

7/22/08-Draft #2

DRAFT

PRELIMINARY OFFICIAL STATEMENT DATED AUGUST __, 2008

**NEW ISSUE
BOOK ENTRY ONLY**

RATINGS: Fitch Moody's Standard & Poor's
"F1+" "MIG 1" "SP-1+"
 (See "RATINGS" herein)

In the opinion of Katten Muchin Rosenman LLP, and of Hurtado, S.C., Bond Counsel, under existing law, if there is continuing compliance with certain requirements of the Internal Revenue Code of 1986, interest on the Notes will not be includable in gross income for federal income tax purposes. The Notes 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 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 Notes is not exempt from Wisconsin income taxes.

\$210,000,000*
CITY OF MILWAUKEE, WISCONSIN
SCHOOL REVENUE ANTICIPATION NOTES, SERIES 2008 M10
(Not a general obligation of the City)

Dated: Expected Date of Delivery

Due: September 3, 2009

The School Revenue Anticipation Notes, Series 2008 M10 (the "Notes") are issued in fully registered form in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York. Individual purchases will be made in the principal amounts of \$5,000 or any integral multiple thereof and will be in book-entry-form only. Purchasers will not receive certificates representing their beneficial ownership in the Notes. Interest shall be payable at maturity. The Notes are not a general obligation of the City, do not constitute an indebtedness for the purpose of determining the City's constitutional debt limitation, and no tax shall be levied to pay the Notes or the interest thereon. The Notes are not subject to redemption prior to maturity.

<u>Amount</u>	<u>Rate</u>	<u>Yield</u>
\$210,000,000*		

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

The Notes have been offered for sale by competitive bid in accordance with the Official Notice of Sale dated August 4, 2008 and are being issued subject to the legal opinion of Katten Muchin Rosenman LLP, Chicago, Illinois, and of Hurtado, S.C., Wauwatosa, Wisconsin, Bond Counsel to the City, and other conditions specified in the Official Notice of Sale. Delivery of the Notes will be on or about September 5, 2008 (the "Expected Date of Delivery") in New York, New York.

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

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

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

**ELECTRONIC BIDS FOR THE NOTES WILL BE RECEIVED
 UNTIL 9:45 A.M. (CENTRAL TIME) ON TUESDAY, AUGUST 12, 2008**

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

The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

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INTRODUCTION TO THE OFFICIAL STATEMENT

The purpose of this Official Statement, including the cover page and appendices, is to set forth certain information concerning the City of Milwaukee (“City”), Milwaukee Public Schools (“MPS”) and the offering of \$210,000,000* School Revenue Anticipation Notes, Series 2008 M10 of the City dated the Expected Date of Delivery (the “Notes”).

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

SUMMARY STATEMENT

Issuer:	City of Milwaukee, Wisconsin.
Issue:	\$210,000,000* School Revenue Anticipation Notes, Series 2008 M10.
Dated Date:	Expected Date of Delivery.
Sale Date and Time:	August 12, 2008, Until 9:45 A.M. C.T.
Maturity:	September 3, 2009.
Principal Amount:	\$210,000,000*
Interest:	Calculated at 358 days on a 360-day basis.
Denominations:	\$5,000 or integral multiples thereof.
Purpose:	To finance MPS operations on an interim basis pending receipt of school State Aid payments.
Security:	<p>MPS and the City have pledged and will irrevocably segregate upon receipt, school State Aid payments in an amount sufficient with interest thereon, to pay, when due, the principal of and interest on the Notes. MPS and the City have also pledged all other revenues of the School Operations Fund included in the budget for the current fiscal year which are due MPS, which have not been received as of the date of delivery of the Notes, and which are not otherwise pledged or assigned. The City has also pledged available surplus revenues of the City’s Debt Service Fund to the payment of interest on the Notes. (See “THE NOTES – SECURITY AND PURPOSE” herein.)</p> <p>The Notes are not a general obligation, do not constitute an indebtedness of the City for the purpose of determining the City’s constitutional debt limitation, and no tax shall be levied to pay the Notes or interest thereon.</p>
Authority for Issuance:	The City of Milwaukee Common Council and the Milwaukee Board of School Directors (“MBSD”) have authorized the issuance and sale of the Notes in accordance with the provisions of the City Charter and Section 67.12(1), Wisconsin Statutes.

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

Form of Issuance:	The Notes will be issued in fully registered “Book-Entry-Only-Form” in the name of Cede & Co., as nominee of The Depository Trust Company of New York, New York which will act as security depository for the Notes. (See “BOOK-ENTRY-ONLY SYSTEM” herein.)	
Tax Exemption:	Under existing law, if there is continuing compliance with certain requirements of the Internal Revenue Code of 1986, interest on the Notes will not be includable in gross income for federal income tax purposes. The Notes 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 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 Notes is not exempt from Wisconsin income taxes. (See “TAX STATUS” herein)	
Redemption Feature:	The Notes are not subject to redemption prior to maturity.	
Official Statement:	The City will provide the original purchaser(s) of the Notes with up to 100 copies (pro rata) of this Official Statement within seven business days following the award of the Notes.	
Professionals:	Bond Counsel:	Katten Muchin Rosenman LLP Chicago, Illinois Hurtado, S.C. Wauwatosa, Wisconsin
	Financial Advisor	Robert W. Baird & Co. Milwaukee, Wisconsin Bagley Financial Corp. Detroit, Michigan
	Fiscal Agent:	The Bank of New York Trust Company, N.A. Milwaukee, Wisconsin
Delivery:	Delivery will be on or about September 5, 2008 (the “Expected Date of Delivery”) at the expense of the City, through the facilities of The Depository Trust Company (“DTC”), New York, New York.	
Reoffering:	The public reoffering price(s) and/or yield(s) of the Notes are detailed on the cover of the Final Official Statement.	
Continuing Disclosure Certificate:	In order to assist bidders in complying with the continuing disclosure requirements of SEC Rule 15c2-12 and as part of the City’s contractual obligation arising from its acceptance of the successful bidder’s proposal, at the time of the delivery of the Notes, the City will provide an executed copy of its Continuing Disclosure Certificate. (See “RULE 15c2-12” and Appendix C-Form of Continuing Disclosure Certificate herein.)	

THE NOTES

AUTHORITY

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

Pursuant to a resolution adopted on July 31, 2008, MBSD has determined that it will be necessary to finance the operating budget of MPS on an interim basis, and has requested the City to issue notes pursuant to Section 67.12(1), Wisconsin Statutes, for that purpose.

