITY OF MILWAUKEE  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**2. DEPOSITS AND INVESTMENTS**

**A. Primary Government**

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

As of December 31, 2009, the City's deposits and investments are as follows:

	<b>Investment Maturities (in Years)</b>				<b>Credit Rating</b>
	<b>Fair Value</b>	<i>(Thousands of Dollars)</i>			
		<b>Less than 1</b>	<b>1-5</b>	<b>6-10</b>	
<b>Governmental and Business-type activities:</b>					
<i>Investment type</i>					
Pooled Deposits and Investments .....	\$ 172,066	\$ 172,066	\$ -	\$ -	see below
Segregated Deposits and Investments					
Interest Checking .....	2,135	2,135	-	-	not rated
Wisconsin Local Government					
Investment Pool .....	94,777	94,777	-	-	not rated
U.S. Treasury strips .....	2,714	1,098	1,104	512	AAA
Treasuries (Fiscal Agent) .....	8,669	8,669	-	-	AAA
	<u>\$ 280,361</u>	<u>\$ 278,745</u>	<u>\$ 1,104</u>	<u>\$ 512</u>	
<b>Fiduciary activities:</b>					
<i>Investment type</i>					
Investments in the Pool .....	\$ 327,794	\$ 327,794	\$ -	\$ -	see below
Other Deposits .....	457	457	-	-	not rated
Segregated Deposits and Investments					
Wisconsin Local Government					
Investment Pool .....	11,413	11,413	-	-	not rated
U.S. Treasury strips .....	2,717	414	1,589	714	AAA
	<u>\$ 342,381</u>	<u>\$ 340,078</u>	<u>\$ 1,589</u>	<u>\$ 714</u>	



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**NOTES TO THE FINANCIAL STATEMENTS**  
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**Pooled Deposits and Investments**

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

As of December 31, 2009, the City had the following investments and maturities in the Pool:

	<b>Investment Maturities (in Years)</b>				<b>Credit Rating</b>
	<b>Fair Value</b>	<i>(Thousands of Dollars)</i>			
		<b>Less than 1</b>	<b>1-5</b>	<b>6-10</b>	
<b>Pooled Deposits and Investments</b>					
Bank Demand Deposits .....	\$ 32,634	\$ 32,634	\$ -	\$ -	not rated
Other Deposits .....	793	793	-	-	not rated
<b>Deposits and Investments</b>					
Interest Checking .....	376,328	376,328	-	-	not rated
<b>Wisconsin Local Government</b>					
Investment Pool .....	71,947	71,947	-	-	not rated
Government Money Market .....	108	108	-	-	AAA
Certificates of Deposits .....	<u>18,050</u>	<u>18,050</u>	<u>-</u>	<u>-</u>	not rated
	<u>\$ 499,860</u>	<u>\$ 499,860</u>	<u>\$ -</u>	<u>\$ -</u>	

**Custodial Credit Risk – Deposits**

Custodial credit risk for deposits is the risk that in the event of a financial institution failure, the City's deposits may not be returned. Per Common Council the City Treasurer shall require collateralization of certificates of time deposit (including interest checking) at financial institutions when the total amount of such certificates of deposit with any institution exceeds the combined insured limit of \$650,000. As of December 31, 2009, the City's bank balances of \$372,000 were subject to custodial credit risk as they were neither insured nor collateralized.

**Interest Rate Risk**

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

**Credit risk**

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

**B. Component Units**

**Deposits and Investments**

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

**Interest Rate Risk**

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

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**NOTES TO THE FINANCIAL STATEMENTS**  
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**Credit Risk**

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

The Component Units have the following investments on December 31, 2009:

	Investment Maturities (in Years)					Credit Rating
	Fair value	Less than 1	1-2	8-10	10 and greater	
<b>Component Units:</b>						
Local Government Investment Pool	\$ 21,516	\$ 21,516	-	-	-	not rated
U.S. Treasury Money Market Fund	9,052	9,052	-	-	-	Aaa
U.S. Agencies						
Government National Mortgage Association	798	11	-	787	-	Aaa
Certificates of Deposit	7,100	7,100	-	-	-	N/A
	<u>\$ 38,466</u>	<u>\$ 37,679</u>	<u>\$ -</u>	<u>\$ 787</u>	<u>\$ -</u>	

**Custodial Credit Risk**

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

As of December 31, 2009 Component Units bank balances exposed to Custodial Credit Risk are as follows:

	Bank Balance	Uninsured and Uncollateralized
Housing Authority	\$ 10,451,419	\$ 1,035,237
Redevelopment Authority	11,223,071	197,225
Milwaukee Economic Development Corporation	8,164,045	1,176,037
Neighborhood Improvement Development Corporation	2,011,086	725,954

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

As of December 31, 2009, the Redevelopment Authority had \$9,052,000 of investments exposed to custodial credit risk as uninsured and uncollateralized.

CITY OF MILWAUKEE  
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**3. PROPERTY TAXES**

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

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

At December 31, 2009, delinquent property taxes include delinquent sewer and water charges and special assessments by year levied, tax deeded property, and allowance for uncollectible taxes. These delinquent property taxes are reported as part of taxes receivable in the General Fund and Special Revenue Fund - Delinquent Tax and consist of the following:

		<b>Purchased City Levy</b>	<b>Taxes Receivable</b>	<b>Total</b>
<i>(Thousands of Dollars)</i>				
2004 and prior .....	\$	918	\$ 1,365	\$ 2,283
2005 .....		391	596	987
2006 .....		925	1,397	2,322
2007 .....		3,321	5,027	8,348
2008 .....		<u>11,513</u>	<u>18,355</u>	<u>29,868</u>
 Total delinquent property taxes receivable .....	 <b>\$</b>	 <b><u>17,068</u></b>	 <b><u>\$ 26,740</u></b>	 <b>43,808</b>
 Property taxes receivable on foreclosed property .....				 15,784
 Less: Allowance for uncollectible taxes .....				 <u>(17,231)</u>
 Net delinquent property taxes receivable, including tax deeded property				 <b><u>\$ 42,361</u></b>

CITY OF MILWAUKEE  
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**4. CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2009 was as follows:

	<b>Balance 01-01-09</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance 12-31-09</b>
<b>Governmental activities</b>	<i>(Thousands of Dollars)</i>			
<i>Capital assets not being depreciated:</i>				
Land .....	\$ 163,797	\$ 510	\$ 57	\$ 164,250
Construction in progress .....	<u>123,768</u>	<u>9,628</u>	<u>92,557</u>	<u>40,839</u>
Total capital assets not being depreciated .....	<u>287,565</u>	<u>10,138</u>	<u>92,614</u>	<u>205,089</u>
<i>Capital assets being depreciated:</i>				
Buildings .....	194,782	81,709	19,415	257,076
Infrastructure.....	1,355,649	23,941	2,207	1,377,383
Improvements other than buildings .....	11,573	195	81	11,687
Machinery and equipment .....	<u>162,573</u>	<u>10,349</u>	<u>8,657</u>	<u>164,265</u>
Total capital assets being depreciated .....	<u>1,724,577</u>	<u>116,194</u>	<u>30,360</u>	<u>1,810,411</u>
Less accumulated depreciation for:				
Buildings .....	74,784	5,468	8,227	72,025
Infrastructure .....	883,878	29,945	2,207	911,616
Improvements other than buildings .....	7,469	338	76	7,731
Machinery and equipment .....	<u>90,536</u>	<u>11,951</u>	<u>8,354</u>	<u>94,133</u>
Total accumulated depreciation .....	<u>1,056,667</u>	<u>47,702</u>	<u>18,864</u>	<u>1,085,505</u>
Total capital assets being depreciated, net ....	<u>667,910</u>	<u>68,492</u>	<u>11,496</u>	<u>724,906</u>
<b>Government activity capital assets, net .....</b>	<u><b>\$ 955,475</b></u>	<u><b>\$ 78,630</b></u>	<u><b>\$ 104,110</b></u>	<u><b>\$ 929,995</b></u>
Depreciation expense for governmental activities was charged to functions as follows:				
General government .....				\$ 350
Public safety .....				7,949
Public works .....				38,656
Health .....				221
Culture and recreation .....				<u>526</u>
Total .....				<u>\$ 47,702</u>

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	<b>Balance 01-01-09</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance 12-31-09</b>
	<i>(Thousands of Dollars)</i>			
<b>Business-type activities</b>				
<b>Water Works</b>				
<i>Capital assets not being depreciated:</i>				
Land .....	\$ 1,936	\$ -	\$ -	\$ 1,936
Construction in progress .....	10,975	22,967	18,307	15,635
Total capital assets not being depreciated .....	<u>12,911</u>	<u>22,967</u>	<u>18,307</u>	<u>17,571</u>
<i>Capital assets being depreciated:</i>				
Buildings .....	21,292	2,994	151	24,135
Infrastructure .....	331,142	8,528	1,160	338,510
Machinery and equipment .....	201,582	6,785	6,340	202,027
Nonutility property .....	5,509	-	-	5,509
Total capital assets being depreciated .....	<u>559,525</u>	<u>18,307</u>	<u>7,651</u>	<u>570,181</u>
Less accumulated depreciation for:				
Buildings .....	14,663	721	803	14,581
Infrastructure .....	78,324	3,770	1,165	80,929
Machinery and equipment .....	94,906	8,837	6,471	97,272
Nonutility property .....	783	205	-	988
Total accumulated depreciation .....	<u>188,676</u>	<u>13,533</u>	<u>8,439</u>	<u>193,770</u>
Total capital assets being depreciated, net ....	<u>370,849</u>	<u>4,774</u>	<u>(788)</u>	<u>376,411</u>
Water Works capital assets, net .....	<u>383,760</u>	<u>27,741</u>	<u>17,519</u>	<u>393,982</u>
<b>Sewer Maintenance</b>				
<i>Capital assets not being depreciated:</i>				
Construction in progress .....	46,304	16	46,304	16
Total capital assets not being depreciated .....	<u>46,304</u>	<u>16</u>	<u>46,304</u>	<u>16</u>
<i>Capital assets being depreciated:</i>				
Infrastructure .....	366,635	81,727	64	448,298
Machinery and equipment .....	4,320	99	-	4,419
Total capital assets being depreciated .....	<u>370,955</u>	<u>81,826</u>	<u>64</u>	<u>452,717</u>
Less accumulated depreciation for:				
Infrastructure .....	104,765	4,415	64	109,116
Machinery and equipment .....	1,955	344	-	2,299
Total accumulated depreciation .....	<u>106,720</u>	<u>4,759</u>	<u>64</u>	<u>111,415</u>
Total capital assets being depreciated, net ....	<u>264,235</u>	<u>77,067</u>	<u>-</u>	<u>341,302</u>
Sewer Maintenance capital assets, net .....	<u>310,539</u>	<u>77,083</u>	<u>46,304</u>	<u>341,318</u>

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	Balance 01-01-09	Additions	Deletions	Balance 12-31-09
		<i>(Thousands of Dollars)</i>		
<b>Parking</b>				
<i>Capital assets not being depreciated:</i>				
Land .....	\$ 8,440	\$ -	\$ -	\$ 8,440
Construction in progress .....	4,687	663	2,915	2,435
Total capital assets not being depreciated .....	<u>13,127</u>	<u>663</u>	<u>2,915</u>	<u>10,875</u>
<i>Capital assets being depreciated:</i>				
Buildings .....	50,645	1,143	-	51,788
Improvements other than buildings .....	5,429	-	-	5,429
Machinery and equipment .....	1,645	2,423	-	4,068
Total capital assets being depreciated .....	<u>57,719</u>	<u>3,566</u>	<u>-</u>	<u>61,285</u>
Less accumulated depreciation for:				
Buildings .....	28,003	2,047	-	30,050
Improvements other than buildings .....	3,394	218	-	3,612
Machinery and equipment .....	863	268	-	1,131
Total accumulated depreciation .....	<u>32,260</u>	<u>2,533</u>	<u>-</u>	<u>34,793</u>
Total capital assets being depreciated, net ....	<u>25,459</u>	<u>1,033</u>	<u>-</u>	<u>26,492</u>
Parking capital assets, net .....	<u>38,586</u>	<u>1,696</u>	<u>2,915</u>	<u>37,367</u>
<b>Other business-type activities:</b>				
<i>Capital assets not being depreciated:</i>				
Land .....	7,791	-	-	7,791
Construction in progress .....	-	9	-	9
Total capital assets not being depreciated .....	<u>7,791</u>	<u>9</u>	<u>-</u>	<u>7,800</u>
<i>Capital assets being depreciated:</i>				
Buildings .....	13,484	-	-	13,484
Infrastructure-port.....	15,556	368	15	15,909
Improvements other than buildings .....	2,288	-	-	2,288
Machinery and equipment .....	4,719	408	335	4,792
Total capital assets being depreciated .....	<u>36,047</u>	<u>776</u>	<u>350</u>	<u>36,473</u>
Less accumulated depreciation for:				
Buildings .....	6,796	259	-	7,055
Infrastructure-port.....	8,736	352	12	9,076
Improvements other than buildings .....	1,616	90	-	1,706
Machinery and equipment .....	3,977	235	301	3,911
Total accumulated depreciation .....	<u>21,125</u>	<u>936</u>	<u>313</u>	<u>21,748</u>
Total capital assets being depreciated, net ....	<u>14,922</u>	<u>(160)</u>	<u>37</u>	<u>14,725</u>
Other business-type activities, net .....	<u>22,713</u>	<u>(151)</u>	<u>37</u>	<u>22,525</u>
<b>Business-type activity capital assets, net .....</b>	<b><u>\$ 755,598</u></b>	<b><u>\$ 106,369</u></b>	<b><u>\$ 66,775</u></b>	<b><u>\$ 795,192</u></b>

