

OFFERING MEMORANDUM

BOOK ENTRY ONLY

This Offering Memorandum provides information about the Notes. Some of the information appears on this cover page for ready reference. To make an informed investment decision, a prospective investor should read the entire Offering Memorandum.

Maximum Aggregate Principal Amount

\$200,000,000

CITY OF MILWAUKEE

EXTENDABLE MUNICIPAL COMMERCIAL PAPER NOTES 2012 PROGRAM, SERIES C6, SERIES R7, AND SERIES T8 (Taxable)

Ratings	As of the date of this Offering Memorandum, the following ratings have been assigned to the Notes. See “ <i>RATINGS</i> ” herein. P-1 Moody’s Investors Service, Inc. A-1+ Standard & Poor’s Ratings Services
Tax Exemption	In the opinion of Katten Muchin Rosenman LLP, and Hurtado, S.C., Co-Bond Counsel, under existing law, if there is continuing compliance with certain requirements of the Internal Revenue Code of 1986, interest on the Series C6 Notes and the Series R7 Notes will not be includable in gross income for federal income tax purposes. The Series C6 Notes and the Series R7 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 Series C6 Notes and the Series R7 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. Interest on the Series T8 Notes is not excluded from gross income for federal income tax purposes. See “ <i>TAX MATTERS</i> ” herein.
Authorized Amount	The Notes may be issued from time to time in one or more of three series designations in an aggregate principal amount outstanding at any one time not to exceed \$200,000,000. Initially, \$30,000,000 aggregate principal amount of Series C6 Notes and \$50,000,000 aggregate principal amount of Series R7 Notes will be issued.
Original Maturity Date	A Business Day, from 1 to 90 days from the original issue date of each Note.
Extended Maturity Date	The City has the option to extend the Original Maturity Date of a Note to a Business Day that is 180 days after the original issue date. The City intends to exercise this option to extend the maturity only in circumstances where there is a disruption in market liquidity for the Notes. See “ <i>THE NOTES</i> ” herein.
Interest Payment Dates	Interest on each Note is payable on the Original Maturity Date; however, if the Original Maturity Date is extended, then interest is not payable on the Original Maturity Date but instead, monthly as set forth herein and on any redemption date or the Extended Maturity Date. See “ <i>THE NOTES</i> ” herein.
Redemption	Notes are not subject to redemption prior to their Original Maturity Date. <i>If Original Maturity Date is Extended</i> —Notes are subject to redemption in whole but not in part, on any date, at the option of the City, prior to the Extended Maturity Date; provided that the City must redeem all Notes that have Extended Maturity Dates. See “ <i>THE NOTES; Redemption of Notes</i> ” herein.
Security	THE NOTES ARE NOT GENERAL OBLIGATIONS OF THE CITY; THE NOTES ARE LIMITED OBLIGATIONS OF THE CITY OF MILWAUKEE PAYABLE FROM PROCEEDS OF THE SALE OF NOTES OR REFUNDING NOTES ISSUED TO REFINANCE THE NOTES AND OTHER AVAILABLE FUNDS HELD UNDER THE INDENTURE. THE NOTES DO NOT REPRESENT OR CONSTITUTE A DEBT OF THE CITY WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY LIMITATION. See “ <i>THE NOTES; Security</i> ” herein.
Purpose	Proceeds of the Notes are used for various governmental purposes. See “ <i>THE NOTES; Authorization and Purpose</i> ” herein.
Denominations	\$100,000 and \$1,000 increments above \$100,000
Dealers	Merrill Lynch, Pierce, Fenner & Smith Incorporated Morgan Stanley & Co. LLC Loop Capital Markets
Co-Bond Counsel	Katten Muchin Rosenman LLP and Hurtado, S.C.
Issuing and Paying Agent	U.S. Bank National Association
Issuer Contact	City of Milwaukee, Comptroller (414) 286-3321; www.milwaukee.gov

Dated: May 9, 2012

The information in this Offering Memorandum has been obtained from the City, the Trustee, the Issuing and Paying Agent, DTC and other sources believed to be reliable. The references herein to the Indenture, the Issuing and Paying Agent Agreement or the Notes do not purport to be complete or definitive, do not constitute summaries thereof and are qualified in their entirety by reference to the provisions thereof. The information and expressions of opinion in this Offering Memorandum are subject to change without notice and neither the delivery of this Offering Memorandum nor any sale hereunder shall under any circumstances, create any implication that there has been no change in the affairs of the City since the date hereof.

No dealer, broker, salesperson or other person has been authorized to give any information or to make any representation other than those as contained in this Offering Memorandum in connection with the sale of these Notes and, if given or made, such other information or representations must not be relied upon.

This Offering Memorandum is not to be construed as a contract between the City and the purchasers of the Notes. This Offering Memorandum does not constitute an offer to sell or the solicitation of an offer to buy any securities other than those described on the cover page hereof, nor shall there be any solicitation, offer or sale of these securities in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. Prospective purchasers of the Notes are expected to conduct their own review and analysis before making an investment decision.

Any statements in this Offering Memorandum involving matters of opinion, projections or estimates, whether or not expressly so stated, are intended as such and not as representations of fact. No representation is made that any of such statements will be realized.

The Notes have not been registered pursuant to the Securities Act of 1933, as amended, in reliance upon an exemption contained therein. The Indenture has not been qualified under the Trust Indenture Act of 1939, as amended, in reliance upon an exemption contained therein. The Notes have not been recommended by any federal or state securities commission or regulatory commission. Furthermore, the foregoing authorities have not confirmed the accuracy or determined the adequacy of this Offering Memorandum. Any representation to the contrary is a criminal offense.

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OFFERING MEMORANDUM

Maximum Aggregate Principal Amount

\$200,000,000

CITY OF MILWAUKEE

EXTENDABLE MUNICIPAL COMMERCIAL PAPER NOTES

2012 PROGRAM

SERIES C6, SERIES R7, AND SERIES T8 (Taxable)

INTRODUCTION

This Offering Memorandum, which includes the cover page and appendices, furnishes general information in connection with the issuance and sale, from time to time, by the City of Milwaukee (the “City”) of its Extendable Municipal Commercial Paper Notes designated as Extendable Municipal Commercial Paper Notes 2012 Program, Series C6 (Capital Projects) (the “Series C6 Notes”), Extendable Municipal Commercial Paper Notes 2012 Program, Series R7 (Cash Flow) (the “Series R7 Notes”) and Extendable Municipal Commercial Paper Notes 2012 Program, Series T8 (Taxable) (the “Series T8 Notes,” and collectively with the Series C6 Notes and the Series R7 Notes, the “Notes”). The Notes will be issued, from time to time, in one or more of these three series designations, in an aggregate principal amount outstanding at one time not to exceed \$200,000,000 (“Authorized Amount”) by the City pursuant to the Trust Indenture, dated as of April 1, 2012 (the “Indenture”), by and between the City and U.S. Bank National Association, as trustee (the “Trustee”). Capitalized terms used but not defined herein shall have the meanings set forth in the Indenture.

Notes may be issued either in an initial issuance or to provide payment of maturing Notes. Notes issued to refinance other maturing Notes are referred to as “roll-over” Notes. Initially, the City intends to issue \$30,000,000 aggregate principal amount of Series C6 Notes and \$50,000,000 aggregate principal amount of Series R7 Notes (collectively, the “Initial Issue”).

Additionally, in connection with the issuance of the Notes from time to time, the City will enter into the Issuing and Paying Agent Agreement, to be dated as of April 1, 2012 (the “Issuing and Paying Agent Agreement”), with U.S. Bank National Association, as issuing and paying agent (the “Issuing and Paying Agent”). Inquiries to the Issuing and Paying Agent may be directed to:

Beverly A. Freeney
Vice President & Account Manager
U. S. Bank National Association
100 Wall Street - Suite 1600
New York, New York 10005
(212) 361-2893 (p)
(212) 509-3384 (f)
beverly.freeneey@usbank.com

This Offering Memorandum contains information furnished by the City or obtained from the sources indicated. With respect to Notes issued after the date of this Offering Memorandum (including roll-over Notes) and until such time as the City publishes a more current offering memorandum, the reader should also review the City’s most current complete Comprehensive Annual Financial Report (the “CAFR”) that is available at the time. This Offering Memorandum incorporates by reference selected sections of the Audited Annual Financial Report of the City of Milwaukee, Wisconsin for the Year Ended December 31, 2010 and any subsequent notice provided pursuant to the City’s continuing disclosure undertaking. At such time as the City publishes a new CAFR, this Offering Memorandum then incorporates by reference the corresponding parts of that CAFR and any subsequent notice provided to EMMA (as defined under the caption “*CONTINUING DISCLOSURE*”) pursuant to the City’s continuing disclosure undertaking. See “*Appendix A*”.

THE NOTES

AUTHORIZATION AND PURPOSE

Pursuant to Section 67.12(1)(b)(1) of the Wisconsin Statutes, the City is authorized to issue municipal obligations in anticipation of receiving proceeds from bonds or notes, the issuance of which the City has authorized under Chapter 67 of the Wisconsin Statutes. The Common Council of the City adopted a resolution on April 11, 2012 (the "Refunding Resolution") which authorized the issuance of general obligation refunding promissory notes ("General Obligation Refunding Notes" or "GO Refunding Notes") in an aggregate principal amount not to exceed \$220,000,000. In anticipation of receiving proceeds from the General Obligation Refunding Notes, the Common Council of the City adopted a resolution on April 11, 2012 (the "EMCP Note Resolution") which authorized the issuance of the Notes in the form of extendable municipal commercial paper notes. The Commissioners of the Public Debt of the City adopted a resolution on April 18, 2012 (the "PDC EMCP Resolution") approving the sale of the Notes in accordance with the EMCP Note Resolution.