The Common Council of the City has authorized the issuance and sale of the Notes through adoption of a resolution on July 30, 2008 in accordance with the provisions of the City Charter and Section 67.12(1), Wisconsin Statutes, which reads as follows:

67.12 Temporary borrowing and borrowing on promissory notes.

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

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

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

SECURITY AND PURPOSE

Pursuant to a resolution of MBSD adopted on July 31, 2008, MBSD has authorized the City to issue the Notes, and to pledge all revenues of the School Operations Fund included in the budget for the current fiscal year which are due MPS, which have not been received as of the date of delivery of the Notes, and which are not otherwise pledged or assigned, as security for repayment of the Notes (the "Pledged Revenues").

The School Operations Fund is established by Section 119.46, Wisconsin Statutes, and is held by the City on behalf of MPS. Revenues from the local property tax, school State Aid payments and federal school aid payments are deposited into the School Operations Fund. See "REVENUES OF MILWAUKEE PUBLIC SCHOOLS" generally, and "Milwaukee Public Schools-School Operations Fund Budget Fiscal Year 2009 and 2008" herein.

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

Pursuant to Chapter 121.115, Wisconsin Statutes, MBSD is anticipating receipt of school State Aid payments from the State of Wisconsin to the School Operations Fund in September and December, 2008 and in March and June, 2008. Such payments, per Section 119.50, Wisconsin Statutes, shall be received by the City Treasurer.

The Notes are being issued to fund MPS operations pending receipt of school State Aid payments. A cash flow deficit of approximately \$210 million is anticipated to occur in November 2008 due to the receipt of the majority of State Aid and property tax revenues during December 2008 through June 2009, the last seven months of the MPS fiscal year. In contrast, MPS expenditures are relatively evenly distributed throughout the school year (See “School Operations Fund Trends” herein).

This Note issue of \$210 million is the only anticipated interim borrowing for MPS during the 2008-2009 fiscal year. (See “MILWAUKEE PUBLIC SCHOOLS - Borrowing – Future Financing” herein.)

Pursuant to a resolution of the Common Council of the City adopted on July 30, 2008 (the “City Resolution”), the Common Council of the City has pledged the Pledged Revenues for the repayment of the Notes and has established a segregated account within the School Operations Fund to capture school State Aid payments received under Section 121.15, Wisconsin Statutes, in June, 2009 in the principal amount of the Notes. The City Resolution also directs the City Treasurer to segregate, for payment of the Notes, June and July, 2009 school State Aid payments, in the principal amount of the Notes. The City Treasurer has no discretion to otherwise apply such revenues.

The City has also covenanted to deposit by June 30, 2009, with the City’s Fiscal Agent, segregated State Aid payments in an amount sufficient, with interest thereon, to pay, when due, the principal of and interest on the Notes.

The City has also pledged available surplus revenues in its Debt Service Fund to the payment of interest on the Notes.

MATURITY, INTEREST RATE(S) AND REDEMPTION

The Notes are dated the Expected Date of Delivery and will mature on September 3, 2009 without option of prior redemption. Interest is payable at maturity at the rates as shown on the cover of this Official Statement and is calculated at 358 days on a 360 day basis.

STATUTORY BORROWING LIMITATIONS

Section 67.12(1)(a) of the Wisconsin Statutes limits issuance for the purpose of the Notes to sixty percent (60%) of the Estimated School Operation Fund Revenues for 2008-2009 Fiscal Year.

Total Amount of Estimated School Operations Fund Revenues For the 2008-2009 Fiscal Year	\$959,516,015
Statutory Borrowing Limit (60% of Estimated Revenues)	\$575,709,609
Borrowing-School Revenue Anticipation Notes, Series 2008 M10, dated September 5, 2008*	<u>\$210,000,000</u>
Unused Amount Following this Issue	<u>\$365,709,609</u>
Percentage of Borrowing Limit Used	36.5%
Percentage of Borrowing to Estimated Revenues	21.9%

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

MILWAUKEE PUBLIC SCHOOLS

GENERAL

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

BORROWING - GENERAL OBLIGATION DEBT

MPS does not have authority to issue debt. The City has the authority (under Chapters 67 and 119, Wisconsin Statutes) to issue municipal obligations for specific school purposes including the acquisition of sites and constructing, enlarging and remodeling of school buildings for the purpose of providing additional classroom space to accommodate anticipated school enrollments. Such municipal obligations require the adoption of a resolution by the City and the levying by the City of required debt service. As shown below, as of August 1, 2008, the City had outstanding general obligation debt for school purposes of \$104,110,151. The City also has authorized but unissued general obligation debt for school purposes. (See "MILWAUKEE PUBLIC SCHOOLS - Borrowing - Future Financing" herein.)

CITY OF MILWAUKEE OUTSTANDING GENERAL OBLIGATION DEBT FOR SCHOOL PURPOSES AS OF AUGUST 1, 2008

Period Ending	Principal	Interest ⁽¹⁾	Total
12/31/2008	\$6,963,539	\$2,229,710	\$9,193,249
12/31/2009	9,949,807	4,046,264	13,996,071
12/31/2010	9,550,549	3,557,236	13,107,785
12/31/2011	9,160,758	3,072,821	12,233,579
12/31/2012	8,033,776	2,626,272	10,660,048
12/31/2013	7,410,472	2,216,814	9,627,286
12/31/2014	7,926,669	2,662,665	10,589,334
12/31/2015	7,369,211	2,903,779	10,272,989
12/31/2016	9,083,763	2,495,807	11,579,570
12/31/2017	7,166,724	2,792,694	9,959,417
12/31/2018	6,016,970	2,404,506	8,421,476
12/31/2019	5,875,678	2,923,997	8,799,675
12/31/2020	5,016,322	3,075,678	8,092,000
12/31/2021	1,433,148	2,771,852	4,205,000
12/31/2022	1,684,005	3,630,995	5,315,000
12/31/2023	1,468,761	3,486,239	4,955,000
	<u>\$104,110,151</u>	<u>\$46,897,327</u>	<u>\$151,007,478</u>

⁽¹⁾ Compound interest is included in year paid.