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	Balance 01-01-09	Additions	Deletions	Balance 12-31-09
		<i>(Thousands of Dollars)</i>		
<b>Component Units</b>				
<i>Capital assets not being depreciated:</i>				
Land .....	\$ 54,187	\$ 3,322	\$ 983	\$ 56,526
Construction in Progress .....	<u>2,301</u>	<u>2,808</u>	<u>1,930</u>	<u>3,179</u>
Total capital assets not being depreciated .....	<u>56,488</u>	<u>6,130</u>	<u>2,913</u>	<u>59,705</u>
<i>Capital assets being depreciated:</i>				
Buildings .....	480,524	9,689	2,170	488,043
Infrastructure .....	789	-	-	789
Improvements other than buildings .....	1,531	194	-	1,725
Machinery and equipment .....	<u>3,277</u>	<u>555</u>	<u>323</u>	<u>3,509</u>
Total capital assets being depreciated .....	<u>486,121</u>	<u>10,438</u>	<u>2,493</u>	<u>494,066</u>
Less accumulated depreciation for:				
Buildings .....	229,574	13,014	1,136	241,452
Infrastructure .....	13	27	-	40
Improvements other than buildings .....	207	117	-	324
Machinery and equipment .....	<u>2,704</u>	<u>229</u>	<u>319</u>	<u>2,614</u>
Total accumulated depreciation .....	<u>232,498</u>	<u>13,387</u>	<u>1,455</u>	<u>244,430</u>
Total capital assets being depreciated, net ....	<u>253,623</u>	<u>(2,949)</u>	<u>1,038</u>	<u>249,636</u>
<b>Component units capital assets, net .....</b>	<b><u>\$ 310,111</u></b>	<b><u>\$ 3,181</u></b>	<b><u>\$ 3,951</u></b>	<b><u>\$ 309,341</u></b>

**5. DEFERRED REVENUE**

Deferred revenue is recorded in the governmental funds for amounts not yet available and for resources received prior to being earned by the City. Related revenue is recognized when these amounts become available or when earned. The composition of the deferred revenue balances in the governmental funds as of December 31, 2009 is as follows:

	General	General Obligation Debt Service	Capital Projects	Nonmajor Governmental Funds	Total
		<i>(Thousands of Dollars)</i>			
Current property taxes .....	\$ 176,991	\$ 97,499	\$ 4,767	\$ -	\$ 279,257
Delinquent property taxes .....	7,982	-	-	2,557	10,539
Unearned revenue .....	1,818	-	6,176	7,036	15,030
Long-term receivables .....	-	41,306	-	156	41,462
Unbilled special assessments .....	<u>-</u>	<u>-</u>	<u>11,627</u>	<u>-</u>	<u>11,627</u>
Total .....	<u>\$ 186,791</u>	<u>\$ 138,805</u>	<u>\$ 22,570</u>	<u>\$ 9,749</u>	<u>\$ 357,915</u>

CITY OF MILWAUKEE  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**6. SHORT-TERM DEBT**

During 2009, the City issued and repaid \$116,000,000 of General Obligation Cash Flow Promissory Notes, Series 2009 R3 (G.O. CFNs). The G.O. CFNs were issued for the purpose of financing the City's operating budget on an interim basis pending receipt of State of Wisconsin shared revenue payments due in November, 2009.

As of December 31, 2008, the City had outstanding \$210,000,000 of short-term Revenue Anticipation Notes (RANs) on behalf of Milwaukee Public Schools. In 2009, the City repaid the outstanding balance and issued \$228,000,000 short-term RANs for the same purpose. The new notes bear interest at the rate of 2% and will mature on June 30, 2010. The liability and related receivable to repay the revenue anticipation notes are recorded in the Debt Service Fund.



CITY OF MILWAUKEE  
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**7. LONG-TERM OBLIGATIONS**

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

Changes in long-term obligations for the year ended December 31, 2009 were as follows:

	Balance 01-01-09	Additions	Deductions	Balance 12-31-09	Amounts Due within One Year
	<i>(Thousands of Dollars)</i>				
<b>Governmental activities:</b>					
General obligation bonds and notes					
City .....	\$ 637,897	\$ 278,060	\$ 266,651	\$ 649,306	\$ 91,279
Milwaukee Public Schools .....	87,773	16,050	10,377	93,446	10,247
Deferred amount on refundings .....	(5,197)	-	(1,197)	(4,000)	-
Unamortized premiums .....	22,882	9,437	8,480	23,839	-
Compensated absences .....	31,208	9,792	2,096	38,904	3,011
Net other postemployment benefits obligation .....	75,705	74,005	26,766	122,944	-
Claims and judgments .....	28,466	10,233	14,980	23,719	4,436
Total governmental activities .....	<u>\$ 878,734</u>	<u>\$ 397,577</u>	<u>\$ 328,153</u>	<u>\$ 948,158</u>	<u>\$ 108,973</u>
<b>Business-type activities</b>					
<b>Water Works</b>					
General obligation bonds and notes .....	\$ 17,050	\$ 225	\$ 1,990	\$ 15,285	\$ 2,507
Deferred amount on refundings .....	(357)	-	(140)	(217)	-
Unamortized premiums .....	751	-	181	570	-
Revenue bonds .....	10,315	-	915	9,400	939
Compensated absences .....	1,108	1,701	1,561	1,248	1,248
Net other postemployment benefits obligation .....	1,581	1,932	1,113	2,400	-
Total Water Works .....	<u>30,448</u>	<u>3,858</u>	<u>5,620</u>	<u>28,686</u>	<u>4,694</u>
<b>Sewer Maintenance</b>					
General obligation bonds and notes .....	3,934	3,500	267	7,167	270
State Loans .....	49,653	362	2,013	48,002	2,061
Revenue bonds .....	50,855	-	2,740	48,115	2,840
Unamortized premiums .....	1,755	-	213	1,542	-
Net other postemployment benefits obligation .....	580	764	440	904	-
Total Sewer Maintenance .....	<u>106,777</u>	<u>4,626</u>	<u>5,673</u>	<u>105,730</u>	<u>5,171</u>
<b>Parking</b>					
General obligation bonds and notes .....	10,743	2,595	1,722	11,616	1,492
Deferred amount on refundings .....	(153)	-	(39)	(114)	-
Unamortized premiums .....	203	-	49	154	-
Net other postemployment benefits obligation .....	437	557	321	673	-
Total Parking .....	<u>11,230</u>	<u>3,152</u>	<u>2,053</u>	<u>12,329</u>	<u>1,492</u>
<b>Other Enterprise Funds</b>					
General obligation bonds and notes .....	3,243	-	508	2,735	430
Deferred amount on refundings .....	(36)	-	(9)	(27)	-
Unamortized premiums .....	51	-	12	39	-
Net other postemployment benefits obligation .....	97	131	75	153	-
Total Other Enterprise .....	<u>3,355</u>	<u>131</u>	<u>586</u>	<u>2,900</u>	<u>430</u>
Total business-type activities .....	<u>\$ 151,810</u>	<u>\$ 11,767</u>	<u>\$ 13,932</u>	<u>\$ 149,645</u>	<u>\$ 11,787</u>

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	<b>Balance</b>	<b>New</b>	<b>Repayments</b>	<b>Balance</b>	<b>Amounts</b>
	<b>01-01-09</b>	<b>Issues</b>	<b>Repayments</b>	<b>12-31-09</b>	<b>Due within</b>
	<i>(Thousands of Dollars)</i>				
<b>Component Units</b>					
Revenue bonds .....	\$ 97,199	\$ -	\$ 2,806	\$ 94,393	\$ 515
Unamortized discounts .....	(104)	-	(7)	(97)	-
Notes payable .....	40,719	5,068	4,523	41,264	3,647
Advance from other organizations .....	-	-	-	-	-
Compensated Absences.....	854	252	-	1,106	332
Net other postemployment benefits.....	991	562	112	1,441	-
Total component units .....	<u>\$ 139,659</u>	<u>\$ 5,882</u>	<u>\$ 7,434</u>	<u>\$ 138,107</u>	<u>\$ 4,494</u>

**B. General Obligation Bonds**

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities for the City and for Milwaukee Public Schools. General obligation bonds have been issued for both governmental and business-type activities. General obligation bonds are secured by the full faith and unlimited taxing power of the City. The debt for governmental activities will be retired by future property tax levies and other resources accumulated in the Debt Service Funds. The debt for business-type activities (i.e. Water Works, Sewer Maintenance, Parking, and Port of Milwaukee Enterprise Funds) will be retired by revenues from those operations or, if the revenues are not sufficient, by future tax levies. During the year ended December 31, 2009, general obligation bonds totaling \$2,433,000 were issued. \$143,000 was issued to finance capital improvements, \$1,350,000 for school purposes and \$940,000 for business-type activities.

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

Through 2009, \$148,100,647 has been borrowed and outstanding for forty-eight tax incremental districts (TID). Total debt service requirements associated with these debt issues amounts to \$185,480,436. Active Tax increments received through 2009 total \$150,858,554. In any year in which TID debt service requirements for the ensuing year are greater than total tax increments received, the shortfall is funded by the property tax levy.

Under the Wisconsin Statutes, the City is required, if requested by the Board of Milwaukee Public Schools, and if approved by referendum, to issue general obligation bonds to finance purchases of school sites and to construct or remodel school buildings. No such bonds are currently outstanding. The \$93,446,000 of Milwaukee Public School long-term debt outstanding at December 31, 2009 consists of a portion of the City's general obligation bonds and notes that has been designated for school purposes. Under the Wisconsin Statutes, the City has title to the land and buildings of the Milwaukee Public Schools. However, the City does not control the use of the assets or receive the proceeds upon disposition of the assets. At June 30, 2009, the historical costs of the land and buildings as reported by Milwaukee Public Schools was approximately \$995,883,000. These assets are excluded from the financial statements of the City.

CITY OF MILWAUKEE  
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**C. Revenue Bonds**

The City issues revenue bonds to provide funds for water and sewer improvements. As such, they are not backed by the general credit or taxing powers of the City. During 2009, the City received loans from the State for the Clean Water Fund Program permitted under State Statutes to provide financial assistance for specific Sewer Maintenance Enterprise Fund projects for a total of \$362,000. The loans will be repaid from revenues of the Sewer Maintenance Enterprise Fund.

**D. Notes Payable**

The City issues installment notes to provide funds for various public improvement projects, cash flow for the school district, and purchases of delinquent taxes. During the year ended December 31, 2009, installment loans totaling \$41,612,000 were issued. \$12,352,000 was issued to finance capital improvements, \$2,700,000 for school purposes, \$1,880,000 for business-type activities and \$24,680,000 to purchase 2008's delinquent taxes.

During 2009, the City continued to issue General Obligation Commercial Paper Promissory Notes 2008 Program Series C2 totaling \$61,800,000. \$55,300,000 was issued to finance capital improvements, \$3,500,000 for business-type activities and \$3,000,000 for general fiscal requirements of the City. The notes are a direct general obligation of the City payable from taxes levied without limitation as to rate or amount. Following is a summary of the General Obligation Commercial Paper Promissory Notes issued (in thousands), which is included in the totals for the general obligation bonds and notes in the long-term obligation table in footnote 7(a) above:

<b>Balance</b>			<b>Balance</b>
<b>01-01-09</b>	<b>Additions</b>	<b>Deletions</b>	<b>12-31-09</b>
104,600	61,800	76,400	90,000

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

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

Further, under the terms of the letter of credit agreement, the City has agreed to meet various covenants, which includes maintaining an above investment grade rating on its outstanding indebtedness. As of December 31, 2009, the City had no outstanding draws on the letter of credit.

**E. Qualified Schools Construction Bonds Payable**

During the year ended December 31, 2009, the City issued Qualified Schools Construction Bonds totaling \$12,000,000 to finance schools construction projects which is included in the totals for the general obligation bonds and notes in the long-term obligation table in footnote 7(a) above.

CITY OF MILWAUKEE  
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**F. Debt Service Requirements**

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

Year	General Obligation Debt		Revenue Bonds Payable		Total Debt Service
	Principal	Interest	Principal	Interest	
<i>(Thousands of Dollars)</i>					
<b>Governmental activities</b>					
2010 .....	\$ 101,526	\$ 28,828	\$ -	\$ -	\$ 130,354
2011 .....	72,874	24,979	-	-	97,853
2012 .....	64,290	21,775	-	-	86,065
2013 .....	60,545	18,797	-	-	79,342
2014 .....	55,000	15,916	-	-	70,916
2015-2019 .....	288,547	44,789	-	-	333,336
2020-2024 .....	83,369	8,779	-	-	92,148
2025-2029 .....	16,601	169	-	-	16,770
Total .....	<u>\$ 742,752</u>	<u>\$ 164,032</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 906,784</u>
<b>Business-type activities</b>					
<b>Water Works</b>					
2010 .....	\$ 2,507	\$ 762	\$ 939	\$ 236	\$ 4,444
2011 .....	2,981	643	964	211	4,799
2012 .....	2,506	502	989	185	4,182
2013 .....	2,116	367	1,015	158	3,656
2014 .....	2,301	258	1,042	131	3,732
2015-2019 .....	2,799	226	4,451	239	7,715
2020-2024 .....	75	9	-	-	84
Total .....	<u>\$ 15,285</u>	<u>\$ 2,767</u>	<u>\$ 9,400</u>	<u>\$ 1,160</u>	<u>\$ 28,612</u>
<b>Sewer Maintenance</b>					
2010 .....	\$ 270	\$ 176	\$ 4,901	\$ 3,399	\$ 8,746
2011 .....	272	165	5,053	3,226	8,716
2012 .....	273	153	5,213	3,039	8,678
2013 .....	293	141	5,390	2,837	8,661
2014 .....	296	129	5,578	2,621	8,624
2015-2019 .....	4,932	415	31,207	9,559	46,113
2020-2024 .....	831	63	27,491	3,313	31,698
2025-2029 .....	-	-	11,284	515	11,799
Total .....	<u>\$ 7,167</u>	<u>\$ 1,242</u>	<u>\$ 96,117</u>	<u>\$ 28,509</u>	<u>\$ 133,035</u>
<b>Parking</b>					
2010 .....	\$ 1,492	\$ 526	\$ -	\$ -	\$ 2,018
2011 .....	1,424	460	-	-	1,884
2012 .....	1,268	395	-	-	1,663
2013 .....	1,146	337	-	-	1,483
2014 .....	1,127	283	-	-	1,410
2015-2019 .....	3,541	757	-	-	4,298
2020-2024 .....	1,618	160	-	-	1,778
Total .....	<u>\$ 11,616</u>	<u>\$ 2,918</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,534</u>