The Series C6 Notes shall be issued from time to time for any capital items; the Series R7 Notes shall be issued from time to time for any cash flow borrowing; and the Series T8 Notes shall be issued from time to time for any undertaking, facility, cost, expense or item; all as provided and described in the Indenture.

SECURITY

The Notes are not general obligations of the City. Neither the full faith and credit nor the taxing power of the City is pledged for the payment of the Notes or interest thereon.

The Notes are limited obligations of the City payable from the following sources:

- (i) the proceeds from the sale of Notes to refinance maturing Notes;
- (ii) the proceeds of General Obligation Refunding Notes issued by the City pursuant to the Refunding Resolution; and
- (iii) any funds held under the Indenture.

THE NOTES DO NOT REPRESENT OR CONSTITUTE A DEBT OF THE CITY WITHIN THE MEANING OF ANY CONSTITUTIONAL OR ANY STATUTORY LIMITATION.

Although the City has the option to extend the maturity of a Note, the City intends, but is not obligated, to pay each Note on its Original Maturity Date from the sources listed herein. *The City intends to exercise the option to extend the maturity only in circumstances where there is a disruption in market liquidity for the Notes and not for the purpose of gaining an interest rate advantage. See "THE NOTES; Extension of Maturity Date" for a description of the City's option to extend the maturity date.*

The City covenants that commencing not later than: (i) 90 days prior to any Extended Maturity Date the City will begin the process to offer for sale GO Refunding Notes of the City to refinance the Notes that are maturing on the applicable Extended Maturity Date and apply the proceeds of such sale thereof to the payment of such maturing Notes; (ii) 30 days prior to any Extended Maturity Date to sell upon reasonable and customary terms and conditions, such GO Refunding Notes; and (iii) 10 days prior to the applicable Extended Maturity Date to issue, if sold, the GO Refunding Notes.

DESCRIPTION OF THE NOTES

The Notes will be dated the date of their respective authentication and issuance and are to be issued in book-entry form, in denominations of \$100,000 and in integral multiples of \$1,000 in excess of \$100,000. The Notes are each to bear interest at an annual rate not to exceed the Maximum Rate allowed for the Notes under the Indenture. The Maximum Rate means, with respect to any Series of Notes, the least of (i) 9% per annum and (ii) the maximum rate of interest permitted by applicable law. The Notes shall be sold by the Dealer pursuant to a Dealer Agreement at a price of not less than 100% of the principal amount thereof for the Series C6 Notes and the Series R7 Notes and not less than 99% of the principal amount thereof for the Series T8 Notes.

The Notes will be issued as fully registered notes and registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company ("DTC"), New York, New York. Beneficial ownership interests in the Notes will be available in book-entry form only, and purchasers of the Notes will not receive certificates representing their interests in the Notes purchased. While held in book-entry-only form, all payments of principal of and interest on the Notes

will be made by wire transfer to DTC or its nominee as the sole registered owner of the Notes. Payments to the beneficial owners are the responsibility of DTC and its participants.

Each Note will mature on its Original Maturity Date, which may range from 1 to 90 days from its original issue date as determined by the City upon the issuance of the applicable Note, unless the City exercises its option to extend the maturity date. In that case the Note will mature on the Extended Maturity Date, which will be the Business Day that is the earlier of: (i) 180 Days after its original issue date and (ii) the Final Maturity Date. No Notes shall mature later than May 22, 2017 (the Final Maturity Date). Notes within a single series may bear different Issue Dates, Original Maturity Dates, Extended Maturity Dates and interest rates. Notes within a single Series bearing the same Issue Date and Original Maturity Date must bear the same interest rate.

Each Note will bear interest from its Issue Date to its Original Maturity Date at an annual rate (calculated on the basis of a year consisting of 365/366 days with respect to each Series C6 Note and Series R7 Note and 360 days with respect to each Series T8 Note, and actual number of days elapsed), which shall not in any event exceed the Maximum Rate, payable on its Original Maturity Date, unless the maturity date is extended, in which case interest will be paid on the dates described below.

If the City exercises its option to extend the maturity date of a Note, the Note will bear interest from the Original Maturity Date at the applicable Reset Rate payable on the dates described below.

The City may, from time to time, without the consent of or notice to the Noteholders, amend certain provisions of the Indenture, including, without limitation, amendments to the definitions of Maximum Rate, Maximum Original Maturity Days, Extended Maturity Days or Reset Rate variables E and F, that are effective only for Notes issued on or after the effective date of such amendment with appropriate disclosure. See “Appendix D—Form of the Indenture” at Section 11.02.

EXTENSION OF MATURITY DATE

The City is required to notify the Issuing and Paying Agent and Dealer by 11:30 a.m. (New York, New York time) on the Original Maturity Date if the maturity date of a Note is to be extended. The Issuing and Paying Agent shall correspondingly notify (i) DTC by 12:00 noon (New York, New York time) on the Original Maturity Date and (ii) each Rating Agency then maintaining a rating on the Notes and EMMA by the close of business in New York, New York on the Original Maturity Date, that the maturity date of the Note is being extended. It is the responsibility of DTC, and not the City, to provide notice to brokers and other organizations participating in the DTC book-entry system. In no event shall an extension of a maturity for a Note constitute a default or breach of any covenant under the Indenture. Even if the requisite notices are not given, if payment of the principal of and interest on a Note does not occur on the Original Maturity Date, the maturity of the Note shall be extended automatically.

If the maturity date of a Note is extended, neither the principal nor interest thereon shall be paid on the Original Maturity Date. Such Note will then bear interest from the Original Maturity Date at the Reset Rate (described below), and the accrued but unpaid interest will be payable on the following dates (or any earlier redemption date) (and no additional interest shall accrue on the accrued but unpaid interest):

- (i) if the Original Maturity Date is before the 15th day of the month, interest will be payable on the first Business Day of each month, commencing the next month and on the Extended Maturity Date, or
- (ii) if the Original Maturity Date is on or after the 15th day of the month, interest will be payable on the first Business Day of each month, commencing the second succeeding month after the Original Maturity Date and on the Extended Maturity Date.

A Business Day means any day other than (i) a Saturday, Sunday or other day on which commercial banks in New York, New York, Milwaukee, Wisconsin or the city in which is located the office of the Issuing and Paying Agent, are authorized or required by law to close, or (ii) a day on which the New York Stock Exchange is closed.

The Reset Rate shall be the rate of interest per annum determined by the following formula; provided that such Reset Rate shall not exceed the Maximum Rate:

The greater of (SIFMA Index + *E*) or *F*

Notwithstanding the foregoing, the Reset Rate with respect to any Series T8 Notes shall be determined by substituting “One Month LIBOR Index” for the SIFMA Index in the formula above.

As used in the formula, SIFMA Index means (i) the seven-day high grade market index of tax-exempt variable rate demand obligations, as produced by Municipal Market Data and published or made available by the Securities Industry and Financial Markets Association (formerly the Bond Market Association) or any successor thereto (“SIFMA”) or any person acting in cooperation with or under the sponsorship of SIFMA or (ii) if such index is not published, such other publicly available rate as all Dealers with respect to the Series C6 Notes and the Series R7 Notes (or if the Dealers fail to do so, the City) shall deem most nearly equivalent thereto. Such index may be expressed as a percentage of (more or less than, or equal to, 100%) and/or a fixed spread to another index.

The Reset Rate applicable to a Note will be determined by the Issuing and Paying Agent based on the Prevailing Ratings and other information available as of 11:00 a.m., New York, New York time, on the Original Maturity Date of the Note and each Thursday thereafter and will apply from that date through the following Wednesday. As used in the formula, the *E* and *F* variables shall be the fixed percentage rates, expressed in basis points and yields, respectively, determined based on the Prevailing Ratings of the Rating Agencies then rating the Notes, as follows:

Prevailing Rating			E Variable	F Variable
Fitch ¹	Moody’s	S&P		
F-1+	P-1	A-1+	250 basis points	7.00%
F-1	–	A-1	350	7.50%
F-2	P-2	A-2	550	8.00%
Lower than F-2 (or rating withdrawn for credit reasons)	Lower than P-2 (or rating withdrawn for credit reasons)	Lower than A-2 (or rating withdrawn for credit reasons)	Maximum Rate	Maximum Rate

If the individual Prevailing Ratings indicate different *E* or *F* variables as a result of split ratings assigned to the City, the *E* or *F* variable shall be the arithmetic average of those indicated by the Prevailing Ratings. If another credit rating agency becomes a Rating Agency, the Issuing and Paying Agent shall, upon written direction of the City, following consultation with the City and each Dealer, determine how the agency’s rating categories shall be treated for the purpose of indicating an *E* or *F* variable. Prevailing Rating means, at the time of determination and with respect to a Rating Agency, the rating assigned to the Notes by the Rating Agency or any comparable future designation by the Rating Agency. Rating Agency means any of the following: (i) Moody’s, (ii) Standard & Poor’s, or (iii) any other nationally recognized credit rating agency specified in a Supplemental Indenture that maintains a rating on the Notes at the request of the City.