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

**TOTAL UNUSED DEBT MARGIN FOR THE CITY OF MILWAUKEE
AS OF AUGUST 1, 2008**

2007 Equalized Value of Taxable Property in the City		\$31,887,192,100
Legal Debt Limitation for City Borrowing		
5% of Equalized Value		\$1,594,359,605
General Obligation Debt Outstanding subject to 5% Limit as of 08/01/08	\$848,990,001	
Less: Provision for current year maturities	<u>(\$32,785,000)</u>	
Net General Obligation Debt Outstanding subject to the 5% Limit as of 08/01/08		\$816,205,001
Total Debt Margin for City Borrowing (in Dollars)		\$778,154,604
(As a percentage)		48.8%
(As a percentage excluding Cash Flow Notes)		54.5%
Legal Debt Limitation for School Purpose Borrowing		
2% of Equalized Value		\$637,743,842
General Obligation Debt Outstanding subject to 2% Limit as of 08/01/08	\$14,774,150	
Less: Provision for current year maturities	<u>\$0</u>	
Net General Obligation Debt Outstanding subject to the 5% Limit as of 08/01/08		\$14,774,150
Total Debt Margin for School Purpose Borrowing (in Dollars)		\$622,969,692
(As a percentage)		97.7%

**HISTORY OF FULL VALUATION IN
THE CITY OF MILWAUKEE
(2003-2007)**

Levy Year	Collection Year	Full Valuation	Percent Increase/Decrease
2003	2004	\$21,730,754,000	+7.06
2004	2005	23,491,773,700	+8.10
2005	2006	26,256,713,800	+11.77
2006	2007	30,226,985,500	+15.12
2007	2008	31,887,192,100	+5.49

BORROWING-REVENUE BONDS

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

Neighborhood Schools Initiative

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

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

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

**CITY OF MILWAUKEE
REDEVELOPMENT AUTHORITY REVENUE BONDS
ANNUAL DEBT SERVICE PAYMENTS AS OF AUGUST 1, 2008**

Year ending June 30	Debt Service Payments	Year ending June 30	Debt Service Payments	Year ending June 30	Debt Service Payments
2009	\$7,288,219	2015	\$9,144,649	2021	\$10,126,549
2010	8,189,253	2016	9,376,675	2022	10,391,138
2011	8,266,676	2017	9,606,995	2023	10,650,500
2012	8,474,868	2018	9,848,206	2024	11,097,600
2013	8,705,504	2019	10,094,129		
2014	8,922,258	2020	10,343,094		

Lease Revenue Bonds

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

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

In May 2003, RACM issued \$34,475,000 Development Revenue Refunding Bonds, Series 2003 (the "Series 2003 Bonds") on behalf of MPS to refund the 1993 Bonds. The schedule of lease payments after taking into account the 2003 financing is as follows:

**REDEVELOPMENT AUTHORITY OF THE CITY OF MILWAUKEE
DEVELOPMENT REVENUE REFUNDING BONDS
(2430 West Wisconsin Avenue Project and 1600 North Martin Luther King Drive Project)
ANNUAL LEASE PAYMENTS AS OF AUGUST 1, 2008**

Year Ending <u>June 30</u>	Lease <u>Payments</u>	Year Ending <u>June 30</u>	Lease <u>Payments</u>
2009	\$3,910,973	2012	\$3,908,325
2010	3,908,763	2013	3,908,475
2011	3,909,313	2014	3,910,900

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

Fiscal Year	Principal	Interest	Total
2009	\$480,000	\$509,138	\$989,138
2010	495,000	492,923	987,923
2011	515,000	475,366	990,366
2012	530,000	456,420	986,420
2013	550,000	436,028	986,028
2014	575,000	413,940	988,940
2015	595,000	390,243	985,243
2016	620,000	365,180	985,180
2017	645,000	338,609	983,609
2018	675,000	310,221	985,221
2019	705,000	280,030	985,030
2020	735,000	248,166	983,166
2021	770,000	214,488	984,488
2022	805,000	178,648	983,648
2023	845,000	140,698	985,698
2024	880,000	101,683	981,683
2025	925,000	61,521	986,521
2026	920,000	20,470	940,470
	<u>\$12,265,000</u>	<u>\$5,433,772</u>	<u>\$17,698,772</u>

Pension Obligation Bonds

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

The 2003 Series D Pension Bonds were issued as variable rate securities. In 2005, the 2003 Series D Pension Bonds were converted to index linked at a fixed spread of 0.25% over 1-Month LIBOR for the life of the bonds. The City, on behalf of MPS, entered into Interest Rate Exchange Agreements to synthetically fix the interest rate payable for the entire term of the Pension Bonds. Under the Interest Rate Exchange Agreement, MPS receives a fixed spread of 0.20% over 1-Month LIBOR for the life of the bonds. The schedule of loan payments, after taking into account the Interest Rate Exchange Agreements are as follows:

**REDEVELOPMENT AUTHORITY OF THE CITY OF MILWAUKEE
TAXABLE PENSION FUNDING BONDS
(Milwaukee Public Schools)
ANNUAL LOAN PAYMENTS AS OF AUGUST 1, 2008**

<u>Year Ending</u> <u>June 30</u>	<u>Loan</u> <u>Payments</u>	<u>Year Ending</u> <u>June 30</u>	<u>Loan</u> <u>Payments</u>	<u>Year Ending</u> <u>June 30</u>	<u>Loan</u> <u>Payments</u>
2009	\$7,340,685	2021	\$7,340,685	2033	\$17,725,853
2010	7,340,685	2022	7,340,685	2034	17,890,228
2011	7,340,685	2023	7,340,685	2035	18,804,603
2012	7,340,685	2024	13,590,685	2036	19,353,978
2013	7,340,685	2025	13,315,060	2037	19,673,353
2014	7,340,685	2026	14,420,228	2038	20,530,533
2015	7,340,685	2027	14,239,603	2039	20,957,713
2016	7,340,685	2028	15,298,978	2040	21,784,893
2017	7,340,685	2029	15,743,353	2041	8,787,073
2018	7,340,685	2030	15,707,728	2042	7,239,253
2019	7,340,685	2031	16,707,103	2043	6,891,433
2020	7,340,685	2032	16,766,478	2044	6,296,806

Borrowing – Qualified Zone Academy Projects

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

<u>December 1</u>	<u>Payment Amount</u>
2008	\$902,023
2009	902,023
2010	593,441
2011	329,625
2012	329,625
2013	103,298

BORROWING - FUTURE FINANCING

The City has \$8,000,000 of authorized, but unissued, general obligation borrowing authority for school purposes

MPS has \$3,432,000 of Qualified Zone Academy Bond authorization for renovation and repair projects, as well as for equipment, technology, curriculum, and teacher training.

BOARD OF SCHOOL DIRECTORS

MPS is governed by a nine member Board of Directors. Eight Directors represent and are elected by Districts from within a total population of approximately 590,190. One member is elected at-large. Directors serve staggered four year terms which expire in April, and annually, at its organizational meeting, elect a president. The current members and the years in which their terms of office expire are as follows:

Peter Thomas Blewett –President	(2009)	Jennifer Morales	(2009)
Michael Bonds, Vice President	(2011)	Bruce Thompson, Member At-Large	(2011)
Terrence Falk	(2011)	Tim Petersons	(2011)
Danny Goldberg	(2009)	Jeff Spence	(2011)
Charlene Hardin	(2009)		

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

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

PUBLIC SERVICES AND FACILITIES

MPS has approximately 87,360 full-time equivalent students and 5,694 teachers. It maintains 116 elementary schools, 21 middle schools, 19 high schools, one K-12 school and 2 MPS alternative schools. The average age of the MPS buildings is just over 50 years. However, significant investment was made in upgrading many of these buildings in the 1970's and 1980's.