CITY OF MILWAUKEE  
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Year	General Obligation Debt		Revenue Bonds Payable		Total Debt Service
	Principal	Interest	Principal	Interest	
<i>(Thousands of Dollars)</i>					
<b>Other Enterprise</b>					
2010 .....	\$ 430	\$ 133	\$ -	\$ -	\$ 563
2011 .....	429	111	-	-	540
2012 .....	388	89	-	-	477
2013 .....	350	70	-	-	420
2014 .....	341	52	-	-	393
2015-2019 .....	696	87	-	-	783
2020-2024 .....	101	6	-	-	107
Total .....	<u>\$ 2,735</u>	<u>\$ 548</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,283</u>
<b>Total Component Units</b>					
2010 .....	\$ 3,648	\$ 1,336	\$ 515	\$ 713	\$ 6,212
2011 .....	141	1,249	535	689	2,614
2012 .....	149	1,240	795	660	2,844
2013.....	159	1,230	990	630	3,009
2014.....	171	1,218	1,195	598	3,182
2015-2019 .....	6,265	5,821	6,715	2,414	21,215
2020-2024 .....	2,390	5,073	19,953	1,325	28,741
2025-2029 .....	262	4,803	40,670	613	46,348
2030-2034.....	365	4,702	23,025	133	28,225
2035-2039 .....	2,299	4,119	-	-	6,418
2040-2044 .....	4,904	3,226	-	-	8,130
2045-2049 .....	16,946	1,602	-	-	18,548
2050-2054 .....	2,330	765	-	-	3,095
2055-2059.....	1,235	450	-	-	1,685
Total .....	<u>\$ 41,264</u>	<u>\$ 36,834</u>	<u>\$ 94,393</u>	<u>\$ 7,775</u>	<u>\$ 180,266</u>

**G. Debt Limit**

Wisconsin Statutes limit direct general obligation borrowing in the amount equivalent to 7% of the equalized valuation of taxable property. The Statutes further provide that within the 7% limitation, borrowing for school construction purposes may not exceed 2% of the equalized valuation and borrowing for general city purposes may not exceed 5% of the equalized valuation. At December 31, 2009, the City's legal debt margin was \$1,559,252,000. Of this amount, \$645,150,000 was for school purposes and \$914,102,000 was for City purposes.

**H. Refundings**

During February 2009, the City issued General Obligation Promissory Notes, Series 2009 N1 with a par amount of \$51,568,000 and interest rates from 2.5% to 5% and Corporate Purpose Bonds, Series 2009 B2 with a par amount of \$15,017,000 and interest rates from 4% to 5%. The current refunding of \$71,800,000 General Obligation Commercial Paper Promissory Notes will provide long-term financing for temporary borrowing.

In prior years, the City defeased certain general obligation bonds by placing the proceeds from new general obligation bonds in an irrevocable trust to provide all future debt service payments on the bonds. Accordingly, the trust account assets and liability for the defeased bonds are not included in the City's financial statements. At December 31, 2009, \$108,855,000 of bonds outstanding are considered defeased, which includes debt defeased during the current year.

CITY OF MILWAUKEE  
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**I. Conduit Debt**

From time to time, the City has issued revenue bonds in order to provide financing to private sector entities for the purpose of acquiring, constructing, or rehabilitating housing units and for retiring the existing debt associated with housing units. These obligations are primarily secured by mortgage or revenue agreements on the associated projects and, together with the interest obligation, are payable solely by the developers from leased rentals and other funds or revenues. In addition, these obligations do not constitute indebtedness of the City, as the City has no responsibility for the debt beyond the resources provided by related leases or loans. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. The aggregate amount of all revenue bonds outstanding at December 31, 2009 is approximately \$47,996,000 for the City and \$579,000,000 for RACM.

**8. RETIREMENT PLANS**

**Pension Benefits**

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

*Funding Policy* – Plan members are required to contribute, or have contributed on their behalf, a percentage of their annual earnable compensation equal to 5.5%, 7%, 7%, and 7% for general City employees, police officers, firefighters, and elected officials, respectively. New hires who are not sworn police/fire must pay 1.6% of pensionable earnings for 8 years to fund the cost of benefit escalators due to the Global Pension Settlement. The City is required to contribute the actuarially determined amount. The City Charter assigns the authority to establish and amend contribution requirements. The City's contributions to the System for the years ending December 31, 2009, 2008, and 2007, were \$19,294,000, \$23,532,000, and \$23,330,000, respectively, equal to the required contributions on behalf of the plan members for each year.

**Other Postemployment Benefits**

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

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

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

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

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

*Funding Policy.* The contribution of plan members and the City are established and may be amended by the City. The required contribution for medical, and life insurance for retirees is based on a pay-as-you-go financing. Medical benefits provided through the basic health care plan are self-insured. For 2009, the City paid approximately \$27,613,000 and \$1,102,000, respectively, toward medical and life insurance for retirees.

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

ARC .....	\$ 76,855,000
Interest on Net OPEB Obligation .....	3,528,000
Adjustment to ARC .....	<u>(2,994,000)</u>
Annual OPEB Cost .....	77,389,000
Contribution made .....	<u>28,715,000</u>
Increase in net OPEB Obligation .....	48,674,000
Net OPEB obligation - beginning of year .....	<u>78,400,000</u>
Net OPEB obligation - end of year .....	<u>\$ 127,074,000</u>

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

**Annual Cost and Net OPEB Liability**

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/2007	\$ 67,600,000	43.5%	\$ 38,200,000
12/31/2008	73,100,000	45.0%	78,400,000
12/31/2009	77,389,000	37.1%	127,074,000

*Funded Status and Funding Progress.* As of January 1, 2009, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$959,562,000, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$959,562,000. The covered payroll (annual payroll of active employees covered by the plan) was \$419,811,000 and the ratio of the UAAL to the covered payroll was 229 percent.

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FOR THE YEAR ENDED DECEMBER 31, 2009

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

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

The OPEB valuation uses a discount rate assumption of 4.5% based on the City's projected short-term investment rate of return. The healthcare cost trends rate is 9% initially, and reduced by decrements to the ultimate rate of 4.5% after 10 years. The actuarial assumption for wage inflation is 3.5%. The amortization of the unfunded actuarial accrued liability is based on a level percentage of pay over a 30-year open amortization period.

#### **Terminal Leave Payments**

Upon retirement, employees receive a portion of their unused sick leave as terminal leave, in accordance with labor contracts and Section 350-38 of the Code of Ordinances. Firefighters whose normal hours of work exceed 40 hours per week receive between \$45 and \$65 for each work shift equivalent of unused sick leave. Firefighters whose normal hours of work average 40 hours per week receive between \$21 and \$30 for each work shift equivalent of unused sick leave. Police officers receive payment for up to 55 days of unused sick leave at base pay. Management pay plan employees are entitled to payment of 30% of unused sick leave (maximum 960 hours) plus one-half of the sick leave days accumulated during the last twelve months of service for up to six additional days for a total maximum of 42 days at the rate of pay at retirement. Substantially all remaining City employees receive up to 30 days for unused sick leave as terminal leave, although some bargaining units receive slightly different benefits in accordance with related labor agreements. In 2009, approximately \$8,657,000 was paid for sick leave from all funds. At December 31, 2009, accumulated sick leave earned but not taken totaled approximately \$175,212,000 determined on the basis of current salary rates.

Terminal leave pay is funded on a pay-as-you-go basis and provided for in the salary budgets of the respective departments annually. In 2009, terminal leave payments totaled \$2,096,000 to employees retiring during the year. As of December 31, 2009, the City has accrued approximately \$20,748,000 in the government-wide statements for future terminal leave payments. This amount is included under the unfunded compensated absences of \$38,904,000 with the remainder accrued vacation leave of \$18,156,000.

## **9. FUND EQUITY**

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

The Reserved for Tax Stabilization, \$42,166,000 at December 31, 2009, is governed by the City's Code of Ordinances. This reserve includes an amount for advances of \$12,036,000 from the general fund to the capital projects fund. The general fund has advanced this amount to fund special assessment projects. The availability of the \$12,036,000 for Tax Stabilization is contingent upon future collection of the special assessments receivable. All General Fund appropriation balances not encumbered or carried over are reserved for tax stabilization in subsequent years. The total amount that can be withdrawn from the Reserved for Tax Stabilization in any one year is an amount that prevents an increase of more than 3% in the City's property tax rate, as defined, and is anticipated to be available as of April 15 of the year covered by the budget. Such amount must be included in the adopted budget, which requires a majority affirmative vote of the Common Council. Fund withdrawals not needed to stabilize the tax rate can be made for up to 50% of the available balance, but require a three-fourths affirmative vote of the Common Council.



CITY OF MILWAUKEE  
**NOTES TO THE FINANCIAL STATEMENTS**  
 FOR THE YEAR ENDED DECEMBER 31, 2009

**Fund deficit**

The Capital Projects Fund had a deficit fund balance of \$36,485,000 as of December 31, 2009, which is the result of expending funds for construction in advance of issuing general obligation bonds. The City plans to eliminate the fund deficit through the issuance of general obligation bonds in 2010.

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

The individual interfund receivable and payable balances at December 31, 2009:

		Due From					
		General Fund	Nonmajor Governmental Funds	Water Works	Sewer Maintenance Fund	Nonmajor Enterprise Funds	Total
		<i>(Thousands of Dollars)</i>					
Due To	General Fund .....	\$ -	\$ 714	\$ 1,177	\$ -	\$ -	\$ 1,891
	General Obligation Debt .....	-	-	3,269	-	-	3,269
	Capital Projects .....	21,509	-	-	-	-	21,509
	Nonmajor Governmental Funds .....	7,305	-	-	-	-	7,305
	Water Works .....	7,699	-	-	719	1,074	9,492
	Sewer Maintenance .....	27,958	-	-	-	-	27,958
	Nonmajor Enterprise Funds ...	12,279	-	-	-	-	12,279
	Totals .....	<u>\$ 76,750</u>	<u>\$ 714</u>	<u>\$ 4,446</u>	<u>\$ 719</u>	<u>\$ 1,074</u>	<u>\$ 83,703</u>

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

CITY OF MILWAUKEE  
**NOTES TO THE FINANCIAL STATEMENTS**  
 FOR THE YEAR ENDED DECEMBER 31, 2009

Interfund transfers for the year ended December 31, 2009 were as follows:

Funds Transferred To	Fund Transferred From	Amount	Purpose
<b>General Fund</b>	General Obligation Debt	\$ 4,642	Funding for debt payments
	Nonmajor Governmental Funds	8,260	Subsidize uncollected property taxes
	Nonmajor Governmental Funds	7	Grant variance closeouts
	Water Works	9,440	Payment in Lieu of taxes
	Parking	1,252	Payment in Lieu of taxes
	Parking	18,132	Subsidy for operations
	Nonmajor Enterprise Funds	<u>2,101</u>	Excess earnings of Port
		<b>Subtotal General Fund</b>	<b><u>43,834</u></b>
<b>General Obligation Debt</b>	General	116,000	Funding for cash flow debt
	General	2,076	Funding for debt payments
	Capital Projects	2,408	Tax Incremental District closeouts
	Nonmajor Governmental Funds	18,861	Funding for debt payments
	Sewer Maintenance	9,300	Subsidy for operations
	Parking	<u>556</u>	Subsidy for operations
		<b>Subtotal Debt Service</b>	<b><u>149,201</u></b>
<b>Public Debt Amortization</b>	General Obligation Debt	<u>3,695</u>	Funding for debt payments
		<b>Subtotal Public Debt Amortization</b>	<b><u>3,695</u></b>
<b>Capital Projects</b>	Public Debt Amortization	<u>200</u>	Subsidy for operations
		<b>Subtotal Capital Projects</b>	<b><u>200</u></b>
<b>Nonmajor Enterprise</b>	General Fund	5	Subsidy for operations
	General Obligation Debt	<u>665</u>	Funding for debt payments
		<b>Subtotal Nonmajor Proprietary</b>	<b><u>670</u></b>
	<b>Total Interfund Transfers</b>	<b><u>\$ 197,600</u></b>	

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

CITY OF MILWAUKEE  
**NOTES TO THE FINANCIAL STATEMENTS**  
 FOR THE YEAR ENDED DECEMBER 31, 2009

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

Balances due to and due from component units as of December 31, 2009:

<b>Component Unit Payable</b>	<b>Primary Government's Receivable</b> <i>(Thousands of Dollars)</i>
Due from HACM for reimbursable expenditures .....	\$ 1,323
Due from HACM for payment in lieu of taxes .....	
Due from RACM for loans issued to developers for the purpose of renovations and improvements to existing parcels of real estate .....	15,111
Due from RACM for reimbursable expenditures .....	326
Due from MEDC for tax incremental district loans .....	1,482
Due from NIDC for home and Community Development Block grants .....	48
Due from NIDC for reimbursements for expenditures .....	<u>5</u>
 Total .....	 <u>\$ 18,295</u>

<b>Component Unit Receivable</b>	<b>Primary Government's Payable</b> <i>(Thousands of Dollars)</i>
Due to RACM for tax incremental projects.....	\$ 123
Due to RACM for urban renewal projects.....	139
Due to RACM Community Development Block grants and Home grants.....	120
Due to MEDC Community Development Block grants and Home grants.....	<u>28</u>
 Total .....	 <u>\$ 410</u>

CITY OF MILWAUKEE  
**NOTES TO THE FINANCIAL STATEMENTS**  
 FOR THE YEAR ENDED DECEMBER 31, 2009

**12. OPERATING LEASES**

The City is the lessor for various properties under operating lease agreements expiring at various dates through 2009 and beyond. Certain leases contain provisions for possible renewal at term of the lease.