One Month LIBOR Index means (i) the rate for deposits in U.S. dollars for the 1-month period which appears on Bloomberg Page BBAM1 (as defined below) at approximately 11:00 a.m., London time, on the applicable interest determination date. “Bloomberg Page BBAM1” means the display designated on page “BBAM1” on the Bloomberg Service (or such other page as may replace the BBAM1 page on that service, any successor service or such other service or services as may be nominated by the British Bankers’ Association for the purpose of displaying London interbank offered rates for U.S. dollar deposits), or (ii) if the Bloomberg Page BBAM1 is unavailable, the inter-bank US Dollar loan rate in London for a period of one month which appears on Telerate Page 3750 as of 11:00 a.m., London Time, or (iii) if such index is not published, such other publicly available rate as all Dealers with respect to the Series T8 Notes (or if the Dealers fail to do so, the City) shall deem most nearly equivalent thereto. Such index may be expressed as a percentage of (more or less than, or equal to, 100%) and/or a fixed spread to another index.

REDEMPTION OF NOTES

A Note is not subject to redemption before its Original Maturity Date.

In the event the City exercises its option to extend the maturity of a Note, that Note may be redeemed on any date after its Original Maturity Date, at the option of the City at a redemption price equal to par (100%), plus accrued and unpaid interest to the redemption date; provided that no Note with an Extended Maturity Date shall be redeemed unless all Notes then Outstanding with an Extended Maturity Date are redeemed simultaneously.

¹ For purposes of the Initial Issue, the City has not obtained a rating from Fitch.

To exercise its redemption option, the City shall provide not less than 5 nor more than 25 calendar days' notice to the Issuing and Paying Agent. The Issuing and Paying Agent will notify DTC of the Notes to be redeemed within one Business Day of receipt of such notice.

EVENTS OF DEFAULT

Each of the following events shall constitute and is referred to in the Indenture as an "Event of Default":

- (a) a failure by the City to pay the principal of any Note on the applicable Extended Maturity Date;
- (b) a failure by the City to pay any installment of interest on any Note on the date such interest shall have become due and payable on an Extended Maturity Date or in accordance with the payment terms described under the caption "*THE NOTES; Extension of Maturity Date*";
- (c) a failure by the City to offer the GO Refunding Notes; a failure by the City if the GO Refunding Notes are sold, to issue the GO Refunding Notes, or to apply the proceeds therefrom in accordance with the City's covenant as described in the last paragraph under the caption "*THE NOTES; Security*";
- (d) a failure by the City to observe and perform any covenant, condition, agreement or provision (other than as specified in paragraphs (a), (b) or (c) under this caption) contained in the Notes or in this Indenture on the part of the City to be observed or performed, which failure shall continue for a period of 60 days after written notice, specifying such failure and requesting that it be remedied, shall have been given to the City by the Trustee, which notice may be given at the discretion of the Trustee and shall be given at the written request of holders of 25% or more in aggregate principal amount of the Notes then Outstanding, unless the Trustee, or the Trustee and holders of Notes in an amount not less than the Outstanding principal amount of Notes the holders of which requested such notice, shall agree in writing to an extension of such period prior to its expiration; provided, however, that the Trustee, or the Trustee and the holders of such principal amount of Notes, shall be deemed to have agreed to an extension of such period if such failure can be remedied, and corrective action is initiated by the City within such period and is being diligently pursued;
- (e) bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings, including, without limitation, proceedings under the United States Bankruptcy Code (as the same may from time to time be hereafter amended), or other proceedings for relief under any Federal or state bankruptcy law or similar law for the relief of debtors are instituted by or against the City, and, if instituted against the City, said proceedings are consented to or are not dismissed within 60 days after such institution; or
- (f) the occurrence of any other Event of Default as is provided in a Supplemental Indenture.

If any Event of Default has occurred, but is subsequently cured or waived, then such Event of Default shall no longer constitute an Event of Default under the Indenture.

REMEDIES

Upon the occurrence and continuance of any Event of Default, the Trustee in its discretion may, and upon the written direction of the holders of 25% or more in aggregate principal amount of the Notes then Outstanding and receipt of indemnity to its satisfaction, shall, in its own name and as the Trustee of an express trust: (i) by mandamus, or other suit, action or proceeding at law or in equity, enforce all rights of the Noteholders, and require the City to carry out any agreements with or for the benefit of the Noteholders and to perform its or their duties under any law to which it is subject and this Indenture, provided that any such remedy may be taken only to the extent permitted under the applicable provisions of the Indenture; (ii) bring suit upon the Notes; (iii) commence an action or suit in equity to require the City to account as if it were the trustee of an express trust for the Noteholders; or (iv) by action or suit in equity enjoin any acts or things which may be unlawful or in violation of the rights of the Noteholders.

The Trustee shall be under no obligation to take any action with respect to any Event of Default unless the Trustee has actual knowledge of the occurrence of such Event of Default.

BOOK-ENTRY-ONLY SYSTEM

The information in this section concerning The Depository Trust Company (“DTC”) and DTC’s book-entry-only system has been obtained from DTC, and the City takes no responsibility for the accuracy thereof.

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

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U. S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. 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 Note (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 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 Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

Redemption notices shall be sent to DTC. If less than all of the Notes 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 MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts 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, Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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, Security certificates are required to be printed and delivered.

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

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that Issuer believes to be reliable, but Issuer takes no responsibility for the accuracy thereof.

NEITHER THE CITY, THE ISSUING AND PAYING AGENT NOR THE DEALERS 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.

INVESTMENT POLICIES

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

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

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

The LGIP is a local option City depository. The City utilizes the LGIP in a manner similar to a “money market” account. When other investment options provide more favorable returns, such options are utilized. As of December 31, 2011, the City had approximately 44.59% (\$315,985,037) of its’ and MPS’ investments deposited in the LGIP.

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

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

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

THE CITY

LOCATION, ORGANIZATION AND GOVERNMENT

GENERAL

The City is located on the western shore of Lake Michigan in southeastern Wisconsin. The City is the hub of the metropolitan area and a thriving place to live and work. The City is Wisconsin’s largest city with a population of approximately 595,525 and is the principal trade, service and financial center of southeastern Wisconsin. The surrounding Metropolitan Statistical Area (“MSA”) includes the principal cities of Milwaukee, Waukesha and West Allis, in the counties of Milwaukee, Ozaukee, Waukesha and Washington and has a population of nearly 1.6 million.

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

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

ELECTED OFFICIALS

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

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

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CITY OFFICIALS

As of April, 2012

(initial year in office follows name)

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

COMMON COUNCIL

Ashanti Hamilton	(2004)	Robert W. Puente	(2004)
Joe Davis, Sr.	(2003)	Michael J. Murphy	(1989)
Nik Kovac	(2008)	Joseph A. Dudzik	(2002)
Robert J. Bauman	(2004)	Jose G. Perez	(2012)
James A. Bohl, Jr.	(2000)	Terry L. Witkowski	(2003)
Milele A. Coggs	(2008)	T. Anthony Zielinski	(2004)
Willie C. Wade	(2003)	Willie L. Hines, Jr.	(1996)
Robert G. Donovan	(2000)		

**The terms of all the above elected positions expire in April 2016.*

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PUBLIC SERVICES AND FACILITIES

The City, employing approximately 6,400 people on a full time basis plus others in a seasonal capacity, is charged with primary responsibility for public safety (via its police, fire and health departments); public works (including refuse removal and a City-owned water utility); various cultural and recreational services including a library system; and general municipal administration. City government also participates in housing and neighborhood programs through separate housing and redevelopment authorities. These two latter authorities have the ability to borrow directly and issue revenue backed financings.

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

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

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

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

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

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

EMPLOYEE RELATIONS

The City has approximately 6,400 full-time employees, 2,900 of which, in 5 bargaining units, are covered by labor agreements. One labor agreement covering 112 members expires on May 31, 2012, and another labor agreement covering 38 members expires on July 31, 2012. Those two agreements cover non-public safety officers, and pursuant to 2011 Act 10, the unions may only negotiate wages. Three other agreements, covering 2,700 public safety members, expires on December 31, 2012. 2011 Act 10 did not affect the ability of public safety unions to negotiate most issues.

On March 30, 2012, a Federal Court declared null and void a provision of 2011 Act 10 that requires non-public safety public employee unions to hold certification elections each year. Approximately 3,000 full-time City employees in 14 bargaining units with contracts that expired on December 31, 2011, and 2 bargaining units that have unexpired labor agreements, are affected by the ruling. The City is not a party to the litigation, and anticipates an appeal of the ruling. Prior to the ruling, 9 of

the 16 bargaining units representing approximately 855 employees filed for annual certification. The City does not know which, if any, of the remaining bargaining units will choose to remain a bargaining unit if the ruling is upheld.

GENERAL, DEMOGRAPHIC AND ECONOMIC INFORMATION

GENERAL

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

**CITY OF MILWAUKEE
SELECTED ECONOMIC DATA**

Year	Population		Adjusted Gross Income Per Return
	Department of Administration	U.S. Census	
2011	595,525		Not Available
2010	580,500	594,833	\$32,753
2009	584,000		32,492
2008	590,870		33,144
2007	590,190		33,225
2000	605,572	596,974	32,370

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

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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 2006 through December 2011.