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

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

ENROLLMENT

<u>School Year</u>	<u>Average School Daily Membership⁽¹⁾</u>	<u>School Year</u>	<u>Average School Daily Membership⁽¹⁾</u>
1996-1997	101,622	2002-2003	99,054
1997-1998	102,914	2003-2004	98,323
1998-1999	102,097	2004-2005	96,874
1999-2000	100,682	2005-2006	94,975
2000-2001	99,332	2006-2007	92,226
2001-2002	99,025	2007-2008	89,113

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

EMPLOYEE RELATIONS

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

FINANCIAL INFORMATION

MPS has full control of all expenditures and revenues required to operate the school district. Section 119.46 of the Wisconsin Statutes requires MPS to transmit to the City a budget to operate, maintain, equip and improve the schools. The City's Common Council must levy and collect property taxes equal to the amount of money budgeted by MPS. All taxes so collected and all other funds received by MPS for these purposes are deposited to the School Operations Fund. The audited financial statements of this and other funds under the control of MPS for the year ended June 30, 2007 are set forth in Appendix A of this Official Statement.

INSURANCE

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

MPS is self-insured for health, dental, and workers' compensation benefits and certain other general liability exposures. The accrued liability for estimated self-insured claims of \$36,048,530 recorded in the School Operations Fund and \$5,465,203 which are considered long-term liabilities, represents an estimate of the amount of claims incurred, but not paid or reported, as of June 30, 2007.

INVESTMENT POLICIES

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

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

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

The objectives of the Fund are to provide (in order of priority) safety of principal, liquidity, and a reasonable rate of return. The Fund includes retirement trust funds cash balances pending longer-term investment by other investment divisions. The Fund also acts as the State's cash management fund and provides the State's General Fund with liquidity for operating expenses. The Fund is strategically managed as a mutual fund with a longer average life than

a money market fund. This strategic advantage is made possible by the mandatory investment of State funds for which the cash flow requirements can be determined significantly in advance. Because of the role played by the Fund, the cash balances available for investment vary daily as cash is accumulated or withdrawn from various funds.

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

The Local Government Investment Pool is a local option City depository. The City utilizes the Local Government Investment Pool in a manner similar to a "money market" account. When other investment options provide more favorable results, such options are utilized. December 31, 2007, the City had approximately 19.579% (\$105,583,487) of its and MPS's investments deposited in the Local Government Investment Pool.

REVENUES OF MILWAUKEE PUBLIC SCHOOLS

SOURCES OF FUNDING

In addition to borrowing, MPS revenues are derived from three major sources - local property taxes, state school aids and federal school aids. Sources of MPS revenues are detailed in the four year summary presented under the caption "MILWAUKEE PUBLIC SCHOOLS-GENERAL FUND-FOUR YEAR SUMMARY".

LOCAL PROPERTY TAX

Property taxes levied on behalf of MPS by the City account for a significant portion of the School Operations Fund revenues available to MPS. For the fiscal year 2007-08, MPS's share of the levy produced approximately \$223.761 million of the total revenues to the School Operations Fund. MPS's 2008-2009 School Operations Fund revenues are budgeted at \$959.5 million of which City ad valorem property taxes are estimated at \$206,140,164, a decrease of approximately 0.14% from 2007-2008.

MILWAUKEE PUBLIC SCHOOLS PROPERTY TAX LEVIES ALL FUNDS (2003-2007)

<u>Levy Year</u>	<u>Collection Year</u>	<u>Taxes Levied</u>
2003	2004	\$183,198,437
2004	2005	207,442,419
2005	2006	213,803,808
2006	2007	230,345,991
2007	2008	235,491,856

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

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

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

The assessed value of a property is intended to represent current full market (cash) value and, with certain exceptions, is determined from manuals and associated data published by the State Department of Revenue. The State Department of Revenue certifies the competency of local assessors and supervises the administration of all laws concerning the valuation and assessment of taxable property and the levying of property taxes. Annually, the Department analyzes sales data reported to the Register of Deeds for each county to determine the relative level of local assessments to actual market sales. This process is referred to as "equalization". The ratios developed by the Department of Revenue are reported to each assessor.

Assessed valuation represents the value upon which ad valorem property taxes are levied. Wisconsin law requires that assessed values in any taxation district be established within 10% of "full value," as determined by the Department of Revenue, at least once during each four year period ending with the current year. If a district fails to meet this criteria in any year, the district's assessors are subject to special supervision by Department of Revenue employees during the ensuing assessment year. For 2007, the City's ratio of assessed to equalized value, as reported by the Department of Revenue, was 92.12 percent. Full values of any two major classes of property must also be within 10% during such four-year period or State Revenue Department supervision is required.

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

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

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

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

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

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

The 2006 levies (collected in 2007) for non-MBSD purposes were as follows:

City of Milwaukee	\$220,100,000
Milwaukee County	\$115,100,000
MATC	\$52,000,000
Metropolitan Sewerage District	\$38,200,000
State Forestry Tax	\$5,300,000

The net tax rate for all taxing jurisdictions in 2006 was \$22.41 per assessed thousand of property valuation.

Property Tax Collections - Taxes levied in one year are collected in the succeeding year. Thus, taxes certified in 2008 will be collected in 2009. Taxes are due on January 31st in the year of collection; however, taxes on real property may be paid in 10 equal installments not later than the last day of each month from January to October without interest or penalty. Personal property taxes may be paid in 7 equal installments on the last day of each month from January to July without interest or penalty. First installments which are not timely paid within the prescribed time bear interest at the rate of 1% per month until paid, plus 0.5% of the tax with interest from January 31 and penalty. The City Treasurer collects current and delinquent property taxes, as well as any interest or penalty, and after deducting a statutory fee for such collection, remits the balance to MPS on a monthly basis from January through May and any balance of the annual levy remaining at June 30 is remitted to MPS in early July. If a tax payment is insufficient to pay all charges, City special charges, special assessments and special taxes are paid before MPS receives its share of the levy.

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

STATE AIDS

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

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

Based on the Governor's Proposed Budget for the 2005-2007 Biennium, MPS expects that State Aid will increase from approximately 54% of the MPS budget during the 2003-2004 school year to approximately 60% of the MPS budgets for the 2005-2006 and 2006-2007 school years.