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

Year	Amount
<i>(Thousands of Dollars)</i>	
2010	\$ 5,447
2011	4,520
2012	4,202
2013	4,212
2014	3,529
2015-2019	14,050
2020-2024	6,472
2025-2029	2,851
2030 and beyond	<u>7,121</u>
Total	<u>\$ 52,404</u>

**13. COMMITMENTS AND CONTINGENCIES**

**Claims and Other Legal Proceedings**

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

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

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

CITY OF MILWAUKEE  
**NOTES TO THE FINANCIAL STATEMENTS**  
 FOR THE YEAR ENDED DECEMBER 31, 2009

The liabilities recorded as long-term debt in the government-wide financial statements at December 31, 2009 are as follows:

General liability claims .....	\$ 11,395,000
Workers' compensation claims .....	7,765,000
Unemployment claims .....	1,018,000
Health insurance claims .....	2,043,000
Pollution remediation obligation.....	1,498,000

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

	<b>2008</b>	<b>2009</b>
Beginning of year liability .....	\$ 25,021,000	\$ 28,466,000
Current year claims and changes in estimates .....	11,245,000	10,233,000
Claim payments .....	<u>(7,800,000)</u>	<u>(14,980,000)</u>
End of year liability .....	<u>\$ 28,466,000</u>	<u>\$ 23,719,000</u>

The Milwaukee Police Association (MPA) alleged that The Milwaukee Employees' Retirement System (ERS) was prohibited by City ordinance from spending more than \$3 million to purchase and install a computer information system. It is estimated that the total cost of ERS information system is approximately \$25 million. The MPA suit was subsequently voluntarily dismissed in 2005 and a clone case was brought by the Milwaukee Police Supervisors Organization (MPSO). Another union, the Association of Law Enforcement Allied Services Personnel (ALEASP), has joined the lawsuit as a plaintiff. The dispute in the case is over the interpretation of the section of the City ordinance that transferred all administrative, operational, and investment expenses for the City to ERS. On November 11, 2009, each defendant filed its motion for summary judgment.

On October 24, 2004, a claimant attended a party in the city that was hosted by a Milwaukee police officer and a number of other police officers had been invited. At some point, a number of the off-duty officers became involved in an altercation with the claimant who alleges that he was beaten for no reason and he did suffer severe injuries. The off-duty officers claim that they became involved with the claimant only after they suspected that he had stolen a badge from one of them. They also claim that the claimant resisted their efforts to obtain physical control of him. On-duty police were also called to the scene and claimant alleges that they, too, used excessive force on him and failed to stop the use of excessive force by those off-duty officers who were striking him. In addition to issues concerning the cause of the altercation, its actual participants, and its course, there is a substantial question of whether the off-duty officers involved in the matter were acting within the scope of their employment. All proceedings had been stayed pending the outcome of criminal trials. The county prosecutor charged three of the off-duty officers with crimes, but in April 2006 two were found not guilty and the jury could not reach a final verdict as to one charge against the third. Federal authorities indicted eight officers, with civil rights violations, and those cases, proceeded to trial in July 2007. Three of the officers were found guilty and one was acquitted. The other four officers entered into plea agreements. Now that all criminal trials have concluded, the court approved a discovery period. Discovery, including expert testimony, has been extended through November 1, 2010 and dispositive motions are due December 31, 2010.

**Environmental Liabilities**

The nature and sources of the City's pollution remediation obligation are asbestos abatement, underground storage tanks, PBC pollution, and contaminated properties. The probability-weighted expected cash flow measurement technique is used in determining the amount of liability. This involves determining a range of probabilities or likelihoods that different probable outlays will be necessary and calculating a weighted average of these outlays. There is a potential for changes in the estimated pollution remediation obligation due to third-party contracts and City labor costs changes, amendments to regulatory requirements and rules, and previously unknown conditions. The estimated costs of \$563,000 to address PBC pollution could increase if the Environment Protection Agency (EPA) does not approve the City's proposed cleanup methods. The EPA could require the City to do additional testing and remediation, resulting in greater costs to the City. The City qualifies for the State of Wisconsin *Municipal Liability Exemption Program* for contaminated properties. As long as the City is protective of human health environment, clean up is not required. The City generally cleans up contaminated properties based on remediation grants awarded to the City. The City does not expect to receive any non-grant revenues from insurance or other parties to reduce the City's liability for pollution remediation.

CITY OF MILWAUKEE  
**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED DECEMBER 31, 2009

During 2009, the City spent \$306,000 in pollution remediation-related activities. At December 31, 2009, the City has an outstanding liability of \$1.5 million related to pollution remediation obligations.

The City is exposed to numerous environmental liabilities, the most significant of which relate to seven landfills. Two of the seven landfills have been closed. Of the remaining four landfills that are no longer accepting waste, the Wisconsin Department of Natural Resources has imposed closure requirements on the North College Avenue Site, which the City substantially closed during 2000. The Hartung landfill, which is used exclusively for clean fill, is expected to be closed within three years. The City has accrued \$690,000 in the government-wide financial statement, as part of general liability claims, for landfill closure related to the four sites. These amounts are based upon what it would cost to perform all closure activities in 2001. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

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

**Construction Commitments**

The governmental activities and the Water Works Fund (enterprise) have construction commitments of \$31,633,000 and \$7,060,155, respectively, for various capital improvement projects at December 31, 2009.

**Intergovernmental grants**

Intergovernmental awards received by the City are subject to audit and adjustment by the funding agency or their representatives. If grant revenues are received for expenditures, which are subsequently disallowed, the City may be required to repay the revenues to the funding agency. In the opinion of management, liabilities resulting from such disallowed expenditures, if any, will not be material to the accompanying financial statements at December 31, 2009.

**14. SUBSEQUENT EVENTS**

On February 19, 2010, the City issued \$137,565,000 of general obligation short-term promissory notes for the purpose of financing various public improvement projects of the City. The notes mature on February 1 of each year beginning 2011 until 2020. Interest is payable on February 1 and August 1 commencing August 1, 2010.

On February 19, 2010, the City issued \$7,970,000 of general obligation corporate purpose bonds for the purpose of financing various public improvement projects of the City. These bonds mature on February 1 of each year beginning 2021 until 2027. Interest is payable on February 1 and August 1 commencing August 1, 2010.

On April 15, 2010, the City issued \$147,000,000 of general obligation cash flow promissory notes financing the City's operating budget until the receipt of State shared revenues. These notes mature on December 15, 2010 with interest.

On April 15, 2010, the City issued \$49,420,000 of general obligation corporate purpose bonds for the purpose of financing various public improvement projects of the City. These bonds mature on May 1 of each year beginning 2011 until 2027. Interest is payable on May 1 and November 1 commencing November 1, 2010.

On June 15, 2010, the City issued \$37,300,000 of general obligation corporate purpose bonds (Qualified School Construction Bonds) for the purpose of financing schools construction projects. These bonds mature on February 15, 2027. Interest is payable on February 15 and August 15 commencing August 15, 2010.

**REQUIRED  
SUPPLEMENTARY  
INFORMATION**

CITY OF MILWAUKEE  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**  
 FOR THE YEAR ENDED DECEMBER 31, 2009  
 (Thousands of Dollars)

Exhibit E-1

	<u>Budgeted Amounts</u>		<b>Actual - Amounts Budgetary Basis</b>	<b>Variance Positive (Negative)</b>
	<u>Original Budget</u>	<u>Final Budget</u>		
<b>Revenues:</b>				
Property taxes .....	\$ 164,629	\$ 164,629	\$ 156,410	\$ (8,219)
Other taxes .....	5,103	5,103	3,504	(1,599)
Licenses and permits .....	13,138	13,138	12,186	(952)
Intergovernmental .....	272,252	272,252	272,337	85
Charges for services .....	83,328	83,427	91,057	7,630
Fines and forfeits .....	5,593	5,593	4,802	(791)
Other .....	<u>18,530</u>	<u>18,530</u>	<u>19,967</u>	<u>1,437</u>
 Total Revenues .....	 <u>562,573</u>	 <u>562,672</u>	 <u>560,263</u>	 <u>(2,409)</u>
<b>Expenditures:</b>				
<b>Current:</b>				
General government .....	223,306	217,243	202,066	15,177
Public safety .....	270,389	278,323	276,060	2,263
Public works .....	91,925	97,448	97,093	355
Health .....	10,233	10,486	10,446	40
Culture and recreation .....	16,743	17,330	17,329	1
Conservation and development .....	<u>3,896</u>	<u>4,665</u>	<u>4,230</u>	<u>435</u>
 Total Expenditures .....	 <u>616,492</u>	 <u>625,495</u>	 <u>607,224</u>	 <u>18,271</u>
 Deficiency of Revenues over Expenditures .....	 <u>(53,919)</u>	 <u>(62,823)</u>	 <u>(46,961)</u>	 <u>15,862</u>
<b>Other Financing Sources (Uses):</b>				
General obligation bonds and notes issued .....	-	3,000	119,000	116,000
Transfers in .....	31,746	36,389	43,834	7,445
Transfers out .....	-	(5)	(118,081)	(118,076)
Contributions received .....	27,698	28,003	21,300	(6,703)
Contributions used .....	(27,627)	(27,888)	(20,743)	7,145
Use of fund balance - reserved for tax stabilization ...	<u>22,379</u>	<u>22,379</u>	<u>22,379</u>	<u>-</u>
 Total Other Financing Sources and Uses .....	 <u>54,196</u>	 <u>61,878</u>	 <u>67,689</u>	 <u>5,811</u>
 Net Change in Fund Balance .....	 277	 (945)	 20,728	 21,673
 Fund Balance - Beginning (Excludes Reserved for Tax Stabilization) .....	 <u>50,628</u>	 <u>50,628</u>	 <u>50,628</u>	 <u>-</u>
 <b>Fund Balance - Ending .....</b>	 <b><u>\$ 50,905</u></b>	 <b><u>\$ 49,683</u></b>	 <b><u>\$ 71,356</u></b>	 <b><u>\$ 21,673</u></b>

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

For budget purposes, the fund balance - reserved for tax stabilization is reflected as other financing sources whereas for accounting purposes, it is reflected as part of fund balance. The difference between the fund balance on a GAAP basis compared with budget basis is \$22.379 million at January 1, 2009.

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

See accompanying independent auditors' report.



CITY OF MILWAUKEE  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF FUNDING PROGRESS**  
 FOR THE YEAR ENDED DECEMBER 31, 2009  
 (Thousands of Dollars)

Exhibit E-2

**Retiree Health and Life Insurance**

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets</b>	<b>Actuarial Accrued Liability (AAL) - Projected Unit Credit</b>	<b>Unfunded AAL (UAAL)</b>	<b>Funded Ratio</b>	<b>Covered Payroll</b>	<b>UAAL as a Percentage of Covered Payroll</b>
7/1/2007	-	\$ 806,300,000	\$ 806,300,000	0.0%	\$ 412,731,863	195.4%
7/1/2008	-	880,700,000	880,700,000	0.0%	425,360,370	207.0%
1/1/2009	-	959,562,000	959,562,000	0.0%	419,811,361	228.6%

*See accompanying independent auditors' report.*

CITY OF MILWAUKEE  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
FOR THE YEAR ENDED DECEMBER 31, 2009

**Budgets and Budgetary Accounting**

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

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

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

Valuation date	January 1, 2009
Actuarial cost method	Projected unit credit
Amortization method	Level-dollar
Amortization period	30 years (open)
Actuarial assumptions:	
Investment rate of return	4.5%
Projected salary increases	3.5%
Health care inflation rate	20.4% initial HMO
	7.7% initial Basic Plan
	4.5% ultimate

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

**STATISTICAL SECTION**

Pages 99-155 Omitted

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**APPENDIX B**

**Draft Form of Legal Opinions**

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June \_\_, 2011

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

We have examined a record of proceedings relating to the issuance of \$100,000,000 aggregate principal amount of General Obligation Cash Flow Promissory Notes, Series 2011 R2 (the "Notes") of the City of Milwaukee (the "City"), a municipal corporation of the State of Wisconsin. The Notes are authorized and issued pursuant to the provisions of Chapter 65 and Chapter 67 of the Wisconsin Statutes and the City Charter and by virtue of a resolution passed by the Common Council of the City on \_\_\_\_\_, 2011.

The Notes constitute an issue of "promissory notes" under Section 67.12(12) of the Wisconsin Statutes, are issuable in fully registered form in the denominations of \$5,000 or any integral multiple thereof, and are dated as of June \_\_, 2011. The Notes mature (without option of prior redemption) on December 1, 2011 and bear interest from their date at the rate of \_\_\_\_\_ percent (\_\_\_\_\_% ) per annum, payable at maturity.

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

We are further of the opinion that, under existing law, interest on the Notes is not includable in the gross income of the owners thereof for Federal income tax purposes. If there is continuing compliance with the applicable requirements of the Internal Revenue Code of 1986 (the "Code"), we are of the opinion that interest on the Notes will continue to be excluded from the gross income of the owners thereof for Federal income tax purposes. We are further of the opinion that the Notes are not "private activity bonds" within the meaning of Section 141(a) of the Code; accordingly, interest on the Notes is not an item of tax preference for purposes of computing individual or corporate alternative minimum taxable income. Interest on the Notes, however, is includable in earnings and profits of a corporation and therefore must be taken into account when computing corporate alternative minimum taxable income for purposes of the corporate alternative minimum tax.