General Total

<u>Year</u>	<u>Value</u>	<u>Permits Issued</u>
2011	\$269,386,167	2,340
2010	283,026,280	2,065
2009	290,326,431	1,723
2008	249,992,533	2,067
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>	
2011	\$17,892,282	139	\$42,327,598	364	\$60,219,880	503	222
2010	8,400,090	84	91,179,501	726	99,579,591	810	118
2009	7,269,207	59	37,354,152	409	44,623,359	468	72
2008	15,632,811	90	63,975,007	509	79,607,818	599	104
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>
2011	\$58,518,315	47
2010	53,319,884	67
2009	127,122,466	37
2008	59,502,236	74
2007	82,501,318	105

Public Building

<u>Year</u>	<u>Value</u>	<u>Permits Issued</u>
2011	\$49,456,901	256
2010	22,238,704	129
2009	10,808,648	107
2008	9,107,611	85
2007	19,791,921	140

Alterations and Additions

<u>Year</u>	<u>Value</u>	<u>Permits Issued</u>
2011	\$101,191,071	1,815
2010	107,888,101	1,751
2009	107,771,958	1,506
2008	101,774,868	1,804
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 that follows reveals the diversity of Milwaukee County's economic base. The largest of these are shown in the following list, which includes only employers with the majority or all of their employment in Milwaukee County.

Employer	2011 Employment Estimates	Type of Business or Service
Aurora Health Care	22,000 ⁽¹⁾	Health Care
U.S. Government (Includes Zablocki V.A. Medical Center)	10,800 ⁽²⁾	Government
Milwaukee Public Schools	9,142	Education
Wheaton Franciscan Healthcare	8,356	Health care provider
Froedtert Memorial Lutheran Hospital and Community Health	8,000	Health care provider
Kohl's Corporation	7,700	Specialty department stores
Wal-Mart Stores	7,360	Discount retail stores and warehouse clubs
Roundy's Supermarket	6,800	Retail grocer
Quad Graphics	6,700	Commercial printing
City of Milwaukee	6,400	Government
Milwaukee County	5,457	Government
Northwestern Mutual Life	5,000	Insurance
GE Healthcare Technologies	3,000	Medical imaging, healthcare services
Medical College of Wisconsin	4,877	Medical school/academic/health care
Children's Hospital of Wisconsin	4,604	Health care provider
ProHealth Care, Inc.	4,302	Health care provider
Columbia-St. Mary's	4,190	Health care provider
WE Energies	4,060	Electric/natural gas utility
BMO Financial Group ⁽³⁾	3,924	Holding company banking/finance and data services
University of Wisconsin-Milwaukee	3,881	Education
Walgreens Co.	3,521	Retail drugstore chain
U. S. Bank	3,467	Finance, banking
Briggs and Stratton	3,000	Manufacturer, small engines, automotive locks and keys
Target Corporation	3,000	Discount department store chain
Rockwell Automation	3,000	Industrial automation, power and control

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

⁽²⁾ Preliminary.

⁽³⁾ Formerly M&I Marshall & Ilsley Bank, acquired by Toronto-based BMO Financial Group. The acquisition was completed in July, 2011.

Source: The 2012 Business Journal Book of Lists, Employer contacts March 2012 and the U.S. Bureau of Labor Statistics February 2012.

EMPLOYMENT AND INDUSTRY

During 2011, the City's unemployment rate averaged approximately 10.6%. Presented below are unemployment rates for the City, as compared to the State of Wisconsin and the United States for the period 2007 through December 2011.

ANNUAL UNEMPLOYMENT RATES (Not Seasonally Adjusted)

<u>Year</u>	<u>City of Milwaukee</u>	<u>Milwaukee - Waukesha-West Allis Metropolitan Statistical Area</u>	<u>State of Wisconsin</u>	<u>United States</u>
2011	10.6%	7.9%	7.5%	8.9%
2010	11.5	8.7	8.3	9.6
2009	11.4	8.9	8.7	9.3
2008	6.6	4.8	4.7	5.8
2007	7.2	5.1	4.9	4.6

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

RECENT MONTHLY UNEMPLOYMENT RATES (Not Seasonally Adjusted)

<u>Month</u>	<u>City of Milwaukee</u>	<u>Milwaukee - Waukesha-West Allis Metropolitan Statistical Area</u>	<u>State of Wisconsin</u>	<u>United States</u>
January, 2012	10.3% ⁽¹⁾	7.7% ⁽¹⁾	7.6% ⁽¹⁾	8.8%

⁽¹⁾ Preliminary.

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

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

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TEN LARGEST TAXPAYERS WITH 2011 ESTIMATED EQUALIZED VALUATIONS

US Bank Corporation	\$ 249,092,565
Northwestern Mutual Life Ins.	\$ 193,493,375
Mandel Group	\$ 106,732,616
Marcus Corp/Milw City Center/Pfister	\$ 97,387,873
Metropolitan Associates	\$ 94,846,441
NNN 411 East Wisconsin LLC	\$ 89,724,353
100 E. Wisconsin-CW Wisconsin Ave. LLC	\$ 79,822,218
Towne Realty	\$ 75,787,573
Flanders Westborough	\$ 56,704,469
875 East Wisconsin-875 East Sponsor LLC	\$ 54,442,335

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

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DEBT STRUCTURE

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

LEGAL DEBT LIMITATIONS

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

DEBT MARGIN

(Includes Series 2012 R1, N2, B3, T4, T5)¹

2011 Equalized Value of Taxable Property in the City \$27,954,669,900

Legal Debt Limitation for City Borrowing

5% of Equalized Value \$1,397,733,495

General Obligation Debt Outstanding subject to 5% Limit
as of 05/01/12

\$864,810,000

Plus: Series 2012 R1, N2, B3, T4, T5

231,510,000

Less: Provision for current year maturities

(54,920,000)

Less: Refunded Long-term Debt

(71,875,000)

Plus: 2012 Extendable Variable Rate

30,000,000

Less: Refunded Commercial Paper

(24,000,000)

Net General Obligation Debt Outstanding subject to the 5% Limit
as of 05/01/12

\$975,525,000

Total Debt Margin for City Borrowing (in Dollars)

\$422,208,495

(As a percentage)

30.2%

(As a percentage excluding 2012 R1 Notes (as defined in
footnote 1 below))

37.4%

Legal Debt Limitation for School Purpose Borrowing

2% of Equalized Value

\$559,093,398

General Obligation Debt Outstanding subject to 2% Limit
as of 05/01/12

\$14,774,150

Less: Provision for current year maturities

-

Net General Obligation Debt Outstanding subject to the 2% Limit
as of 05/01/12

\$14,774,150

Total Debt Margin for School Purpose Borrowing (in Dollars)

544,319,248

(As a percentage)

97.4%

¹ "Series 2012 R1, N2, B3, T4, T5" means the City's \$100,000,000 General Obligation Cash Flow Promissory Notes, Series 2012 R1 ("2012 R1 Notes"), \$113,430,000 General Obligation Promissory Notes, Series 2012 N2 ("2012 N2 Notes"), \$8,455,000 General Obligation Corporate Purpose Bonds, Series 2012 B3, \$6,085,000 Taxable General Obligation Promissory Notes, Series 2012 T4, and \$3,540,000 Taxable General Obligation Corporate Purpose Bonds, Series 2012 T5.

DEBT REFUNDED

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

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

\$113,430,000 General Obligation Promissory Notes, Series 2012 N2, dated May 3, 2012, for the purpose of advance refunding a portion of five general obligation bond issues, with a final escrow payment in 2015, and with Bank of New York Mellon Trust Company as Escrow Trustee.

In the “*DEBT MARGIN*” presentation above, the refunded debt is excluded in the calculation of net general obligation debt outstanding.