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

STATE AID-GENERAL AIDS

Equalization Aid

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

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

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

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

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

ANNUAL REVENUES PER PUPIL

	Statewide			Milwaukee		
	2004-05	2005-06	2006-07	2004-05	2005-06	2006-07
Revenue/Pupil	\$11,043	\$11,493	\$12,016	\$11,768	\$12,385	\$13,034
Federal Share (%)	6.28	6.15	5.85	14.32	14.82	13.43
State Share (%)	49.81	50.87	49.79	61.70	61.20	60.03
Local Share (%)	43.92	42.98	44.36	23.98	23.98	26.54

Integration Aid

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

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

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

STATE AID-CATEGORICAL AIDS

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

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

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

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

School library aid paid from the common school fund under Article 10, sections 4 and 5 of the Wisconsin Constitution and Section 43.70 of the Wisconsin Statutes, is distributed on the basis of the number of children between age 4 and 20 residing in the district as of June 30 of the year before payments are made. School library aid payments to MPS for 2007-2008 were \$4,304,824 or \$28.09 per child.


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

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

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

PARENTAL CHOICE PROGRAM

Beginning in the 1990-91 school year, low-income children constituting up to 1.5% of the pupils in grades kindergarten to 12 residing in the City and enrolled in MPS may attend at no charge any private non-sectarian school located in the City which meets all public school health and safety laws and codes, complies with federal nondiscrimination laws and meets a standard of advancement, attendance, academic progress, or parental involvement. Beginning in the 1996-97 school year, no more than 15% of the school district's membership may attend private school under Wisconsin Statute 119.23. In March 2006, Governor Doyle signed Act 125 which increases the limit of participants to 22,500 students. Upon proof of a pupil's enrollment in the private school the State Superintendent provides a proportionate share of basic and supplemental State school aids. Since 2002 annual general school aids for MPS are reduced by an amount equal to 45% of the total cost of the Choice Program.

For the 2007-08 school year, approximately 18,882 -income children enrolled in the Milwaukee Parental Choice Program.

FEDERAL SCHOOL AIDS

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

The federal government provides basic school lunch aid to school districts. This program is administered by the State Department of Public Instruction. For the 2007-08 school year, MPS received \$20,109,138 in basic lunch aid under the federal program administered by the United States Department of Agriculture through the Wisconsin Department of Public Instruction.

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

For the year 2007-08, total federal aids to MPS for food services and other categorical aids are estimated to be approximately \$169,695,630.

GENERAL FUND TRENDS

Equalization aid revenues in the 2006-07 school year increased by approximately \$85,140. Property tax revenues increased by approximately \$11,401,565.

Total expenditures increased approximately \$4,397,464 million in 2006-2007 versus the previous year. Expenditures for instructional services were 62.47% of total expenditures, versus approximately 61% over the prior year. The District remains under a revenue cap limitation first imposed in 1993-1994. Despite this restriction, MPS expects to provide all necessary instructional and operating services without major disruptions.

MILWAUKEE PUBLIC SCHOOLS
GENERAL FUND ⁽¹⁾
FOUR YEAR SUMMARY

	2007 <u>Year End</u> ⁽²⁾	2006 <u>Year End</u> ⁽³⁾	2005 <u>Year End</u> ⁽⁴⁾	2004 <u>Year End</u> ⁽⁵⁾
Revenues				
Property tax levy	\$203,124,231	\$191,722,666	\$188,706,559	\$164,834,180
Other local sources	12,501,939	14,427,256	10,192,204	9,106,065
State aid:				
Equalization aid	586,583,661	586,498,521	574,203,739	575,069,738
Special classes	39,265,952	39,188,603	39,419,557	40,437,993
Integration	45,208,452	43,660,426	38,661,528	39,437,167
Other state aid	49,850,506	52,184,246	50,958,075	50,393,039
Federal aid:				
Education Consolidation				
Improvement Act	70,566,992	72,246,390	69,124,917	59,694,854
Erate Refunds	976,664	—	3,296,638	—
Other federal aid	43,114,005	52,825,041	54,584,105	63,564,038
Interest and investment earnings	1,979,041	2,311,332	784,655	761,505
Total Revenues	<u>1,053,171,443</u>	<u>1,055,064,481</u>	<u>1,029,931,977</u>	<u>1,003,298,579</u>
Expenditures				
Current operating:				
Instructional services:				
Undifferentiated curriculum	420,196,158	430,564,038	418,322,709	426,491,163
Regular and other curriculum	113,231,381	105,796,528	99,908,858	103,609,583
Special curriculum	122,663,028	108,748,090	108,491,974	97,023,789
Total instructional services	<u>656,090,567</u>	<u>645,108,656</u>	<u>626,723,541</u>	<u>627,124,535</u>
Community services	20,022,461	23,127,716	20,591,303	18,191,494
Pupil and staff services	98,509,411	93,314,147	89,185,984	82,254,854
General and school building	109,867,741	111,227,914	108,422,951	116,968,619
administration				
Business services	160,817,367	151,129,644	153,790,477	156,312,056
Debt Service:				
Principal	3,327,450	12,002,475	3,657,500	4,003,652
Interest	1,568,747	9,104,965	8,106,051	907,094
Bond Issuance Cost	8,612	—	—	2,082,726
Total Expenditures	<u>1,050,212,356</u>	<u>1,045,814,892</u>	<u>1,011,639,915</u>	<u>1,009,228,850</u>
Excess of revenues over (under)	2,959,087	9,249,589	18,292,062	(5,930,271)
expenditures				
Other Financing Sources (Uses)	(1,678,776)			
Proceeds from pension bonds				168,051,136
Payment for refunded pension debt				<u>(165,505,293)</u>
Capital Leases				
Transfers in (out)				
Total Other Financing Sources(uses)	<u>(1,678,776)</u>	<u>0</u>	<u>0</u>	<u>2,545,843</u>
Net Change in Fund Balances	1,280,311	9,249,589	18,292,062	(3,384,428)
Fund balance - beginning of year	109,349,897	100,100,308	81,808,246	\$85,192,674
Fund balance - end of year	\$110,630,208	\$109,349,897	\$100,100,308	\$81,808,246