The Code contains certain requirements that must be satisfied from and after the date hereof in order to preserve the exclusion from gross income for Federal income tax purposes of interest on the Notes. These requirements relate to the use and investment of the proceeds of the Notes, the payment of certain amounts to the United States, the security and source of payment of the Notes and the use of the property financed with the proceeds of the Notes. The City has covenanted to comply with these requirements.

Interest on the Notes is not exempt from Wisconsin income taxes.

Respectfully submitted,

LG/be

June \_\_, 2011

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

We have examined a record of proceedings relating to the issuance of \$93,625,000 aggregate principal amount of General Obligation Promissory Notes, Series 2011 N3 (the "Notes") of the City of Milwaukee (the "City"), a municipal corporation of the State of Wisconsin. The Notes are authorized and issued pursuant to the provisions of Chapter 65 and Chapter 67 of the Wisconsin Statutes and the City Charter and by virtue of a resolution passed by the Common Council of the City on \_\_\_\_\_, 2011.

The Notes constitute an issue of "promissory notes" under Section 67.12(12) of the Wisconsin Statutes, are issuable in fully registered form in the denominations of \$5,000 or any integral multiple thereof, and are dated as of June \_\_, 2011. The Notes mature (without option of prior redemption) on May 15 in each of the following years in the respective principal amount set forth opposite each such year in the following table, and bear interest from their date, payable on November 15, 2011 and semiannually thereafter on May 15 and November 15 of each year, at the respective rate of interest per annum set forth opposite such year:

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2012	\$ 22,550,000	. %
2013	13,180,000	
2014	7,735,000	
2015	7,280,000	
2016	7,340,000	
2017	9,020,000	
2018	8,020,000	
2019	6,145,000	
2020	6,165,000	
2021	6,190,000	

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

We are further of the opinion that, under existing law, interest on the Notes is not includable in the gross income of the owners thereof for Federal income tax purposes. If there is continuing compliance with the applicable requirements of the Internal Revenue Code of 1986 (the "Code"), we are of the opinion that interest on the Notes will continue to be excluded from the gross income of the owners thereof for Federal income tax purposes. We are further of the opinion that the Notes are not "private activity bonds" within the meaning of Section 141(a) of the Code; accordingly, interest on the Notes is not an item of tax preference for purposes of computing individual or corporate alternative minimum taxable income. Interest on the Notes, however, is includable in earnings and profits of a corporation and therefore must be taken into account when computing corporate alternative minimum taxable income for purposes of the corporate alternative minimum tax.

The Code contains certain requirements that must be satisfied from and after the date hereof in order to preserve the exclusion from gross income for Federal income tax purposes of interest on the Notes. These requirements relate to the use and investment of the proceeds of the Notes, the payment of certain amounts to the United States, the security and source of payment of the Notes and the use of the property financed with the proceeds of the Notes. The City has covenanted to comply with these requirements.

Interest on the Notes is not exempt from Wisconsin income taxes.

Respectfully submitted,

LG/be



June \_\_, 2011

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

We have examined a record of proceedings relating to the issuance of \$28,890,000 aggregate principal amount of General Obligation Corporate Purpose Bonds, Series 2011 B4 (the "Bonds") of the City of Milwaukee (the "City"), a municipal corporation of the State of Wisconsin. The Bonds are authorized and issued pursuant to the provisions of Chapter 65 and Chapter 67 of the Wisconsin Statutes and the City Charter and by virtue of resolutions passed by the Common Council of the City on \_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_, and \_\_\_\_\_.

The Bonds constitute an issue of "corporate purpose bonds" under Section 67.05 of the Wisconsin Statutes, are issuable in fully registered form in the denominations of \$5,000 or any integral multiple thereof, and are dated as of June \_\_, 2011. The Bonds mature on May 15 in each of the following years in the respective principal amount set forth opposite each such year in the following table, and bear interest from their date, payable on November 15, 2011 and semiannually thereafter on May 15 and November 15 of each year, at the respective rate of interest per annum set forth opposite such year:

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2022	\$5,460,000	. %
2023	5,485,000	
2024	5,510,000	
2025	5,540,000	
2026	5,570,000	
2027	645,000	
2028	680,000	

The Bonds are subject to redemption prior to maturity at the option of the City, in such principal amounts and from such maturities as the City shall determine and by lot within a single maturity, on May 15, 2021 and on any date thereafter, at a redemption price equal to the principal amount thereof to be redeemed, plus accrued interest thereon to the date fixed for redemption.

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

We are further of the opinion that, under existing law, interest on the Bonds is not includable in the gross income of the owners thereof for Federal income tax purposes. If there is continuing compliance with the applicable requirements of the Internal Revenue Code of 1986 (the "Code"), we are of the opinion that interest on the Bonds will continue to be excluded from the gross income of the owners thereof for Federal income tax purposes. We are further of the opinion that the Bonds are not "private activity bonds" within the meaning of Section 141(a) of the Code; accordingly, interest on the Bonds is not an item of tax preference for purposes of computing individual or corporate alternative minimum taxable income. Interest on the Bonds, however, is includable in earnings and profits of a corporation and therefore must be taken into account when computing corporate alternative minimum taxable income for purposes of the corporate alternative minimum tax.

The Code contains certain requirements that must be satisfied from and after the date hereof in order to preserve the exclusion from gross income for Federal income tax purposes of interest on the Bonds. These requirements relate to the use and investment of the proceeds of the Bonds, the payment of certain amounts to the United States, the security and source of payment of the Bonds and the use of the property financed with the proceeds of the Bonds. The City has covenanted to comply with these requirements.

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

Respectfully submitted,

LG/be

June \_\_, 2011

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

Re: City of Milwaukee \$33,930,000 Taxable General Obligation Corporate Purpose Bonds, Series  
2011 T5

We have examined a record of proceedings relating to the issuance of \$33,930,000 aggregate principal amount of Taxable General Obligation Corporate Purpose Bonds, Series 2011 T5 (the "Bonds") of the City of Milwaukee (the "City"), a municipal corporation of the State of Wisconsin. The Bonds are authorized and issued pursuant to the provisions of Chapter 65 and Chapter 67 of the Wisconsin Statutes and the City Charter and by virtue of resolutions passed by the Common Council of the City on December 12, 2006, January 15, 2008, January 16, 2009, January 20, 2010, December 21, 2010, January 19, 2011, and March 1, 2011.

The Bonds constitute an issue of "corporate purpose bonds" under Section 67.05 of the Wisconsin Statutes, are issuable in fully registered form in the denominations of \$5,000 or any integral multiple thereof, and are dated as of June 9, 2011. The Bonds mature on May 15 in each of the following years in the respective principal amount set forth opposite each such year in the following table, and bear interest from their date, payable on November 15, 2011 and semiannually thereafter on May 15 and November 15 of each year, at the respective rate of interest per annum set forth opposite such year:

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2012	\$430,000	. %
2013	445,000	
2014	460,000	
2015	475,000	
2016	2,295,000	
2017	2,370,000	
2018	2,445,000	
2019	2,150,000	
2020	2,230,000	
2021	2,315,000	
2022	2,275,000	
2023	2,380,000	
2024	2,490,000	
2025	2,610,000	
2026	2,740,000	
2027	2,835,000	
2028	2,985,000	

The Bonds maturing on or after May 15, 2022 are subject to redemption prior to maturity at the option of the City, in such principal amounts and from such maturities as the City shall determine and by lot within a single maturity, on May 15, 2021 and on any date thereafter, at a redemption price equal to the principal amount thereof to be redeemed, plus accrued interest thereon to the date fixed for redemption.

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

Interest on the Bonds is includable in gross income for Federal income tax purposes and is not exempt from Wisconsin income taxes.

Respectfully submitted,

Hurtado S.C.

**APPENDIX C**

**Master Continuing Disclosure Certificate**

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## MASTER CONTINUING DISCLOSURE CERTIFICATE

This Master Continuing Disclosure Certificate (the "Certificate") dated as of December 1, 2010 is executed and delivered in connection with the issuance, from time to time, of municipal securities of the City of Milwaukee, Wisconsin (the "City") and pursuant to resolution 100846 duly adopted by the Common Council of the City on November 23, 2010 (the "Resolution"). Capitalized terms used in this Certificate shall have the respective meanings specified above or in Article I hereof. Pursuant to the Resolution, the City agrees as follows:

### ARTICLE I - Definitions

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

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

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

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

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

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

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

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

- (i) principal and interest payment delinquencies;
- (ii) non-payment related defaults, if material;
- (iii) unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) substitution of credit or liquidity providers, or their failure to perform;
- (vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax-exempt status of the Offered Obligations, or other events affecting the tax-exempt status of the Offered Obligations;
- (vii) modifications to rights of Security Holders, if material;
- (viii) bond calls, if material;
- (ix) defeasances;
- (x) release, substitution, or sale of property securing repayment of the Offered Obligations, if material;
- (xi) rating changes;
- (xii) tender offers;
- (xiii) bankruptcy, insolvency, receivership or similar event of the Obligor (as specified in the Addendum Describing Annual Report).

The event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Obligor in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Obligor, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan or reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Obligor.

- (xiv) the consummation of a merger, consolidation, or acquisition involving the Obligor or the sale of substantially all of the assets of the Obligor, other than pursuant to its terms, if material; and
- (xv) appointment of a success or additional trustee or the change of name of a trustee, if material.

- (7) "Material Event Notice" means notice of a Material Event.
- (8) "MSRB" means the Municipal Securities Rulemaking Board established pursuant to the provisions of Section 15B(b)(1) of the Securities Exchange Act of 1934.
- (9) "Offered Obligations" means an issue of municipal securities of the City in connection with which the City has executed and delivered a Supplemental Certificate (Exhibit C).
- (10) "Official Statement" means the "final official statement" as defined in paragraph (f)(3) of the Rule.
- (11) "Repository" means the SID and repository(ies), as designated from time to time by the SEC to receive continuing disclosure filings. The SID, repository(ies), and filing information are set forth in the Addendum Describing Repository and SID (Exhibit A) as may be revised from time to time.
- (12) "Rule" means Rule 15c2-12 promulgated by the SEC under the Securities Exchange Act of 1934 (17 CFR Part 240, §240.15c2-12), as in effect on the date of this Certificate, including any amendments and official interpretations thereof issued either before or after the effective date of this Certificate which are applicable to this Certificate.
- (13) "SEC" means the United States Securities and Exchange Commission.
- (14) "Security Holders" means the holders from time to time of Offered Obligations.
- (15) "SID" means, at any time, a then-existing state information depository, if any, as operated or designated as such by or on behalf of the State for the purposes referred to in the Rule. As of the date of this Certificate, there is no SID.
- (16) "State" means the State of Wisconsin.
- (17) "Unaudited Financial Statements" means the same as Audited Financial Statements, except the same shall not have been unaudited.
- (18) "Underwriters" means the underwriter(s) purchasing an issue of Offered Obligations.

## ARTICLE II - The Undertaking

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

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

(b) The City shall provide, in a timely manner, not in excess of ten (10) business days after the occurrence of the event, notice of any failure of the City to provide the Annual Financial Information by the date specified in subsection (a) above to the Repository.

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

Section 2.4. Notices of Material Events. (a) If a Material Event occurs, the City shall provide, in a timely manner not in excess of ten (10) business days after the occurrence of the event, a Material Event Notice to the Repository.

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

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

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

## ARTICLE III - Operating Rules

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

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



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

Section 3.4. Transmission of Information and Notices. Transmission of information and notices shall be as prescribed by the SEC and the Repository. The transmission requirements are described in the Addendum Describing Repository.

ARTICLE IV - Termination, Amendment and Enforcement

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

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

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

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

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

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

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

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

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

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

IN WITNESS WHEREOF, I have hereunto executed this Certificate this 1st day of December, 2010.

CITY OF MILWAUKEE, WISCONSIN

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

**ADDENDUM DESCRIBING REPOSITORY AND SID**

This Addendum Describing Repository (the "Addendum") is delivered by the City of Milwaukee, Wisconsin (the "Issuer") pursuant to the Master Continuing Disclosure Certificate, executed and delivered by the Issuer and dated December 1, 2010. This Addendum describes the filing information as specified by the Securities and Exchange Commission.

**Repositories**

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

Information submitted to the MSRB for disclosure on the EMMA shall be in an electronic format as prescribed by the MSRB. All documents provided to the MSRB shall be accompanied by identifying information as prescribed by the MSRB.

**SID (State Information Depository)**

None.

IN WITNESS WHEREOF, this Addendum is executed this 1<sup>st</sup> day of December, 2010.

CITY OF MILWAUKEE, WISCONSIN

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

**ADDENDUM DESCRIBING ANNUAL REPORT  
FOR GENERAL OBLIGATION DEBT**

This Addendum Describing Annual Report for General Obligation Debt (the "Addendum") is delivered by the City of Milwaukee, Wisconsin (the "City") pursuant to the Master Continuing Disclosure Certificate (the "Certificate"), executed and delivered by the Issuer and dated December 1, 2010. This Addendum describes the content of Annual Financial Information prepared with respect to general obligation debt of the Issuer. Capitalized terms that are not defined in this Addendum have the meanings set forth in the Certificate.

Obligor: The City of Milwaukee, Wisconsin

Content of Annual Financial Information for Issuer:

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

IN WITNESS WHEREOF, this Addendum is executed this 1<sup>st</sup> day of December, 2010.