**ANALYSIS OF GENERAL OBLIGATION DEBT
OUTSTANDING AS OF MAY 1, 2012**

Tax Increment Districts	\$187,777,992
Public Buildings	149,514,478
Schools (5% City Borrowing)	111,469,469
Schools (2% School Purpose Borrowing)	14,774,150
Streets	119,119,833
Sewers	80,567,916
Finance Real & Personal Property Tax Receivables	41,451,000
Police	31,205,933
Bridges	27,998,345
Blight Elimination/Urban Renewal	27,275,758
Water	21,965,561
Fire	18,681,090
Library	14,334,720
Parking	11,492,602
Local Improvement Projects/Special Assessments	10,424,199
Playground/Recreational Facilities	8,059,494
Harbor	2,849,244
Grant & Aid Improvements (City Share)	611,908
Economic Development	4,572
Industrial Land Bank	3,207
Milwaukee Exposition and Convention Center	1,238
Resource Recovery	1,043
Lakefront Development	398
Total	<u>\$879,584,150</u>

GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

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

Year	Total G.O. Debt Service as of 5/1/12 ⁽¹⁾		Series 2012 N2/B3/T4/T5		Total Requirements After Issuance		
	Principal ⁽²⁾	Interest ⁽³⁾	Refunding ⁽⁵⁾				
			New Money ⁽⁴⁾ Principal	Interest		Principal	Interest
2012	\$56,920,000	\$23,492,401	\$1,278,661	\$0	\$1,613,817	\$1,687,500	\$84,992,378
2013	92,555,000	34,678,072	2,291,455	3,865,000	3,205,925	2,700,000	158,790,452
2014	80,139,504	31,457,395	1,802,755	5,255,000	3,042,850	2,700,000	134,102,504
2015	77,228,467	28,655,812	1,510,455	2,380,000	2,878,250	2,700,000	119,367,984
2016	67,363,434	25,348,425	1,322,005	9,500,000	2,581,250	2,700,000	112,550,114
2017	59,880,239	23,066,338	1,160,355	2,990,000	2,103,750	2,700,000	101,500,681
2018	94,608,544	17,179,886	1,034,705	2,305,000	1,613,125	2,700,000	129,466,260
2019	44,916,727	14,192,857	925,880	2,320,000	1,073,125	2,700,000	77,703,589
2020	42,876,322	12,668,008	816,305	2,340,000	7,485,000	2,700,000	69,482,260
2021	35,578,148	10,802,354	705,855	2,360,000	268,250	2,700,000	58,064,608
2022	30,474,005	10,332,853	599,253	2,375,000	63,500	2,700,000	49,084,611
2023	29,823,761	8,970,633	502,000	1,970,000	—	2,700,000	43,966,395
2024	24,265,000	4,363,690	409,095	1,990,000	—	2,700,000	33,727,785
2025	20,410,000	3,432,094	314,678	2,020,000	—	2,700,000	28,876,772
2026	13,385,000	2,629,538	218,700	2,045,000	—	2,700,000	20,978,238
2027	9,620,000	1,281,134	121,073	2,080,000	—	2,700,000	15,802,207
2028	3,665,000	87,894	64,970	380,000	—	2,700,000	6,897,864
2029	—	—	50,730	400,000	—	2,700,000	3,150,730
2030	—	—	36,680	350,000	—	2,700,000	3,086,680
2031	—	—	22,815	370,000	—	2,700,000	3,092,815
2032	—	—	7,800	390,000	—	32,700,000	33,097,800
	<u>\$783,709,150</u>	<u>\$252,639,385</u>	<u>\$15,196,223</u>	<u>\$63,635,000</u>	<u>\$19,040,467</u>	<u>\$85,687,500</u>	<u>\$1,287,782,725</u>

⁽¹⁾ Excludes debt to be refunded.

⁽²⁾ Assumes Sinking Fund Deposits in year due

⁽³⁾ Assumes the maximum interest rate of 12.0% on \$42,000,000 of variable rate debt (the tax levy requirement).

⁽⁴⁾ Includes new money, and refunding of commercial paper.

⁽⁵⁾ Refunding of outstanding long-term debt.

⁽⁶⁾ Extendable Variable Rate means the rolling tender variable rate notes and the floating rate notes the City intends to issue in 2012.

⁽⁷⁾ Assumes the maximum interest rate of 9.0%. Preliminary, subject to change.

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

Year	Total GO Debt	Self-Sustaining GO Debt *	Levy Supported GO Debt
12/31			
2007	\$747,298	\$294,952	\$452,346
2008	788,579	291,317	497,262
2009	804,474	293,039	511,435
2010	916,034	342,400	573,634
2011	934,004	373,059	560,945

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

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

Year	TID Program	Parking Program	Special Assessments	Delinquent Taxes ⁽¹⁾	Water	Sewer ⁽²⁾	Total Self-Sustaining
12/31							
2007	\$143,886	\$11,733	\$16,458	\$28,320	\$19,895	\$74,661	\$294,952
2008	165,217	10,743	14,631	34,136	17,049	49,541	291,317
2009	164,106	11,616	12,994	40,508	17,049	46,766	293,039
2010	167,944	11,753	11,623	47,575	13,453	90,052	342,400
2011	192,838	12,170	10,462	52,728	22,053	82,807	373,059

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

⁽²⁾ Includes temporary borrowing pending refunding with revenue bonds.

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

Year 12/31	Population ⁽¹⁾	Net Equalized Valuation	AV	Total GO Debt	GO Debt /Net EV	GO Debt /AV	GO Debt /capita
2007	590,190	\$31,887,192,100	\$29,374,372,962	\$747,298,112	2.34%	2.54%	\$1,266
2008	590,870	32,257,525,000	30,431,675,204	788,579,150	2.44	2.59%	1,335
2009	584,000	31,266,329,200	28,994,573,372	804,474,150	2.57	2.77%	1,378
2010	580,500	29,520,783,200	28,048,464,348	916,034,150	3.10	3.27%	1,578
2011	595,525	27,954,669,900	27,917,642,983	934,004,150	3.34	3.35%	1,568

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

The 2012 Assessed Valuation of the City is anticipated to decline approximately 9% from the prior year. Equalized Values are prepared by the State, and the City will not know the 2012 Equalized Value until August, 2012. The City has no estimate of the 2012 Equalized Value. For the past 10 years, the ratio of Assessed Value to Equalized Value has ranged from 90.1% to 99.9%, with an average of 95.1%. The most recent ratio was 99.9%. A decline of Equalized Value that is less than the decline of Assessed Value would be consistent with the historical range of the ratio.

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

Year 12/31	PDAF Unsegregated Balance	GO Debt /Net EV	GO Debt /capita
2007	\$50,824,739	2.18%	\$1,180
2008	50,916,679	2.29	1,248
2009	50,444,955	2.41	1,291
2010	55,453,164	2.92	1,482
2011 ⁽¹⁾	55,453,164	3.14	1,475

⁽¹⁾ 12/31/11 balance is unknown at this time. Assumes balance is unchanged for the year.

**COMPUTATION OF NET DIRECT AND OVERLAPPING DEBT
MAY 1, 2012**

Governmental Unit	Debt Outstanding As of May 1, 2012	Percentage Applicable	Milwaukee's Share of Debt As of May 1, 2012
City of Milwaukee ⁽¹⁾	\$990,299,150	100.00%	\$990,299,150
Area Board of Vocational, Technical and Adult Education, District No. 9	80,060,000	37.34	29,894,404
County of Milwaukee	614,819,152	45.75	281,279,762
Milwaukee Metropolitan Sewerage District ⁽²⁾	928,417,875	46.78	434,313,882
TOTAL NET DIRECT AND OVERLAPPING DEBT	\$2,613,596,177		\$1,735,787,198

⁽¹⁾ Includes \$126 million general obligation debt outstanding, which financed Milwaukee Public Schools improvements. Figure includes the new issue, and excludes debt to be refunded and provisions for current year maturities.

⁽²⁾ Includes approximately \$928,417,875 of low interest loans from the State of Wisconsin Clean Water Fund, supported by the full faith and credit of the MMSD.

FUTURE FINANCING

The City has \$404 million authorized unissued general obligation debt for various corporate and capital improvement purposes, which can be issued at any time. In addition, prior to the expected issuance of 2008 R3 Notes (as defined under the caption "*DEBT STRUCTURE; Commercial Paper Program*"), the City has \$300 million of authorized unissued revenue anticipation borrowing for City and School cash flow purposes.

The City intends to issue approximately \$30 million of long-term extendable variable rate debt for street purposes, and to permanently finance approximately \$10 million of outstanding commercial paper issued for street purposes.

The authorized unissued general obligation debt includes \$67 million for sewer purposes. In addition, there is currently outstanding \$42 million of 2008 CP Notes (as defined under the caption "*DEBT STRUCTURE; Commercial Paper Program*") issued on a temporary basis for sewer purposes. Most of the sewer purpose debt will be financed on a revenue bond basis, including second lien revenue bonds sold to the State of Wisconsin Clean Water Fund Program. The remaining portion will be financed on a long-term basis with general obligation debt.

See "*DEBT STRUCTURE; City Capital Improvements Plan*" herein for information on potential future capital needs.

CITY CAPITAL IMPROVEMENTS PLAN

The City's 2012-2017 Draft Capital Improvement Plan ("CIP") outlines planned capital improvement projects and programs. Some school purpose improvements are financed by the City for Milwaukee Public School, but are not included in the CIP.

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

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

COMMERCIAL PAPER PROGRAM

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

The 2008 CP Notes may be issued at any time for any purpose, including the purposes described under the caption “*DEBT STRUCTURE; Future Financing*”. The primary purpose of the 2008 CP Notes program is to provide interim financing for expenditures pending the City’s next long-term financing and short-term cash flow needs. As of December 31, 2011, the City had \$66,000,000 of 2008 C2 Notes outstanding.

The Extendable Municipal Commercial Paper 2012 Program Series, which is the subject of this Offering Memorandum, is intended to finance future commercial paper needs that would otherwise have been financed with the 2008 CP Notes described in this subsection.

AUCTION RATE AND OTHER VARIABLE RATE EXPOSURE

The City has no outstanding Auction Rate securities. The City’s 2008 Series CP Notes are additionally secured by a direct pay letter of credit that expires on December 1, 2012 provided by State Street Bank. The \$12,000,000 outstanding Series 2005 V8 is a 7-day variable rate demand bond secured by a Stand-By Bond Purchase Agreement provided by State Street Bank that expires on December 1, 2012.