(1) Reflects the GASB 34 reporting format begun in 2002

(2) Source: Comprehensive Annual Financial Report for June 30, 2007, p. —

(3) Source: Comprehensive Annual Financial Report for June 30, 2006, p. 18

(4) Source: Comprehensive Annual Financial Report for June 30, 2005, p. 18

(5) Source: Comprehensive Annual Financial Report for June 30, 2004, p. 17

**Milwaukee Public Schools
School Operations Budget
Fiscal year 2008 and 2007**

	<u>2007-08</u> <u>Budget</u> ⁽¹⁾	<u>2006-07</u> <u>Budget</u> ⁽²⁾
REVENUES		
Locally Generated:		
Property Tax Levy	\$206,140,164	\$206,437,997
Other Local Sources	<u>11,296,449</u>	<u>8,841,214</u>
Subtotal	<u>217,436,613</u>	<u>215,279,211</u>
State Aid:		
Equalization Aid	598,843,644 ⁽⁴⁾	586,637,784
Special Education	40,052,997	38,313,000
Integration	46,144,751	45,207,327
Other	<u>16,610,860</u>	<u>13,729,034</u>
Subtotal	<u>701,652,252</u>	<u>683,887,145</u>
Federal Aid:		
School Nutrition Commodities & Federal Indirect	31,351,882	30,155,981
Other	<u>3,200,000</u>	<u>4,250,000</u>
Subtotal	<u>34,551,882</u>	<u>34,405,981</u>
TOTAL REVENUES	953,640,747	933,572,337
Plus Use of Surplus	<u>6,300,000</u>	<u>2,587,448</u>
TOTAL SOURCES OF FUNDS	<u><u>\$959,940,747</u></u>	<u><u>\$936,159,785</u></u>
EXPENDITURES ⁽³⁾		
Instructional Services	\$608,156,167	\$593,525,304
Support Services	<u>351,784,580</u>	<u>342,634,481</u>
TOTAL EXPENDITURES	<u><u>\$959,940,747</u></u>	<u><u>\$936,159,785</u></u>
SUMMARY		
Total Revenues and Use of Surplus	\$959,940,747	\$936,159,785
Total Expenditures	<u>959,940,747</u>	<u>936,159,785</u>
Difference	<u><u>\$0</u></u>	<u><u>\$0</u></u>

⁽¹⁾ Initial Fiscal Year 2008 School Operations Fund Budget approved May, 2007.

⁽²⁾ Final Fiscal Year 2007 School Operations Fund Budget approved October, 2006.

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

⁽⁴⁾ Subsequent to the adoption of the MPS Fiscal Year 2008 Budget, the Wisconsin Department of Public Instruction (DPI) issued its July 1, 2007 Estimate of 2007-2008 General Aid. The DPI estimate is \$575.7 million or approximately \$23.2 million less than MPS budgeted. At the time of this release the Milwaukee Board of School Directors has not determined how the projected shortfall would be resolved.

The management of MPS has prepared the projected financial information set forth below to present the cash flow needs of MPS for the fiscal year 2008-2009. It is the belief of MPS management that these projections are reasonable and reflect the best current estimates and judgments regarding future cash flows. MPS's independent auditors have not compiled, examined, or performed any procedures with respect to the prospective financial information set forth below, nor have they expressed any opinion or any form of assurance on such information or its achievability, and assume no responsibility for, and disclaim any association with, this prospective financial information.

Subsequent to the adoption of the MPS Fiscal Year 2009 Budget, the Wisconsin Department of Public Instruction (DPI) issued its July 1, 2008 Estimate of 2008-2009 General Aid. The DPI estimate is \$____ million or approximately \$____ million less than MPS estimated and budgeted in May, 2008. At the time of this official statement, the Milwaukee Board of School Directors has not determined how the projected shortfall will be resolved. The projections for 2008-2009 are based upon the fiscal 2009 Budget as adopted, and do not reflect any adjustments that are likely to occur with the adoption of the Final fiscal 2009 Budget in October, 2008.

**MILWAUKEE PUBLIC SCHOOLS
SCHOOL OPERATIONS FUND MONTHLY CASH FLOW SUMMARY
2007-2008 ACTUAL RESULTS (UNAUDITED)
2008-2009 PROJECTED
(Millions of Dollars)**

ACTUAL

	<u>Beginning</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Ending</u>
July, 2006	31.135	30.282	49.513	11.904
August	11.904	211.758 ⁽¹⁾	64.843	158.819
September	158.819	98.384	88.903	168.300
October	168.300	12.628	87.012	93.916
November	93.916	27.918	105.340	16.494
December	16.494	168.122	120.398	64.218
January, 2007	64.218	135.183	93.003	106.398
February	106.398	52.498	95.364	63.532
March	63.532	169.262	96.711	136.083
April	136.083	31.621	89.019	78.685
May	78.685	41.691	94.160	26.216
June	26.216	381.931	373.302 ⁽¹⁾	34.845

⁽¹⁾ Includes \$175,000,000 2006 M7 Notes

PROJECTED

	<u>Beginning</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Ending</u>
July, 2007	34.845	33.505	54.536	13.814
August	13.814	36.567	69.466	(19.085)
September	(19.085)	287.820 ⁽²⁾	76.505	192.230
October	192.230	12.639	88.787	116.082
November	116.082	28.200	143.949	0.333
December	0.333	173.147	84.336	89.144
January, 2008	89.144	136.114	96.009	129.249
February	129.249	60.642	102.395	87.496
March	87.496	170.630	100.711	157.415
April	157.415	29.721	88.800	98.336
May	98.336	28.918	123.349	3.905
June	3.905	390.213	359.118 ⁽²⁾	35.000

⁽²⁾ Includes \$210,000,000 2007 M6 Notes

MILWAUKEE PUBLIC SCHOOLS
SCHOOL OPERATIONS FUND - CASH FLOW PROJECTION
JULY 1, 2007 - JUNE 30, 2008
(Millions of Dollars)

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Total
Balance	34.845	13.814	(19.085)	192.230	116.082	0.333	89.144	129.249	87.496	157.415	98.336	3.905	
RECEIPTS													
Property Taxes							118.400	24.425	2.740	6.562	2.721	51.292	206.140
Integration Aid												46.145	46.145
Computer Aid	3.269												3.269
State Aid													
Equalization Aid	9.701		86.590			149.067			147.286			206.200	598.844
Other					6.008	6.836	8.738	9.080	6.008	4.431	2.000	10.437	53.538
Categorical Aid	11.718	27.347	5.164	6.708	16.585	5.914	3.398	19.228	7.426	7.145	17.979	64.720	193.332
Nutrition	2.900	2.000		0.250	0.050	5.600	0.020	3.200	2.400	3.400	3.200	2.532	25.552
Local Revenues	0.917	0.220	0.066	0.181	0.057	0.230	0.058	0.209	0.270	3.183	0.018	5.887	11.296
Other Local Receipts	2.000	2.000	2.000	2.000	2.000	2.000	2.000	2.000	2.000	2.000	2.000	2.000	24.000
Non Operating Receipts	3.000	5.000	6.000	3.500	3.500	3.500	3.500	2.500	2.500	3.000	1.000	1.000	38.000
Note Proceeds			188.000										188.000
Total Receipts	33.505	36.567	287.820	12.639	28.200	173.147	136.114	60.642	170.630	29.721	28.918	390.213	1,388.116
DISBURSEMENTS													
Salaries and Benefits	20.160	21.832	64.115	74.158	113.996	73.455	72.832	75.150	77.832	75.234	112.574	65.252	846.590
Services & Supplies	27.076	39.634	6.890	9.129	24.453	5.381	18.677	22.745	16.779	10.566	7.775	80.866	269.971
Other Local Expenses	2.000	2.000	2.000	2.000	2.000	2.000	2.000	2.000	2.000	2.000	2.000	2.000	24.000
Non Operating Expenses	5.000	6.000	3.500	3.500	3.500	3.500	2.500	2.500	3.000	1.000	1.000	1.000	36.000
Note Principal to Trustee												188.000	188.000
Debt Service	0.300								1.100			22.000	23.400
GASB 45													
Total Disbursements	54.536	69.466	76.505	88.787	143.949	84.336	96.009	102.395	100.711	88.800	123.349	359.118	1,387.961
Balance	13.814	(19.085)	192.230	116.082	0.333	89.144	129.249	87.496	157.415	98.336	3.905	35.000	