CITY OF MILWAUKEE, WISCONSIN

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

WMM:RL

## SUPPLEMENTAL CERTIFICATE

This Supplemental Certificate is executed and delivered by the City of Milwaukee, Wisconsin (the "Issuer") to supplement the Master Continuing Disclosure Certificate (the "Certificate"), executed and delivered by the Issuer and dated December 1, 2010. Pursuant to the provisions of the Certificate, the Issuer hereby determines that the Certificate and the Addendum Describing Annual Report, as described below, shall apply to the following issue of obligations:

Name of Obligations:

\$100,000,000 General Obligation Cash Flow Promissory Notes, Series 2011 R2  
93,625,000 General Obligation Promissory Notes, Series 2011 N3  
28,890,000 General Obligation Corporate Purpose Bonds, Series 2011 B4  
33,930,000 Taxable General Obligation Corporate Purpose Bonds, Series 2011 T5

Addendum Describing Annual Report:

ADDENDUM DESCRIBING ANNUAL REPORT  
FOR GENERAL OBLIGATION DEBT

Date of Issue(s):

June 9, 2011

No Previous Non-Compliance. The Issuer represents that for the period beginning 6 years prior to the date hereof, it has not failed to comply in any material respect with any previous undertaking in a written contract or agreement specified in paragraph (b)(5)(i) of the Rule.

IN WITNESS WHEREOF, this Supplemental Certificate is executed this 9<sup>th</sup> day of June 2011.

CITY OF MILWAUKEE, WISCONSIN

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

WMM:RL

**APPENDIX D**

**BOOK-ENTRY-ONLY SYSTEM**

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## BOOK-ENTRY-ONLY SYSTEM

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

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Offered Obligations. The Offered Obligations 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 Offered Obligations, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

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

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

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

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

Redemption notices shall be sent to DTC. If less than all of the Offered Obligations 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 Offered Obligations unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Offered Obligations are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Offered Obligations 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, 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 Issuer or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

A Beneficial Owner shall give notice to elect to have its Offered Obligations purchased or tendered, through its Participant, to Agent, and shall effect delivery of such Offered Obligations by causing the Direct Participant to transfer the Participant's interest in the Offered Obligations, on DTC's records, to Agent. The requirement for physical delivery of Offered Obligations in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Offered Obligations are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Offered Obligations to Agent's DTC account.

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

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

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that Issuer believes to be reliable, but Issuer takes no responsibility for the accuracy thereof.

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



**APPENDIX E**

**Official Notices of Sale and Bid Forms**

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

**FOR**

**\$100,000,000**

**CITY OF MILWAUKEE, WISCONSIN  
GENERAL OBLIGATION  
CASH FLOW PROMISSORY NOTES, SERIES 2011 R2**

**Sale Data:**

**SALE DATE AND TIME:**

Wednesday, May 25, 2011  
9:45 a.m. Central Time

**PLACE OF ACCEPTANCE FOR SEALED BIDS:**

City of Milwaukee  
Office of the City Comptroller  
City Hall, Room 404  
200 E. Wells St.  
Milwaukee, Wisconsin 53202

Bids will also be accepted electronically  
via PARITY<sup>®</sup>

**OFFICIAL NOTICE OF SALE**  
**\$100,000,000**  
**CITY OF MILWAUKEE, WISCONSIN**  
**GENERAL OBLIGATION**  
**CASH FLOW PROMISSORY NOTES, SERIES 2011 R2**

NOTICE IS HEREBY GIVEN that the City of Milwaukee, Wisconsin (the "City"), will receive sealed bids and electronic bids until 9:45 A.M., Central Time, on Wednesday, the

**25<sup>TH</sup> DAY OF MAY 2011**

at the Office of the City Comptroller, in said City, for the purchase of One Hundred Million Dollars (\$100,000,000) General Obligation Cash Flow Promissory Notes, Series 2011 R2 (the "Notes"). Sealed bids should be delivered to Room 404, 200 E. Wells St., Milwaukee, Wisconsin. Electronic bids must be submitted via PARITY through their competitive bidding application BidComp. Sealed bids will be opened, and electronic bids will be retrieved, and publicly announced in Room 405, 200 E. Wells St., Milwaukee, Wisconsin shortly after the deadline for the receipt of bids. In the event 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 City's Public Debt Commission scheduled for 4:00 P.M., Central Time on May 25, 2011. *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 June 9, 2011 (the "Expected Date of Delivery"). The Notes will be dated as of the Expected Date of Delivery, will bear interest payable at maturity, and will mature on December 1, 2011. 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.

**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 5%, 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**

The winning bidder(s) must submit a Good Faith Deposit ("Deposit") in the form of a certified check or a cashier's check drawn on a state or national bank or trust company in the amount of one-half of one percent (0.50%) 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 provide an Issue Price certificate and/or 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.

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 the 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 Time. A meeting of the Public Debt Commission of the City is scheduled for 4:00 P.M., Central Time on the sale date at which time the official award of the Notes will be made or all bids rejected.

**Good Faith Deposit Submitted After Bids Are Due – Terms and Conditions:** Bidders may elect to provide a Deposit (one-half of one percent (0.50%) of the par value of the amount of Notes won) after the time Bids are due, subject to the following conditions:

1. Submission of a bid without providing a Deposit prior to the time bids are due, in consideration for the City considering the bid, the bidder shall be deemed to have consented to these additional terms for Good Faith Deposit Submitted After Bids Are Due.
2. The winning bidder shall provide the City a Deposit by cashier's check or a certified check drawn on a state or national bank or trust company (or wire transfer such amount as instructed by the City) payable to the City by 1:00 P.M., Central time ("Due Time") on the date bids are open.
3. Failure to provide a Deposit by the Due Time will result in the winning bid being rejected, and the City will negotiate with the next highest bidder(s) for the completion of the transaction.
4. The winning bidder agrees that, in addition to the general terms for the Good Faith Deposit, the Deposit amount represents liquidated damages for the City in the event that the winning bidder fails to provide the Deposit by the Due Time. The City shall be entitled to the liquidated damages even if the City rejects the winning bid due to failure to provide the Deposit by the Due Time, and regardless of whether the City is able to complete the transaction with another bidder. The winning bidder agrees to reimburse the City for costs to collect the liquidated damages, and to the jurisdiction of Wisconsin courts.

### **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 of a bid, and in a principal amount less than the \$10,000,000 minimum bid requirement. 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, and not all of the equal bids can be accepted, then the City shall determine by lot, which bid(s) to accept.

The winning bid or bids will be reported to PARITY, but the City assumes no responsibility or liability for 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 the PARITY, in accordance with the requirements prescribed by this Notice of Sale. For bidders submitting their electronic bid via PARITY, please refer to your agreement with PARITY regarding any requirements for participation. If more than one bid, either through the same method or through more than one method, including using more than one electronic 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:**

1. The City may regard the electronic transmission of the bid via the electronic service (including information about the purchase price for the Issue and interest rate or rates to be borne by the Issue and any other information included in such transmission) as though the same information were submitted on the Bid Form and executed on behalf of the Bidder by a duly authorized signatory. If the bid is accepted by the City, the terms of the Bid Form, this Notice of Sale, and the information transmitted through the electronic service shall form a contract, and the Bidder shall be bound by the terms of such contract.

2. To comply with the rules of the electronic bidding service. In the event of any conflict between such rules (regardless of what the rules are called or how they are established) and the terms set forth in the Bid Form and this Notice of Sale, the terms set forth in the Bid Form and this Notice of Sale shall control.
3. That the Bidder is solely responsible for making necessary arrangements to access electronic bidding services. The City shall not have any duty or obligation to provide or assume such access. None of the electronic bidding services are an agent of the City. The City shall have no liability whatsoever based on the Bidders use of the electronic service including, but not limited to, any failure by the electronic service to correctly or timely transmit information provided by the Bidder.

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. 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 June 9, 2011, or as soon thereafter as the Notes may be ready for delivery, at the expense of the City, 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.

### **Issue Price Certificate**

In order for the City to comply with certain conditions of the Internal Revenue Code relating to the exclusion of interest on the Notes from gross income for Federal tax purposes, the successful bidder will be required to complete, execute, and deliver to the City a certification regarding "Issue Price". Each bidder, by submitting its bids, agrees to complete, execute and deliver such certificate if its bid is accepted by the City. It will be the responsibility of the successful bidder to institute such syndicate reporting requirements, to make such investigation, or otherwise to ascertain the facts necessary to enable it to make such certification with reasonable certainty. Any questions concerning such certification should be directed to Bond Counsel. We anticipate the Issue Price Certificate to be similar to the following:

We hereby certify that as of \_\_\_\_\_, 20\_\_\_\_, the date on which the Notes were sold by the Issuer (the "Sale Date"), all of the Notes were offered and the first 10 percent or more of the Notes were actually sold to the General Public for money in a bona fide public offering at the initial offering price of \$\_\_\_\_\_ (the "Issue Price"), which does not exceed the fair market value of the Notes as of the Sale Date. On this basis, we have determined the Issue Price of the Notes to be \$\_\_\_\_\_.

For purposes of this certificate, "General Public" does not include bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers.

It is understood by the undersigned that the certifications contained in this certificate will be relied upon by the Issuer and Bond Counsel in determining that the Notes are tax-exempt under Section 103 of the Internal Revenue Code of 1986.

### **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.

### **Authorization, Security, and Conditions of Delivery**

The Notes have been approved by a resolution adopted by the Common Council of the City. The Notes will be direct general obligations of the City, payable from taxes levied on all taxable property within said City, subject to taxation by said City, without limitation as to rate or amount. The Notes are being issued pursuant to the provisions of Section 67.12(12), Wisconsin Statutes, for the purpose of financing the operating budget of the City on an interim basis pending receipt of State shared revenue payments due in November, 2011. As additional security for repayment of the Notes and interest thereon, the City has pledged, and will irrevocably segregate upon receipt, State shared revenue payments due in November, 2011 in an amount sufficient with interest thereon to pay the principal and interest due on the Notes at maturity and the City has irrevocably pledged all other General Fund Revenues included in the budget for calendar year 2011 which are due the City and not yet paid as of the date of delivery of, and payment for, the Notes and which are not otherwise applied.

The Notes are being issued subject to the legal opinions of Katten Muchin Rosenman LLP, Chicago, Illinois and of Hurtado, S.C., Wauwatosa, Wisconsin, Bond Counsel, which opinions, 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 May 18, 2011 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 a central repository designated by the SEC.

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.

The City understands that, from time to time, it is advantageous to take bond insurance into account when submitting a bid. Bond insurance is at the sole discretion and risk of the bidder(s). The use of bond insurance will require insurance related certifications by the bidder in the Issue Price certificate. The City will assist in the reoffering of the Notes with insurance by including bidder provided bond insurance information in the Final Official Statement. However, the City does not have the authority to enter into agreements with the bond insurer. **The successful bidder(s) do not have the option to refuse delivery of the Notes due to bond insurance related issues, including downgrade of the bond insurer prior to delivery.** Reprinting of the Final Official Statement due to bond insurance related issues that arise after the date of sale shall be at the sole expense of the bidder.

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

W. MARTIN MORICS  
City Comptroller and Secretary  
Public Debt Commission  
City Hall, Room 404  
200 E. Wells St.  
Milwaukee, WI 53202

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

KENNETH C. KREI, Chairperson  
MARGARET J. HENNINGSEN, Member  
JENNIFER A. MISWALD, Member  
COMMISSIONERS OF THE PUBLIC DEBT

May 18, 2011



**OFFICIAL BID FORM**  
**(Electronic Bids also accepted via Parity – See the Official Notice of Sale)**

**\$100,000,000**  
**CITY OF MILWAUKEE, WISCONSIN**  
**GENERAL OBLIGATION CASH FLOW PROMISSORY NOTES, SERIES 2011 R2**

May 25, 2011

Commissioners of the Public Debt  
 200 E. Wells St., Room 404  
 Milwaukee, Wisconsin 53202

Commissioners:

We offer to purchase the General Obligation Cash Flow Promissory Notes, Series 2011 R2 (the “Notes”) of the City of Milwaukee, Wisconsin, in the principal amount(s) set forth below, as described in the Official Notice of Sale, dated May 18, 2011 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, and we will pay you par value and accrued interest to the date of delivery (plus a premium, if any), as shown:

	<u>Principal Amount</u> <u>(\$10,000,000 minimum) <sup>(1)</sup></u>	<u>Interest</u> <u>Rate <sup>(2)</sup></u>	<u>Premium</u> <u>(if any)</u>
Bid A:	\$ _____	_____ %	\$ _____
Bid B:	\$ _____	_____ %	\$ _____
Bid C:	\$ _____	_____ %	\$ _____
Bid D:	\$ _____	_____ %	\$ _____
Bid E:	\$ _____	_____ %	\$ _____

(1) Each Bid shall be a minimum of \$10,000,000, and in multiples of \$1,000,000.

(2) Interest rate must be no greater than 5.00%, 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 for one-half of one percent (0.50%) 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.

**If this bid is not accompanied by a Good Faith Deposit, we agree to the additional terms for Good Faith Deposit Submitted After Bids Are Due.**

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.

**RECEIPT**

Return of Good Faith Deposit is hereby acknowledged: \_\_\_\_\_

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

In order to assist the Commission in minority underwriting participation, please list minority underwriting firms who have participated in your bidding group and their initial percentages:

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**Please attach a list of account members –**

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 it with the Electronic Municipal Market Access system of the Municipal Securities Rulemaking Board.