The \$12,000,000 of outstanding Series 2005 V8 were refunded with the proceeds of the 2012 N2 Notes (as defined in footnote 1 under the caption “*DEBT STRUCTURE; Debt Margin*”), and are scheduled to be redeemed in full on May 21, 2012. It is anticipated that, over time, up to 15-25% of the tax levy supported long-term general obligation debt will be in the form of variable rate debt. See “*DEBT STRUCTURE; Future Financing*” herein for a description of the City’s plans for future variable rate debt.

In 2003, the Redevelopment Authority of the City of Milwaukee, on behalf of the MPS, issued \$130,850,000 of Taxable Pension Funding Bonds, 2003 Series D in Auction Rate Mode and insured by MBIA. In 2005, the 2003 Series D bonds were converted to Index Bonds (“IB”) whose interest rate is reset monthly to 1-month LIBOR + 25 basis points. The IB bond owners do not have an option to put the bonds. The 2003 Series D bonds also have an interest rate swap that pays MPS 1-month LIBOR + 20 basis points in exchange for a fixed rate of 5.56% paid by MPS, effectively converting the IB to a fixed rate with no basis risk.

REVENUE BONDING

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

Water System Revenue Bonds, Series 1998 — In 1998, the City and the State of Wisconsin entered into a loan agreement under the State of Wisconsin Safe Drinking Water Loan Program. Subsidized loans are available for certain projects, are secured by revenues of the Milwaukee Water Works, and are repayable over a period of 20 years. As of December 1, 2011, the outstanding balance was \$7.5 million.

Sewerage System Revenue Bonds — In 2001, the City created the Sewerage System with the issuance of \$29,095,000 of Sewerage System Revenue Bonds, and in 2003, the City issued an additional \$33,885,000 of Sewerage System Revenue Bonds. In 2011, the City issued \$52,565,000 of refunding and new money Sewerage System Revenue Bonds. As of December 31, 2011, total outstanding Sewerage System Revenue Bonds was \$62 million with a final maturity in 2031.

In 2006, the City created the Sewerage System Second Lien Revenue Bonds for the purpose of borrowing from the State of Wisconsin Clean Water Fund Program. As of December 31, 2011, the City had \$80.5 million outstanding under the Program.

The City hopes to satisfy as much as possible of its Sewerage System capital needs with borrowings under the Program. (See “*DEBT STRUCTURE; Future Financing*”).

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

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

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

Between 1983 and December 1, 2011, the Housing Authority issued revenue bonds of approximately \$149 million, of which approximately \$8.990 million are still outstanding.

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

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

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

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

As of December 31, 2011, the Redevelopment Authority had outstanding: two bond issues with \$36,490,000 outstanding that have a Moral Obligation Pledge of the City; and \$253,939,122 in six bond issues for MPS, one secured by a lease, and five secured by loan agreement, with the Milwaukee Board of School Directors (“MBSD”). These bonds do not constitute general obligations of the City, or of MBSD, and shall not constitute or give rise to a charge against the City’s, or MBSD’s, taxing powers. These pledges create only financial obligations of the City, or MBSD, which are subject to annual appropriation. The loan agreement with MBSD includes a pledge of certain state aid payable to MBSD.

The Redevelopment Authority has also issued debt payable from tax increment revenues. (See “*DEBT STRUCTURE; Tax Increment District Financing*” herein).

Milwaukee Economic Development Corporation As of December 31, 2011, the Milwaukee Economic Development Corporation, itself, or through a related entity, funded loans for 1,080 small businesses and redevelopment projects utilizing \$260.9 million to leverage a total of \$1.299 billion in investment. 954 loans have been enrolled in the Capital Access Program with covered loan amounts totaling \$53.1 million.

The Milwaukee Economic Development Corporation had notes and debentures payable under the Small Business Administration’s Section 503 and 504 loan programs in the amount of \$9.5 million as of December 31, 2011.

The Milwaukee Economic Development Corporation had notes and debentures payable under the Small Business Administration's Section 503 and 504 loan programs in the amount of \$9.5 million as of December 31, 2011.

TAX INCREMENT DISTRICT FINANCING

Five issues of the Redevelopment Authority and Housing Authority involving over \$60 million in bonds have financed projects located within tax increment districts ("TID") of the City. The City has also financed public improvements and provided grants to the Redevelopment Authority for redevelopment purposes within such districts through the issuance of its general obligation bonds. As of December 31, 2011, \$193 million general obligation bonds for TID purposes were outstanding. Under current law, tax increments received by the City have been calculated based upon the assessed valuation and the applicable tax levy in the TID. The applicable tax levy includes the public school tax levy rate for Milwaukee Public Schools.

The Redevelopment Authority of the City has approximately \$42 million of debt secured by tax increment revenues. One of those issues, in the approximate amount of \$20 million, has the Moral Obligation Pledge of the City. The remaining debt is owed to developers of projects within the TID, with no recourse to the City in the event that tax increment revenues are insufficient to repay the obligations. In 1996, the Wisconsin Legislature passed a property tax relief measure which increased the portion of statewide school revenues funded by State equalization aid to two-thirds from approximately one-half of all funds' budgets. The 2011 Assessed Tax Rate for Milwaukee Public Schools is \$11.11 per thousand dollars of assessed value, down from \$15.70 in 1995 (amounts are net of the school state tax credit). As a result, tax increment revenues for certain TIDs received by the City have been, and are expected to continue to be, reduced and therefore have the impact of either increasing the time needed to recover incurred project costs, including future debt service requirements; reducing the funding of active and proposed TIDs; or may require the City to fund TID cash flow deficiencies with other City revenues. In connection with the change in the School Aid formula, the State Legislature extended the allowable life of all TIDs established before October 1, 1995 from a maximum 23 years to a maximum 27 years to accommodate the lower school property tax rate. Pursuant to 2003 Wisconsin Acts 126, 127, 194 and 231 (enacted in February through April 2004), the allowable life of TIDs created between September 30, 1995 and October 1, 2004 for blight elimination and rehabilitation purposes is 27 years. The maximum lives for TIDs created after September 30, 2004 is 27 years for blighted and rehabilitation TIDs, and 20 years for mixed-use TIDs and industrial TIDs, which, for industrial TIDs represents a reduction from 23 years, though the new law also makes them eligible for a three-year extension under certain circumstances. In any year in which total TID debt service requirements for the ensuing year are greater than total tax increments received, the shortfall is funded by the City's general property tax levy.

FINANCIAL INFORMATION

BUDGETING

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

ADOPTED BUDGET - COMBINED REVENUES - 2012

	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Total
Taxes						
Property Tax - General	\$115,230,737	—	\$68,736,570	\$1,025,000	—	\$184,992,307
Provision for Empl Retirement ⁽¹⁾	58,016,150	—	—	—	—	58,016,150
Common Council Cont	5,000,000	—	—	—	—	5,000,000
Total Taxes	178,246,887	—	68,736,570	1,025,000	—	248,008,457
Revenues						
Taxes	16,147,300	—	—	—	—	16,147,300
Licenses and Permits	12,647,600	—	—	—	—	12,647,600
Intergovernmental Revenues	259,851,500	63,846,247	—	—	—	323,697,747
Charges for Service	133,120,514	—	—	—	—	133,120,514
Fines and Forfeitures	5,304,000	—	—	—	—	5,304,000
Miscellaneous Revenues	3,710,825	12,300,000	—	—	—	16,010,825
Fringe benefits ⁽²⁾	25,000,000	—	—	—	—	25,000,000
Parking	22,410,157	—	2,170,000	5,000,000	15,866,843	45,447,000
Water Works	—	—	5,870,907	630,000	78,356,093	84,857,000
Sewer Maintenance Fund	12,734,075	—	11,408,929	6,440,000	25,219,115	55,802,119
Retained Earnings	—	—	—	—	9,734,527	9,734,527
Sinking Fund	—	—	64,058,277	—	—	64,058,277
Cash Flow borrowings	—	—	125,000,000	—	—	125,000,000
Special Assessments	—	7,703,639	—	1,065,600	—	8,769,239
Capital Revenue	—	—	—	15,058,000	—	15,058,000
Total Revenues	490,925,971	83,849,886	208,508,113	28,193,600	129,176,578	940,654,148
Tax Stabilization						
Transfer from Reserves	13,767,000	—	—	—	—	13,767,000
Sale of Bonds and Notes						
General City	—	—	—	96,308,100	—	96,308,100
Enterprise Funds	—	—	—	46,990,000	—	46,990,000
Grand Total	\$682,939,858	\$83,849,886	\$277,244,683	\$172,516,700	\$129,176,578	\$1,345,727,705