THE CITY OF MILWAUKEE

GENERAL

The City of Milwaukee, Wisconsin (the “City”), is located on the western shore of Lake Michigan in southeastern Wisconsin. The City is the hub of the metropolitan area and a thriving place to live and work. The City is Wisconsin’s largest city with a population of approximately 590,190 and is the principal trade, service and financial center of southeastern Wisconsin. The surrounding Standard Consolidated Metropolitan Statistical Area (SCMSA) consisting of Milwaukee, Waukesha, Washington, Ozaukee, and Racine Counties, has a population of nearly 1.6 million. This SCMSA is the 24th largest metropolitan area in the United States of America.

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.

CITY OF MILWAUKEE SELECTED ECONOMIC DATA

Year	Population	Adjusted Gross Income Per Return
2007	590,190	N/A
2006	590,370	\$32,370
2005	592,765	30,988
2004	593,920	29,922
2003	595,245	29,402
2002	595,958	28,694

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

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BUILDING PERMITS

Another indicator of economic growth is the activity in the building industry. The following table indicates building permit activity during the period 2003 through December 2007.

General Total

<u>Year</u>	<u>Value</u>	<u>Permits Issued</u>
2003	\$334,954,154	2,884
2004	294,811,125	2,784
2005	529,251,733	2,599
2006	424,763,947	2,655
2007	336,748,300	2,405

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>	
2003	\$20,069,077	159	\$91,792,191	666	\$111,861,268	825	187
2004	29,896,986	194	48,346,002	553	78,242,988	747	244
2005	33,751,976	193	113,713,239	500	147,465,215	693	231
2006	25,146,380	162	95,804,142	519	120,950,522	681	189
2007	24,940,117	160	123,505,408	677	148,445,525	837	187

Commercial Building

<u>Year</u>	<u>Value</u>	<u>Permits Issued</u>
2003	\$61,824,799	96
2004	63,485,441	89
2005	166,425,515	106
2006	134,084,138	113
2007	82,501,318	105

Public Building

<u>Year</u>	<u>Value</u>	<u>Permits Issued</u>
2003	\$54,241,508	202
2004	34,176,914	95
2005	51,889,921	49
2006	38,009,733	243
2007	19,791,921	140

Alterations and Additions

<u>Year</u>	<u>Value</u>	<u>Permits Issued</u>
2003	\$107,026,579	2,399
2004	118,905,782	2,356
2005	163,471,082	2,213
2006	131,719,554	2,110
2007	86,009,536	1,973

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

LEADING BUSINESS AND INDUSTRIAL FIRMS LOCATED WITHIN MILWAUKEE COUNTY

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

Name	2007	Type of Business or Service
	Full Time Employees	
Aurora Health Care	17,384	Healthcare System
Wheaton Franciscan Healthcare	12,000	Healthcare System
U.S. Government (includes Zablocki Medical Center)	10,800	Government
Roundy's Supermarkets Inc.	7,532	Grocery retailer
Milwaukee Public Schools	7,137	Education
Quad Graphics	7,000	Commercial Printing
Marshall & Ilesley Corp.	6,869	Banking/Finance and Data Services
Kohl's Corp.	6,700	Specialty department stores
GE Healthcare	6,462	Medical Imaging & information technology
Milwaukee County	5,568	Government
Wisconsin Energy Corp.	5,177	Holding co., with subsidiaries electric generation & electric gas, steam & water distribution
Northwestern Mutual Life Insurance	5,000	Life Insurance
Prohealthcare Inc.	5,000	Provides Industrial Automation Power
Medical College of Wisconsin / Froedert Memorial Lutheran Hospital / Children's Hospital	4,500	Private medical and graduate school, biomedical research institute and medical group practice
Manpower Inc.	4,500	Provides workforce management services
Columbia St. Mary's	4,421	Nonprofit healthcare system specializing in cardiovascular care, cancer care, or orthopedics
Adecco Employment Services	4,336	Contract/Temporary Staffing
AT&T Wisconsin	4,300	Telephone service and advanced communications
Froedert & Community Health Inc.	4,044	Regional Hospital system
Harley Davidson Inc.	3,742	Designs, mfgs. & sells motorcycles & material
Wal-Mart Stores, Inc.	3,680	Discount retail stores and warehouse clubs
Rockwell Automation Inc.	3,478	industrial automation power control & information services
Bon-Ton Dept. Stores (formerly Carson Pirie Scott & Co.)	3,384	Department Store
Walgreens	3,180	Retail drugstore chain
Target Corp.	3,150	Retail department Store

Source: The 2008 Business Journal Book of Lists. Employer contact March 2008.

EMPLOYMENT AND INDUSTRY

During 2007, the City's unemployment rate averaged approximately 7.3%. Presented below are unemployment rates for the City of Milwaukee, as compared to the State of Wisconsin and the United States for the period 2003 through December 2007. 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

<u>Year</u>	<u>City of Milwaukee</u>	<u>Milwaukee - Waukesha Metropolitan Area</u>	<u>State of Wisconsin</u>	<u>United States</u>
2007	7.3% ⁽¹⁾	5.2% ⁽¹⁾	4.9%	4.6%
2006	7.0	4.9	4.7	4.6
2005	7.3	5.0	4.7	5.1
2004	7.7	5.4	4.9	5.5
2003	8.7	6.1	5.6	6.0

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

⁽¹⁾ **Estimated from monthly data.**

RECENT MONTHLY UNEMPLOYMENT RATES (Not Seasonally Adjusted)

<u>Month</u>	<u>City of Milwaukee</u>	<u>Milwaukee - Waukesha Metropolitan Area</u>	<u>State of Wisconsin</u>	<u>United States</u>
May 2008	6.5	4.7	4.6%	4.3%

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 percent of the workforce. Manufacturing firms employ 17 percent of the work force. The area is not dominated by any large employers. Less than two percent of the manufacturers have employment levels greater than 500. Less than one percent of the employers in finance, insurance and services have more than 500 employees.