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

**FOR**

**\$122,515,000**

**CITY OF MILWAUKEE, WISCONSIN  
GENERAL OBLIGATION NOTES AND BONDS**

**comprised of**

**\$93,625,000**

**GENERAL OBLIGATION PROMISSORY NOTES  
SERIES 2011 N3**

**and**

**\$28,890,000**

**GENERAL OBLIGATION CORPORATE PURPOSE BONDS  
SERIES 2011 B4**

**Sale Data:**

**SALE DATE AND TIME:**

Wednesday, May 25, 2011  
10:00 a.m. Central Time

**PLACE OF ACCEPTANCE FOR SEALED BIDS:**

City of Milwaukee  
Office of the City Comptroller  
City Hall, Room 404  
200 E. Wells St.  
Milwaukee, Wisconsin 53202

Bids will also be accepted electronically  
via PARITY®

**OFFICIAL NOTICE OF SALE**  
**CITY OF MILWAUKEE, WISCONSIN**

**\$93,625,000 GENERAL OBLIGATION PROMISSORY NOTES, SERIES 2011 N3**  
**AND**  
**\$28,890,000 GENERAL OBLIGATION CORPORATE PURPOSE BONDS, SERIES 2011 B4**

NOTICE IS HEREBY GIVEN that the City of Milwaukee, Wisconsin (the "City"), will receive sealed bids and electronic bids until 10:00 A.M., Central Time, on Tuesday, the

**25<sup>th</sup> DAY OF MAY, 2011**

at the Office of the City Comptroller, in said City, for the purchase of Ninety Three Million Six Hundred Twenty Thousand Dollars (\$93,625,000) General Obligation Promissory Notes, Series 2011 N3 (the "Notes") and Twenty Eight Million Eight Hundred Ninety Thousand Dollars (\$28,890,000) General Obligation Corporate Purpose Bonds, Series 2011 B4 (the "Bonds", and collectively with the Notes, the "Obligations"). Electronic bids must be submitted via PARITY through their competitive bidding application BidComp. Sealed bids will be opened, and electronic bids will be retrieved, and publicly announced in Room 405, 200 E. Wells St., Milwaukee, Wisconsin shortly after the deadline for the receipt of bids. In the event 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 City's Public Debt Commission scheduled for 4:00 P.M. Central Time on May 25, 2011. *Information regarding the Obligations 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 Obligations**

The expected Date of Delivery is June 9, 2011 (the "Expected Date of Delivery"). The Obligations will be dated as of the Expected Date of Delivery, and will bear interest payable commencing on November 15, 2011 and semiannually thereafter on May 15 and November 15. Interest will be computed on the basis of a 360-day year of twelve 30-day months.

The Notes mature on May 15, in each of the years and in the principal amounts as follows:

<u>Maturing (May 15)</u>	<u>Amount</u>	<u>Maturing (May 15)</u>	<u>Amount</u>
2012	\$22,550,000	2017	\$9,020,000
2013	13,180,000	2018	8,020,000
2014	7,735,000	2019	6,145,000
2015	7,280,000	2020	6,165,000
2016	7,340,000	2021	6,190,000

The Notes are not subject to redemption prior to maturity.

The Bonds mature on May 15, in each of the years and in the principal amounts as follows:

<u>Maturing (May 15)</u>	<u>Amount</u>	<u>Maturing (May 15)</u>	<u>Amount</u>
2022	\$5,460,000	2026	\$5,570,000
2023	5,485,000	2027	645,000
2024	5,510,000	2028	680,000
2025	5,540,000		

The Bonds are subject to redemption prior to their maturity at the option of the City on any date on or after May 15, 2021, at a price of par plus accrued interest to the date fixed for their redemption. If less than all outstanding Bonds are called for redemption, the Bonds shall be called in such order of maturity as shall be determined by the City. If less than all of the Bonds of any maturity are called for redemption, the particular Bonds of such maturity to be redeemed shall be selected by

lot. Notice of redemption shall be mailed, postage prepaid, to the owners of any Bonds to be redeemed in whose name such Bonds are registered as of a record date, which shall be 45 days prior to the redemption date.

### **Bid Parameters**

No bid for less than all of the Obligations will be considered. **Coupons:** Bidders are required to name the interest rate or rates the Obligations are to bear. The rates shall be less than, or equal to 6.00%; the rates for Bonds maturing in 2022 and thereafter, shall be equal to, or greater than the rate on the prior maturity, including the 2021 maturity of the Notes; and the rates shall be in multiples of one-eighth of one percent or one-twentieth of one percent. There shall be only one rate for Obligations maturing on the same date. **Minimum Price:** No bid at less than par value plus accrued interest, if any, will be considered.

### **Good Faith Deposit**

The winning bidder must submit a Good Faith Deposit (“Deposit”) in the form of a certified check or a cashier’s check drawn on a state or national bank or trust company in the amount of One Million Dollars (\$1,000,000), payable to the City Treasurer of Milwaukee, Wisconsin, as a guarantee of good faith, to be forfeited to said City by the successful bidder as liquidated damages should such bidder fail to take up and pay for the Obligations when ready. The Deposit of the successful bidder will be retained by the City and deducted from the purchase price at the time of closing.

The good faith checks of the unsuccessful bidders will be returned promptly upon the official determination of the bid to be accepted. All bids shall remain firm until 6:00 P.M. Central Time, by which time the official award of the Obligations will be made or all bids rejected.

**Good Faith Deposit Submitted After Bids Are Due – Terms and Conditions:** Bidders may elect to provide a Deposit after the time Bids are due, subject to the following conditions:

5. Submission of a bid without providing a Deposit prior to the time bids are due, in consideration for the City considering the bid, the bidder shall be deemed to have consented to these additional terms for Good Faith Deposit Submitted After Bids Are Due.
6. The winning bidder shall provide the City a Deposit by cashier’s check or a certified check drawn on a state or national bank or trust company (or wire transfer such amount as instructed by the City) payable to the City by 2:00 P.M., Central Time (“Due Time”) on the date bids are open.
7. Failure to provide a Deposit by the Due Time will result in the winning bid being rejected, and the City will negotiate with the next highest bidder(s) for the completion of the transaction.
8. The winning bidder agrees that, in addition to the general terms for the Good Faith Deposit, the Deposit amount represents liquidated damages for the City in the event that the winning bidder fails to provide the Deposit by the Due Time. The City shall be entitled to the liquidated damages even if the City rejects the winning bid due to failure to provide the Deposit by the Due Time, and regardless of whether the City is able to complete the transaction with another bidder. The winning bidder agrees to reimburse the City for costs to collect the liquidated damages, and to the jurisdiction of Wisconsin courts.

### **Award**

The Obligations will be awarded to the qualified bidder 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.

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

## **Submission of Bids**

Sealed proposals for the purchase of the Obligations must be made using the Official Bid Form or, if submitted electronically via the 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, including using more than one electronic method, shall be submitted by the same bidder for the Obligations, each such bid shall be considered a separate proposal for the purchase of the Obligations.

**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:**

4. The City may regard the electronic transmission of the bid via the electronic service (including information about the Purchase Price for the Obligations and interest rate or rates to be borne by the Obligations and any other information included in such transmission) as though the same information were submitted on the Bid Form and executed on behalf of the bidder by a duly authorized signatory. If the bid is accepted by the City, the terms of the Bid Form, this Notice of Sale, and the information transmitted through the electronic service shall form a contract, and the bidder shall be bound by the terms of such contract.
5. To comply with the rules of the electronic bidding service. In the event of any conflict between such rules (regardless of what the rules are called or how they are established) and the terms set forth in the Bid Form and this Notice of Sale, the terms set forth in the Bid Form and this Notice of Sale shall control.
6. 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 Obligations 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 Obligations 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. 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 Obligations**

Payment for the Obligations shall be made in Federal Reserve Funds or other available funds immediately subject to use by the City. The Obligations will be delivered on or about June 9, 2011, or as soon thereafter as the Obligations may be ready for delivery, at the expense of the City, through the facilities of The Depository Trust Company, New York, New York.

The Obligations, 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 Obligations. 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 Obligation purchased. The successful bidder shall be required to deposit the Obligations with DTC as a condition to delivery of the Obligations. The City will make payment of the principal and interest on the Obligations to DTC or its nominee as registered owner of the Obligations. 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 Obligations. 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 Obligations. 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 Obligations is terminated and the City does not appoint a successor depository, the City will prepare, authenticate and deliver, at its expense, Notes and Bonds in fully registered certificated notes in the denomination of \$5,000 or any integral multiple thereof in the aggregate principal amount of Obligations of the same interest rate then outstanding as directed by the registered owners of the Obligations.

### **Issue Price Certificate**

In order for the City to comply with certain conditions of the Internal Revenue Code relating to the exclusion of interest on the Obligations from gross income for Federal tax purposes, the successful bidder will be required to complete, execute, and deliver to the City a certification regarding "Issue Price". Each bidder, by submitting its bids, agrees to complete, execute and deliver such certificate if its bid is accepted by the City. It will be the responsibility of the successful bidder to institute such syndicate reporting requirements, to make such investigation, or otherwise to ascertain the facts necessary to enable it to make such certification with reasonable certainty. Any questions concerning such certification should be directed to Bond Counsel. We anticipate the Issue Price Certificate to be similar to the following:

We hereby certify that as of \_\_\_\_\_, 20\_\_\_\_, the date on which the Obligations were sold by the Issuer (the "Sale Date"), all of the Obligations were offered and the first 10 percent or more of the Obligations were actually sold to the General Public for money in a bona fide public offering at the initial offering price of \$\_\_\_\_\_ (the "Issue Price"), which does not exceed the fair market value of the Obligations as of the Sale Date. On this basis, we have determined the Issue Price of the Obligations to be \$\_\_\_\_\_.

For purposes of this certificate, "General Public" does not include bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers.

It is understood by the undersigned that the certifications contained in this certificate will be relied upon by the Issuer and Bond Counsel in determining that the Obligations are tax-exempt under Section 103 of the Internal Revenue Code of 1986.

### **Minority Participation**

The Commission has been disappointed with the degree of minority underwriter participation in the bidding for City debt. The Commission, under its stated policy, strongly desires that a minimum of 5% of City debt is 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.

## Authorization, Security, and Conditions of Delivery

The Obligations have been approved by resolutions adopted by the Common Council of the City and are issued for the financing of various public improvement projects, fiscal requirements of the City, and refunding outstanding obligations of the City. The Obligations will be direct general obligations of the City, payable from taxes levied on all property within said City, subject to taxation by said City, without limitation as to rate or amount.

The Obligations are being issued subject to the legal opinions of Katten Muchin Rosenman LLP, Chicago, Illinois and Hurtado, S.C., Wauwatosa, Wisconsin, Bond Counsel, which opinions, together with the completed Obligations, will be furnished to the successful bidder at the expense of the City. The form of such opinion appears as Appendix B in the Official Statement.

The successful bidder will be furnished with the usual closing documents, including a certificate that no litigation is pending affecting the issuance of the Obligations. The Preliminary Official Statement is in a form which the City "deems final" as of May 18, 2011 for purposes of SEC Rule 15c2-12(b)(1), but is subject to revision, amendment and completion in a Final Official Statement as defined in SEC Rule 15c2-12(e)(3). The successful bidder will also be furnished with up to one hundred copies of the Final Official Statement issued in conjunction with this offering within seven business days after the award of the Obligations in accordance with SEC Rule 15c2-12(b)(3). It is anticipated that CUSIP identification numbers will be included on the Obligations, but neither the failure to include such numbers on any Obligation 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 Obligations in accordance with terms of its proposal. No CUSIP identification number shall be deemed to be a part of any Obligation 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 Obligations 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 Obligations, to provide in a timely manner and notice of certain events with respect to the Obligations. Notice of the occurrence of certain events with respect to the Obligations 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 City understands that, from time to time, it is advantageous to take bond insurance into account when submitting a bid. Bond insurance is at the sole discretion and risk of the bidder. The City will assist in the reoffering of the Obligations with insurance by including bidder provided bond insurance information in the Final Official Statement. However, the City does not have the authority to enter into agreements with the bond insurer. **The successful bidder does not have the option to refuse delivery of the Obligations due to bond insurance related issues, including downgrade of the bond insurer prior to delivery.** Reprinting of the Final Official Statement due to bond insurance related issues that arise after the date of sale shall be at the sole expense of the bidder.

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

W. MARTIN MORICS  
City Comptroller and Secretary  
Public Debt Commission  
City Hall, Room 404  
200 E. Wells St.  
Milwaukee, WI 53202

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

KENNETH C. KREI, Chairperson  
MARGARET J. HENNINGSSEN, Member  
JENNIFER A. MISWALD, Member

COMMISSIONERS OF THE PUBLIC DEBT

May 18, 2011



**OFFICIAL BID FORM**  
**(Electronic Bids also accepted via Parity – See the Official Notice of Sale)**

**CITY OF MILWAUKEE, WISCONSIN**  
**\$93,625,000 GENERAL OBLIGATION PROMISSORY NOTES, SERIES 2011 N3**  
**AND**  
**\$28,890,000 GENERAL OBLIGATION CORPORATE PURPOSE BONDS, SERIES 2011 B4**

May 25, 2011

Commissioners of the Public Debt  
 City Hall, Room 404  
 200 E. Wells St.  
 Milwaukee, Wisconsin 53202

Commissioners:

For all but no part of \$122,515,000 notes and bonds, comprised of the \$93,625,000 General Obligation Promissory Notes, Series 2011 N3 (the “Notes”) and the \$28,890,000 General Obligation Corporate Purpose Bonds, Series 2011 B4 (the “Bonds”), we offer to pay a price of \$\_\_\_\_\_ (not less than \$122,515,000), plus accrued interest from June 9, 2011, the dated date, to the date of delivery. The Notes and Bonds shall bear interest as follows:

<u>Series 2011 N3 (Notes)</u>		<u>Series 2011 B4 (Bonds)</u>	
May 15, 2012	____.____%*	May 15, 2022	____.____%*+
May 15, 2013	____.____%*	May 15, 2023	____.____%*+
May 15, 2014	____.____%*	May 15, 2024	____.____%*+
May 15, 2015	____.____%*	May 15, 2025	____.____%*+
May 15, 2016	____.____%*	May 15, 2026	____.____%*+
May 15, 2017	____.____%*	May 15, 2027	____.____%*+
May 15, 2018	____.____%*	May 15, 2028	____.____%*+
May 15, 2019	____.____%*		
May 15, 2020	____.____%*		
May 15, 2021	____.____%*		

\* Rates must be less than, or equal to 6.00%, and in multiples of 1/8 or 1/20 of one percent.  
 + Rates must be equal to, or greater than, the rate on the prior maturity (including the Notes).

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 in the amount of \$1,000,000 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.