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

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

ADOPTED BUDGET – COMBINED APPROPRIATIONS – 2012

	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Total
Administration, Dept of	\$ 9,480,298	—	—	\$600,000	—	\$10,080,298
Assessor's Office	4,627,225	—	—	—	—	4,627,225
City Attorney	7,629,058	—	—	—	—	7,629,058
City Treasurer	3,063,379	—	—	—	—	3,063,379
Common Council - Clerk	8,555,215	—	—	40,000	—	8,595,215
Municipal Court	3,505,745	—	—	—	—	3,505,745
Comptroller	5,652,900	—	—	—	—	5,652,900
Dept of City Development	4,682,014	—	—	29,176,000	—	33,858,014
Election Commission	2,912,189	—	—	—	—	2,912,189
Employee Relations, Dept of	4,541,064	—	—	—	—	4,541,064
Fire and Police Commission	1,300,016	—	—	—	—	1,300,016
Fire Department	105,025,041	—	—	3,424,000	—	108,449,041
Health Department	13,161,487	—	—	450,000	—	13,611,487
Library Board	22,699,974	—	—	2,577,000	—	25,276,974
Mayor's Office	1,215,279	—	—	—	—	1,215,279
Neighborhood Services	17,236,668	—	—	—	—	17,236,668
Police Department	236,229,306	—	—	1,502,000	—	237,731,306
Port of Milwaukee	5,018,503	—	—	225,000	—	5,243,503
DPW-Administration	4,533,496	—	—	1,220,000	—	5,753,496
DPW-Infrastructure	39,508,604	—	—	52,981,700	—	92,490,304
DPW-Operations	79,476,499	—	—	10,239,000	—	89,715,499
Water Works	—	—	5,870,907	—	82,125,061	97,315,968
Sewer Maintenance Fund	—	—	11,408,929	—	26,592,120	81,951,049
Special Purpose Accounts	163,659,514	—	—	—	—	163,659,514
Pension Funds	87,566,061	—	—	—	—	87,566,061
Debt Service - City	—	—	132,794,847	—	—	132,794,847
Debt Service - Schools	—	—	—	—	—	—
Debt Service - Cash Flow	—	—	125,000,000	—	—	125,000,000
Contingency	5,000,000	—	—	—	—	5,000,000
Delinquent Tax Fund	—	12,300,000	—	—	—	12,300,000
Parking	—	—	—	—	20,459,397	28,419,397
Grant & Aid Fund	—	63,846,247	2,170,000	5,790,000	—	63,846,247
Special Capital Projects	—	—	—	11,022,000	—	11,022,000
Economic Development	—	—	—	—	—	—
Fringe Benefit Offset ⁽¹⁾	—	7,703,639	—	—	—	7,703,639
Grand Total	\$682,939,858	\$83,849,886	\$277,244,683	\$172,516,700	\$129,176,578	\$1,345,727,705

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

**CITY OF MILWAUKEE
GENERAL FUND - PROJECTED CASHFLOW SUMMARY
(MILLIONS OF DOLLARS)
JANUARY 1, 2012 TO DECEMBER 31, 2012**

	January	February	March	April	May	June	July	August	September	October	November	December	TOTAL
BALANCE	81.374	118.797	21.050	(16.657)	5.872	82.196	16.041	39.470	9.133	10.852	(0.470)	136.679	
RECEIPTS													
Property Taxes	2.764	8.067	5.098	6.733	7.629	8.184	52.481	10.440	14.434	13.513	1.237	83.302	213.882
State Aids	-	-	-	-	-	-	-	-	-	-	-	-	-
Shared Revenue	-	-	-	-	-	-	41.090	-	-	-	185.717	-	226.807
Highway Aids	6.176	-	-	6.170	-	-	6.960	-	-	6.170	-	-	25.476
Payment Muni. Services	-	1.912	-	-	-	-	-	-	-	-	-	-	1.912
Computer Exemption Aid	-	-	-	-	-	-	3.900	-	-	-	-	-	3.900
Other	9.550	5.674	14.152	7.474	10.236	13.117	13.005	15.185	9.282	14.076	9.477	9.580	130.808
Delinquent Taxes Transfer	31.404	-	-	-	-	-	-	-	-	-	-	-	31.404
Pension Fees	2.234	-	0.487	-	2.392	3.154	1.018	2.632	1.695	0.879	2.691	1.163	18.345
City Services Fees	3.075	2.340	2.432	1.846	2.376	1.805	2.147	2.556	2.128	3.093	4.927	3.180	31.905
City PILOTS (Major)	-	-	-	-	-	-	-	-	-	-	-	12.668	12.668
Parking Transfers	-	-	-	-	-	10.205	-	-	-	-	-	10.205	20.410
Summerfest Lease	-	-	-	-	-	-	-	-	-	-	-	1.351	1.351
Street Sweeping	-	-	-	-	-	6.070	-	-	-	-	-	6.070	12.140
Vehicle Registration Fee	0.378	0.630	0.378	0.378	0.630	0.630	0.630	0.567	0.567	0.567	0.567	0.378	6.300
Potawatomi PILOT	-	-	-	-	-	-	-	5.500	-	-	-	-	5.500
Year End Transfers	34.218	-	-	-	-	-	-	-	-	-	-	-	34.218
Note Proceeds ⁽¹⁾	-	-	-	50.000	100.000	-	-	-	20.000	-	-	-	170.000
TOTAL RECEIPTS	89.799	18.623	22.547	72.601	123.263	43.165	121.231	36.880	48.106	38.298	204.616	127.897	947.026

Maximum deficit occurs in July and November.

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

CITY OF MILWAUKEE
GENERAL FUND - PROJECTED CASHFLOW SUMMARY (MILLIONS OF DOLLARS)
(MILLIONS OF DOLLARS) (CONTINUED)
JANUARY 1, 2012 TO DECEMBER 31, 2012

	January	February	March	April	May	June	July	August	September	October	November	December	TOTAL
DISBURSEMENTS													
Salaries & Benefits	39,205	42,281	51,381	38,019	37,720	38,222	38,530	51,528	38,728	39,121	38,718	39,896	493,349
Services & Supplies	13,171	12,650	8,873	12,053	9,219	11,470	9,272	15,689	7,659	10,499	8,749	6,980	126,284
Employer Pension Contribution	-	25,000	-	-	-	-	-	-	-	-	-	-	25,000
Purchase Tax Delinquents	-	36,439	-	-	-	-	-	-	-	-	-	-	36,439
Contractual Tax Payment	-	-	-	-	-	59,628	-	-	-	-	-	-	59,628
Year End Transfers	-	-	-	-	-	-	-	-	-	-	-	29,300	29,300
Note Principal Repayment ⁽¹⁾	-	-	-	-	-	-	50,000	-	-	-	20,000	100,000	170,000
TOTAL DISBURSEMENTS	52,376	116,370	60,254	50,072	46,939	109,320	97,802	67,217	46,387	49,620	67,467	176,176	940,000
BALANCE	118,797	21,050	(16,657)	5,872	82,196	16,041	39,470	9,133	10,852	(0,470)	136,679	88,400	

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

**CITY OF MILWAUKEE
GENERAL FUND
PROJECTED SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(MILLIONS OF DOLLARS)**

	Beginning Cash Balance (Deficit)	Receipts	Disbursements	Ending Cash Balance (Deficit)	Ending Cash Balance Excluding RAN and CP
January	\$81.374	\$89.799	\$52.376	\$118.797	\$118.797
February	118.797	18.623	116.370	21.050	\$21.050
March	21.050	22.547	60.254	(16.657)	(\$16.657)
April	(16.657)	72.601	50.072	5.872 ⁽¹⁾	(\$44.128)
May	5.872	123.263	46.939	82.196 ⁽¹⁾	(\$67.804)
June	82.196	43.165	109.320	16.041	(\$133.959)
July	16.041	121.231	97.802	39.470 ⁽²⁾	(\$60.530)
August	39.470	36.880	67.217	9.133	(\$90.867)
September	9.133	48.106	46.387	10.852 ⁽¹⁾	(\$109.148)
October	10.852	38.298	49.620	(0.470)	(\$120.470)
November	(0.470)	204.616	67.467	136.679 ⁽²⁾	\$36.679
December	136.679	<u>127.897</u>	<u>176.176</u>	88.400 ⁽²⁾	\$88.400
		<u>\$947.026</u>	<u>\$940.000</u>		

⁽¹⁾ Balance includes RAN and CP principal receipts.

⁽²⁾ Balance includes RAN and CP principal repayments.

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

	Beginning Cash Balance <u>(Deficit)</u>	<u>Receipts</u>	<u>Disbursements</u>	Ending Cash Balance <u>(Deficit)</u>
January	\$56.982	\$102.292	\$54.588	\$104.686
February	104.686	17.354	94.906	27.134
March	27.134	40.496	64.999	2.631
April	2.631	25.228	51.376	(23.517)
May	(23.517)	68.323 ⁽¹⁾	48.413	(3.607)
June	(3.607)	142.293 ⁽¹⁾	157.288 ⁽²⁾	(18.602)
July	(18.602)	123.021	49.036	55.383
August	55.383	36.321	58.615	33.089
September	33.089	28.648	58.766	2.971
October	2.971	38.956	67.931	(26.004)
November	(26.004)	212.644	50.829	135.811
December ⁽³⁾	135.811	<u>130.275</u>	<u>184.712 ⁽²⁾</u>	81.374
		<u>\$965.851</u>	<u>\$941.459</u>	

Notes:

⁽¹⁾ \$46 million of CP were issued in May, and \$100 million of RANs were issued in June

⁽²⁾ \$46 million of CP were repaid in June, and \$100 million of RANs were repaid in December

⁽³⁾ Estimated.