TEN LARGEST TAXPAYERS WITH 2007 ASSESSED VALUATIONS

US Bank Corporation	\$251,922,870
Northwestern Mutual Life Ins.	\$189,074,920
Marcus Corp/Milw City Center/Pfister	\$115,917,730
Metropolitan Associates	\$102,999,270
NNN 411 East Wisconsin LLC	\$92,818,000
Towne Realty	\$87,959,160
M & I Marshall & Ilsley Bank/Metavante Corp	\$84,209,080
Geneva Exchange Fund	\$73,500,000
Crichton-Hauck/Shoreline/Juneau Village	\$72,927,000
100 E. Wisconsin Ave Joint Venture	\$71,573,000

Source: City of Milwaukee, Assessor's Office January 2008.

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BOOK-ENTRY-ONLY SYSTEM

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

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

DTC, the world’s largest depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2.2 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, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Income Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, FICC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has Standard & Poor’s highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

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

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

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

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

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

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

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

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

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

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LEGAL MATTERS

LITIGATION

Update to be provided
by City Attorney just
prior to print date

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

The City Attorney's Office has currently reviewed the status of pending or threatened litigation, claims and assessments to which the office has devoted substantive attention in the form of legal consultation or representation. Those which individually represent the maximum potential loss exposure in excess of \$1 million which existed as of the date August 7, 2007 are summarized below.

Jamie S., et al. v. Milwaukee Bd. of Sch. Directors, Case No. 01-C-0298 (E.D. Wis.) (formerly known as Lamont A., et al. v. Milwaukee Bd. of Sch. Directors). This is a federal civil rights suit, pending in the U.S. District Court for the Eastern District of Wisconsin. It is filed on behalf of seven District special-education students, alleging violations of the Individuals with Disabilities Education Act, the Rehabilitation Act of 1973 (Section 504) and Section 1983 of the Civil Rights Act of 1871 (42 U.S.C. §1983). The suit alleges that the District violated the statutory and constitutional rights of the named plaintiffs as a result of the District's delivery and/or failure to provide education and services to students protected under the referenced statutes. The plaintiffs have also brought claims against the State of Wisconsin, Department of Public Instruction, alleging that the State of Wisconsin has failed to properly monitor the District and enforce federal and state laws. The suit also seeks certification of a class action of all District special education students, as well as students who have not been found eligible for special education. This number exceeds 16,000 students. The class allegations assert the District systematically violates the rights of all special education students, in a broad range of areas, as well as the rights of their parents and/or guardians.

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

Plaintiffs seek equitable relief, including the entry of injunctions against MPS requiring MPS to ensure that MPS provide education and services and follow procedures called for under the federal statutes. Plaintiffs also seek undefined compensatory relief, in the form of compensatory education. It is unclear from the pleadings whether plaintiffs seek monetary relief; they do seek attorney's fees and expenses

In November, 2005, the Court concluded that MPS failed in its Child Find obligations under the IDEA in its failure to ensure the 90 day time limit for completing evaluations and failure to identify or untimely identifications of disabled students who have been subject to excessive suspensions. The Court concluded that DPI failed in its monitoring and oversight obligations. The Court deemed these "systemic" violations. The Court noted a third problematic area – poor record keeping. The Court also stressed that both defendants are currently operating in good faith to ensure compliance with the law.

In April of 2006, the Court heard testimony regarding whether MPS and DPI met other Child Find obligations under IDEA. A Post-trial briefing was completed in June, 2006 and the parties are now awaiting a decision from the Court.

LEGAL OPINION

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 Notes. A Draft of the legal opinion for the Notes are included herein as Appendix B.

TAX STATUS

Summary of Bond Counsel Opinion

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 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 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. However, interest on the 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 Notes 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 Notes 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.

Notes Purchased at a Premium or at a Discount

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

Bond premium and original issue discount are amortized over the term of a Note 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 Note for federal income tax purposes, to the same extent and with the same limitations as current interest.

Owners who purchase Notes 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 Notes. In addition, owners of Notes should consult their tax advisors with respect to the state and local tax consequences of owning the Notes; 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 Notes. Among these requirements are the following:

Limitations on Private Use. The Code includes limitations on the amount of Note proceeds 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 Notes 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 Notes.

Rebate of Arbitrage Profit. Unless the City qualifies for an exemption, earnings from the investment of the “gross proceeds” of the Notes 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 Notes 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 Notes, amounts received as a result of investing such proceeds and amounts to be used to pay debt service on the Notes.

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 Notes.

Risks of Non-Compliance

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

Federal Income Tax Consequences

Pursuant to Section 103 of the Code, interest on the Notes 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 Notes 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 NOTES.

Cost of Carry. Owners of the Notes 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 Notes. As discussed below, special allocation rules apply to financial institutions.

Corporate Owners. Interest on the Notes 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 Notes is taken into account not only in computing the corporate alternative minimum tax but also 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 Notes 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 Notes 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 Notes 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 Notes.

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 Notes 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 Notes 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 Notes are outstanding in a manner that would adversely affect the value or the tax treatment of ownership of the Notes.

STATE TAX MATTERS

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

NO DESIGNATION AS QUALIFIED TAX-EXEMPT OBLIGATIONS

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

CONTINUING DISCLOSURE

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

RATINGS

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

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

FINANCIAL ADVISOR

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

UNDERWRITING

The Notes have been purchased at competitive bidding conducted on August 12, 2008.

The award of \$210,000,000 of the Notes was made to _____, _____, _____, its co-managers and associates.

The public reoffering yield on the Notes will be detailed on the cover of the Final Official Statement.

LEGISLATION

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

CLOSING DOCUMENTS AND CERTIFICATES

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

- (1) a signature and no litigation certificate;
- (2) a tax certificate;
- (3) a certificate of delivery and payment;
- (4) the 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 by 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 Notes within seven business days after the award of the Notes in accordance with SEC Rule 15c2-12(b)(3);
- (6) a Continuing Disclosure Certificate; and
- (7) a statement to the effect that this Official Statement, to the best of its knowledge and belief as of the date of sale and the date of delivery, is true and correct in all material respects and does not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made herein, in light of the circumstances under which they were made, not misleading.

REPRESENTATIONS OF THE CITY

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

ADDITIONAL INFORMATION

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

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

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

August ____, 2008

APPENDIX A

MILWAUKEE PUBLIC SCHOOLS

Basic Financial Statements Year Ended June 30, 2007 and Independent Auditors' Report

Selected Sections

The complete Comprehensive Annual Financial Report
can be downloaded at the Milwaukee Public School's web page at:

www.milwaukee.k12.wi.us

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.

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APPENDIX B

Draft Form of Legal Opinion

APPENDIX C

Form of Continuing Disclosure Certificate

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APPENDIX D

Official Notice of Sale and Bid Form

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

FOR

\$210,000,000*

**CITY OF MILWAUKEE, WISCONSIN
SCHOOL REVENUE ANTICIPATION NOTES, SERIES 2008 M10
Not a general obligation of the City**

“Bids for SERIES 2008 M10 Notes”

Sale Data:

SALE DATE AND TIME:

Tuesday, August 12, 2008
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

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