**If this bid is not accompanied by a Good Faith Deposit, we agree to the additional terms for Good Faith Deposit Submitted After Bids Are Due.**

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.

\_\_\_\_\_  
 Company Name

By: \_\_\_\_\_  
 Phone Number: \_\_\_\_\_

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

**RECEIPT**

Return of Good Faith Deposit is hereby acknowledged: \_\_\_\_\_

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

In order to assist the Commission in minority underwriting participation, please list minority underwriting firms who have participated in your bidding group and their initial percentages:

\_\_\_\_\_  
\_\_\_\_\_

**Please attach a list of account members –**

If we receive the award, we agree to provide the Commissioners of the Public Debt with a list of all firms that are participating with us in the underwriting 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. Immediately upon receiving the Final Official Statement from you, we agree to file it with the Electronic Municipal Market Access system of the Municipal Securities Rulemaking Board.

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

**FOR**

**\$33,930,000  
TAXABLE GENERAL OBLIGATION CORPORATE PURPOSE BONDS  
SERIES 2011 T5**

**Sale Data:**

**SALE DATE AND TIME:**

Wednesday, May 25, 2011  
10:30 a.m. Central Time

**PLACE OF ACCEPTANCE FOR SEALED BIDS:**

City of Milwaukee  
Office of the City Comptroller  
City Hall, Room 404  
200 E. Wells St.  
Milwaukee, Wisconsin 53202

Bids will also be accepted electronically  
via PARITY®

**OFFICIAL NOTICE OF SALE**  
**CITY OF MILWAUKEE, WISCONSIN**

**\$33,930,000 TAXABLE GENERAL OBLIGATION CORPORATE PURPOSE BONDS, SERIES 2011 T5**

NOTICE IS HEREBY GIVEN that the City of Milwaukee, Wisconsin (the "City"), will receive sealed bids and electronic bids until 10:30 A.M., Central Time, on Tuesday, the

**25<sup>th</sup> DAY OF MAY, 2011**

at the Office of the City Comptroller, in said City, for the purchase of Thirty Three Million Nine Hundred Thirty Thousand Dollars (\$33,930,000) Taxable General Obligation Corporate Purpose Bonds, Series 2011 T5 (the "Bonds", and the "Obligations"). Electronic bids must be submitted via PARITY through their competitive bidding application BidComp. Sealed bids will be opened, and electronic bids will be retrieved, and publicly announced in Room 405, 200 E. Wells St., Milwaukee, Wisconsin shortly after the deadline for the receipt of bids. In the event 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 City's Public Debt Commission scheduled for 4:00 P.M. Central Time on May 25, 2011. *Information regarding the Obligations 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 Obligations**

The expected Date of Delivery is June 9, 2011 (the "Expected Date of Delivery"). The Obligations will be dated as of the Expected Date of Delivery, and will bear interest payable commencing on November 15, 2011 and semiannually thereafter on May 15 and November 15. Interest will be computed on the basis of a 360-day year of twelve 30-day months.

The Bonds mature on May 15, in each of the years and in the principal amounts as follows:

<u>Maturing</u> <u>(May 15)</u>	<u>Amount</u>	<u>Maturing</u> <u>(May 15)</u>	<u>Amount</u>
2012	\$430,000	2021	\$2,315,000
2013	445,000	2022	2,275,000
2014	460,000	2023	2,380,000
2015	475,000	2024	2,490,000
2016	2,295,000	2025	2,610,000
2017	2,370,000	2026	2,740,000
2018	2,445,000	2027	2,835,000
2019	2,150,000	2028	2,985,000
2020	2,230,000		

The Bonds maturing on and after May 15, 2022 are subject to redemption prior to their maturity at the option of the City on any date on or after May 15, 2021, at a price of par plus accrued interest to the date fixed for their redemption. If less than all outstanding Bonds are called for redemption, the Bonds shall be called in such order of maturity as shall be determined by the City. If less than all of the Bonds of any maturity are called for redemption, the particular Bonds of such maturity to be redeemed shall be selected by lot. Notice of redemption shall be mailed, postage prepaid, to the owners of any Bonds to be redeemed in whose name such Bonds are registered as of a record date, which shall be 45 days prior to the redemption date.

**Bid Parameters**

No bid for less than all of the Obligations will be considered. **Coupons:** Bidders are required to name the interest rate or rates the Obligations are to bear. The rates shall be less than, or equal to 6.00%; the rates for Bonds maturing in 2022 and thereafter, shall be equal to, or greater than the rate on the prior maturity; and the rates shall be in multiples of

one-eighth of one percent or one-one hundredth of one percent. There shall be only one rate for Obligations maturing on the same date. **Minimum Price:** No bid at less than par value plus accrued interest, if any, will be considered.

### **Good Faith Deposit**

The winning bidder must submit a Good Faith Deposit (“Deposit”) in the form of a certified check or a cashier’s check drawn on a state or national bank or trust company in the amount of Three Hundred Thousand Dollars (\$300,000), payable to the City Treasurer of Milwaukee, Wisconsin, as a guarantee of good faith, to be forfeited to said City by the successful bidder as liquidated damages should such bidder fail to take up and pay for the Obligations when ready. The Deposit of the successful bidder will be retained by the City and deducted from the purchase price at the time of closing.

The good faith checks of the unsuccessful bidders will be returned promptly upon the official determination of the bid to be accepted. All bids shall remain firm until 6:00 P.M. Central Time, by which time the official award of the Obligations will be made or all bids rejected.

**Good Faith Deposit Submitted After Bids Are Due – Terms and Conditions:** Bidders may elect to provide a Deposit after the time Bids are due, subject to the following conditions:

9. Submission of a bid without providing a Deposit prior to the time bids are due, in consideration for the City considering the bid, the bidder shall be deemed to have consented to these additional terms for Good Faith Deposit Submitted After Bids Are Due.
10. The winning bidder shall provide the City a Deposit by cashier’s check or a certified check drawn on a state or national bank or trust company (or wire transfer such amount as instructed by the City) payable to the City by 2:00 P.M., Central Time (“Due Time”) on the date bids are open.
11. Failure to provide a Deposit by the Due Time will result in the winning bid being rejected, and the City will negotiate with the next highest bidder(s) for the completion of the transaction.
12. The winning bidder agrees that, in addition to the general terms for the Good Faith Deposit, the Deposit amount represents liquidated damages for the City in the event that the winning bidder fails to provide the Deposit by the Due Time. The City shall be entitled to the liquidated damages even if the City rejects the winning bid due to failure to provide the Deposit by the Due Time, and regardless of whether the City is able to complete the transaction with another bidder. The winning bidder agrees to reimburse the City for costs to collect the liquidated damages, and to the jurisdiction of Wisconsin courts.

### **Award**

The Obligations will be awarded to the qualified bidder 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.

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

### **Submission of Bids**

Sealed proposals for the purchase of the Obligations must be made using the Official Bid Form or, if submitted electronically via the 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, including using more than one electronic method, shall be submitted by the same bidder for the Obligations, each such bid shall be considered a separate proposal for the purchase of the Obligations.

**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:**

7. The City may regard the electronic transmission of the bid via the electronic service (including information about the Purchase Price for the Obligations and interest rate or rates to be borne by the Obligations and any other information included in such transmission) as though the same information were submitted on the Bid Form and executed on behalf of the bidder by a duly authorized signatory. If the bid is accepted by the City, the terms of the Bid Form, this Notice of Sale, and the information transmitted through the electronic service shall form a contract, and the bidder shall be bound by the terms of such contract.
8. To comply with the rules of the electronic bidding service. In the event of any conflict between such rules (regardless of what the rules are called or how they are established) and the terms set forth in the Bid Form and this Notice of Sale, the terms set forth in the Bid Form and this Notice of Sale shall control.
9. 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 Obligations 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.

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For purposes of both the sealed bid process and the electronic bid process, the time as maintained by the City shall constitute the official time. All bids shall be deemed to incorporate the provisions of this Official Notice of Sale and the Official Bid Form.

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.

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Payment for the Obligations shall be made in Federal Reserve Funds or other available funds immediately subject to use by the City. The Obligations will be delivered on or about June 9, 2011, or as soon thereafter as the Obligations may be ready for delivery, at the expense of the City, through the facilities of The Depository Trust Company, New York, New York.

The Obligations, 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 Obligations. 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 Obligation purchased. The successful bidder shall be required to deposit the Obligations with DTC as a condition to delivery of the Obligations. The City will make payment of the principal and interest on the Obligations to DTC or its nominee as registered owner of the Obligations. 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 Obligations. 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 Obligations. 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 Obligations is terminated and the City does not appoint a successor depository, the City will prepare, authenticate and deliver, at its expense, Notes and Bonds in fully registered certificated notes in the denomination of \$5,000 or any integral multiple thereof in the aggregate principal amount of Obligations of the same interest rate then outstanding as directed by the registered owners of the Obligations.

### **Minority Participation**

The Commission has been disappointed with the degree of minority underwriter participation in the bidding for City debt. The Commission, under its stated policy, strongly desires that a minimum of 5% of City debt is 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.

### **Authorization, Security, and Conditions of Delivery**

The Obligations have been approved by resolutions adopted by the Common Council of the City and are issued for the financing of various public improvement projects, and refunding outstanding obligations of the City. The Obligations will be direct general obligations of the City, payable from taxes levied on all property within said City, subject to taxation by said City, without limitation as to rate or amount.

The Obligations are being issued subject to the legal opinion of Hurtado, S.C., Wauwatosa, Wisconsin, Bond Counsel, which opinion, together with the completed Obligations, will be furnished to the successful bidder at the expense of the City. The form of such opinion appears as Appendix B in the Official Statement.

The successful bidder will be furnished with the usual closing documents, including a certificate that no litigation is pending affecting the issuance of the Obligations. The Preliminary Official Statement is in a form which the City "deems final" as of May 18, 2011 for purposes of SEC Rule 15c2-12(b)(1), but is subject to revision, amendment and completion in a Final Official Statement as defined in SEC Rule 15c2-12(e)(3). The successful bidder will also be furnished with up to one hundred copies of the Final Official Statement issued in conjunction with this offering within seven business days after the award of the Obligations in accordance with SEC Rule 15c2-12(b)(3). It is anticipated that CUSIP identification numbers will be included on the Obligations, but neither the failure to include such numbers on any Obligation 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 Obligations in accordance with terms of its proposal. No CUSIP identification number shall be deemed to be a part of any Obligation 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 Obligations 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 Obligations, to provide in a timely manner and notice of certain events with respect to the Obligations. Notice of the occurrence of certain events with respect to the Obligations 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 City understands that, from time to time, it is advantageous to take bond insurance into account when submitting a bid. Bond insurance is at the sole discretion and risk of the bidder. The City will assist in the reoffering of the Obligations with insurance by including bidder provided bond insurance information in the Final Official Statement.

However, the City does not have the authority to enter into agreements with the bond insurer. **The successful bidder does not have the option to refuse delivery of the Obligations due to bond insurance related issues, including downgrade of the bond insurer prior to delivery.** Reprinting of the Final Official Statement due to bond insurance related issues that arise after the date of sale shall be at the sole expense of the bidder.

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

W. MARTIN MORICS  
City Comptroller and Secretary  
Public Debt Commission  
City Hall, Room 404  
200 E. Wells St.  
Milwaukee, WI 53202

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

KENNETH C. KREI, Chairperson  
MARGARET J. HENNINGSEN, Member  
JENNIFER A. MISWALD, Member

COMMISSIONERS OF THE PUBLIC DEBT

May 18, 2011



**OFFICIAL BID FORM**  
**(Electronic Bids also accepted via Parity – See the Official Notice of Sale)**

**CITY OF MILWAUKEE, WISCONSIN**  
**\$33,930,000 TAXABLE GENERAL OBLIGATION CORPORATE PURPOSE BONDS, SERIES 2011 T5**

May 25, 2011

Commissioners of the Public Debt  
 City Comptroller's Office  
 City Hall, Room 404  
 200 E. Wells St.  
 Milwaukee, Wisconsin 53202

Commissioners:

For all but no part of the \$33,930,000 Taxable General Obligation Corporate Purpose Bonds, Series 2011 T5 (the "Bonds"), we offer to pay a price of \$\_\_\_\_\_ (not less than \$33,930,000), plus accrued interest from June 9, 2011, the dated date, to the date of delivery. The Bonds shall bear interest as follows:

**Series 2011 T5**

May 15, 2012	____.____%*	May 15, 2022	____.____%*+
May 15, 2013	____.____%*	May 15, 2023	____.____%*+
May 15, 2014	____.____%*	May 15, 2024	____.____%*+
May 15, 2015	____.____%*	May 15, 2025	____.____%*+
May 15, 2016	____.____%*	May 15, 2026	____.____%*+
May 15, 2017	____.____%*	May 15, 2027	____.____%*+
May 15, 2018	____.____%*	May 15, 2028	____.____%*+
May 15, 2019	____.____%*		
May 15, 2020	____.____%*		
May 15, 2021	____.____%*		

\* Rates must be less than, or equal to 6.00%, and in multiples of 1/8 or 1/100 of one percent.

+ Rates must be equal to, or greater than, the rate on the prior maturity.

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 in the amount of \$300,000 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.

**If this bid is not accompanied by a Good Faith Deposit, we agree to the additional terms for Good Faith Deposit Submitted After Bids Are Due.**

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 Form.

**RECEIPT**

Return of Good Faith Deposit is hereby acknowledged: \_\_\_\_\_

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

In order to assist the Commission in minority underwriting participation, please list minority underwriting firms who have participated in your bidding group and their initial percentages:

\_\_\_\_\_  
\_\_\_\_\_

**Please attach a list of account members –**

If we receive the award, we agree to provide the Commissioners of the Public Debt with a list of all firms that are participating with us in the underwriting 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. Immediately upon receiving the Final Official Statement from you, we agree to file it with the Electronic Municipal Market Access system of the Municipal Securities Rulemaking Board.