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

	General Fund ⁽¹⁾	Other Governmental Funds	Enterprise Funds	Trust and Agency Funds ⁽²⁾	Total
January	\$104.686	\$261.005	\$40.899	\$145.688	\$552.278
February	27.134	192.825	41.305	106.365	367.629
March	2.631	173.592	41.746	203.221	421.190
April	(23.517)	170.602	42.270	95.520	284.875
May	(3.607)	162.758	42.606	10.568	212.325
June	(18.602)	227.212	43.105	95.736	347.451
July	55.383	224.261	43.493	58.282	381.419
August	33.089	218.555	43.910	40.074	335.628
September	2.971	209.228	44.372	46.374	302.945
October	(26.004)	257.359	44.866	47.378	323.599
November	135.811	235.933	45.315	137.465	554.524
December (estimate)	81.374	215.476	46.201	425.808	768.859

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

⁽²⁾ Agency Funds includes Milwaukee Public Schools.

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

CITY OF MILWAUKEE
PROJECTED SCHEDULE OF CASH AND INVESTMENT
BALANCES - ALL FUNDS
2012
(MILLIONS OF DOLLARS)

	General Fund ⁽¹⁾	Other Governmental Funds	Enterprise Funds	Trust and Agency Funds ⁽²⁾	Total
January	\$118.797	\$220.975	\$43.080	\$148.072	\$530.924
February	21.050	207.381	53.858	99.887	382.176
March	(16.657)	200.944	54.183	189.090	427.560
April	5.872	211.513	55.729	87.572	360.686
May	82.196	194.319	55.415	8.381	340.311
June	16.041	196.103	66.941	89.786	368.871
July	39.470	197.283	73.891	55.994	366.638
August	9.133	181.864	73.549	37.707	302.253
September	10.852	150.006	71.826	43.631	276.315
October	(0.470)	176.555	65.039	44.578	285.702
November	136.679	169.426	55.195	129.630	490.930
December	88.400	182.420	50.034	414.060	734.914

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

⁽²⁾ Agency Funds includes Milwaukee Public Schools.

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

**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEARS ENDING DECEMBER 31, 2006 THROUGH 2010**
(Thousands of Dollars)

<u>Revenues:</u>	<u>2006</u>	<u>2007</u> ⁽¹⁾	<u>2008</u>	<u>2009</u>	<u>2010</u>
Property Taxes	\$141,102	\$137,253	\$141,573	\$156,410	\$168,031
Other Taxes	5,202	5,311	4,839	3,504	5,097
Licenses and Permits	13,729	13,704	12,918	12,186	12,948
Intergovernmental	272,417	272,539	271,100	272,337	270,939
Charges for Services	73,528	76,496	86,410	91,057	97,146
Fines and Forfeitures	5,541	5,800	5,277	4,802	5,422
Other	<u>17,353</u>	<u>18,883</u>	<u>12,864</u>	<u>19,967</u>	<u>20,323</u>
TOTAL GENERAL FUND REVENUES	<u>528,872</u>	<u>529,986</u>	<u>534,981</u>	<u>560,263</u>	<u>579,906</u>
Tax Stabilization Fund Withdrawals	16,328	23,175	29,457	22,379	13,070
Other Financing Sources and Equity					
Transfers (Net)	<u>37,761</u>	<u>43,224</u>	<u>40,234</u>	<u>46,896</u>	<u>49,640</u>
TOTAL GENERAL FUND REVENUES TAX STABILIZATION FUND WITHDRAWALS AND OTHER FINANCING SOURCES	<u>582,961</u>	<u>596,385</u>	<u>604,672</u>	<u>629,538</u>	<u>642,616</u>
<u>Expenditures:</u>					
General Government	178,004	201,021	199,004	202,066	253,328
Public Safety	250,672	257,137	266,370	276,060	264,067
Public Works	86,482	93,956	103,149	97,093	94,482
Health	10,428	10,359	10,118	10,446	9,996
Culture and Recreation	17,882	17,548	16,782	17,329	15,656
Conservation and Development	<u>3,217</u>	<u>3,279</u>	<u>3,456</u>	<u>4,230</u>	<u>3,747</u>
TOTAL EXPENDITURES	<u>546,685</u>	<u>583,300</u>	<u>598,879</u>	<u>607,224</u>	<u>641,276</u>
SOURCES OVER (UNDER) EXPENDITURES	36,276	13,085	5,793	22,314	1,340
Fund Balance - January 1 (excludes reserved for use during the year)	68,899	82,000	65,628	49,042	58,286
Fund Balance - December 31	<u>105,175</u>	<u>95,085</u>	<u>71,421</u>	<u>71,356</u>	<u>59,626</u>
Fund Balance Components:					
Reserved for Encumbrances & Carryovers	15,616	21,376	22,865	21,919	8,144
Reserved for Inventory	6,886	6,252	7,248	6,827	7,220
Reserved for Mortgage Trust	280	218	173	141	135
Reserved for Environmental Remediation	303	303	303	303	303
Reserved for Next Year's Budget	23,175	29,457	22,379	13,070	14,600
Reserved for Subsequent Years' Budget	<u>58,915</u>	<u>37,479</u>	<u>18,453</u>	<u>29,096</u>	<u>29,224</u>
TOTAL FUND BALANCE	<u>\$105,175</u>	<u>\$95,085</u>	<u>\$71,421</u>	<u>\$71,356</u>	<u>\$59,626</u>

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

CITY OF MILWAUKEE
ASSESSED AND EQUALIZED VALUATIONS

	Year 2007 For 2008 Purposes	Year 2008 For 2009 Purposes	Year 2009 For 2010 Purposes	Year 2010 For 2011 Purposes	Year 2011 For 2012 Purposes
Real Property					
Residential	\$18,753,914,925	\$19,173,232,823	\$17,743,825,065	\$17,156,626,561	\$17,069,535,250
Industrial (Manufacturing)	726,692,200	772,959,900	732,007,800	732,279,700	746,955,100
Mercantile (Commercial)	8,950,205,395	9,483,547,328	9,485,580,238	9,202,213,459	9,191,348,932
Total Real Property	\$28,430,812,520	\$29,429,740,051	\$27,961,413,103	\$27,091,119,720	\$27,007,839,282
Personal Property	943,560,442	1,001,936,153	983,160,269	957,344,628	909,803,701
Total Assessed Valuations	\$29,374,372,962	\$30,431,676,204	\$28,944,573,372	\$28,048,464,348	\$27,917,642,983

Equalized Valuation as determined by the State Department of Taxation is the basis used in computing the 7% statutory debt limitation of the City of Milwaukee

\$31,887,192,100 \$32,257,525,000 \$31,266,329,200 \$29,520,783,200 \$27,954,669,900

Ratio of Assessed to Equalized Valuation 92.12% 94.34% 92.57% 95.01% 99.87%

The 2012 Assessed Valuation of the City is anticipated to decline approximately 9% from the prior year. Equalized Values are prepared by the State, and the City will not know the 2012 Equalized Value until August, 2012. The City has no estimate of the 2012 Equalized Value. For the past 10 years, the ratio of Assessed Value to Equalized Value has ranged from 90.1% to 99.9%, with an average of 95.1%. The most recent ratio was 99.9%. A decline of Equalized Value that is less than the decline of Assessed Value would be consistent with the historical range of the ratio.

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

Levy Year Collection Year	2007		2008		2009		2010		2011		2012	
Unit of Government												
City Government	\$7.99	\$8.01	\$8.09	\$9.12	\$9.25							
Milwaukee Public Schools	8.04	8.84	9.82	10.85	11.11							
Milwaukee County	4.37	4.41	4.38	4.87	4.89							
Milwaukee Area Technical College	1.89	1.92	1.94	2.02	1.95							
Milwaukee Metropolitan Sewerage District	1.39	1.39	1.37	1.52	1.51							
Gross Tax Rate Per \$1,000	23.68	\$24.57	\$25.60	\$28.38	\$28.71							
Less: State Tax Credit	(\$1.27)	(\$1.43)	(\$1.57)	(\$1.81)	(\$1.81)							
Net Tax Rate	<u>\$22.41</u>	<u>\$23.14</u>	<u>\$24.03</u>	<u>\$26.57</u>	<u>\$26.90</u>							

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

Budget Year	Taxes Levied for the Fiscal Year		Cumulative Collected in Subsequent Years	
	Levy	Collections	% of Levy	Amount
2006	\$261,685	\$255,823	97.76%	\$5,566
2007	265,319	257,350	97.00	7,433
2008	286,180	277,119	96.83	7,830
2009	276,186	265,691	96.20	5,300
2010	291,943	281,099	96.29	0
				% Collected
				99.89%
				99.80
				99.57
				98.12
				96.29

COLLECTION PROCEDURES

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

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

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

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

The rate of current tax collections continues at an historically high level. Current collections for 2010 were approximately 96.3% percent of the total tax levied.

INSURANCE

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

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PENSION SYSTEM SUMMARY

EMPLOYEES' RETIREMENT SYSTEM

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

ERS Membership

As of December 31, 2010

<u>Class</u>	<u>Vested</u>	<u>Non-Vested</u>	<u>Inactive</u>	<u>Retired</u>
General & Elected	6,807	1,572		8,160
Police	1,711	275		2,182
Firefighters	793	89		1,200
Certain pre-1996				<u>26</u>
Total	<u>9,311</u>	<u>1,936</u>	<u>4,158</u>	<u>11,568</u>

Source: Table 5 of the Actuarial Valuation Report as of January 1, 2011.

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

Basic Benefit Accrual Rates and Member Contributions

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

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

Schedule of Funding Progress

(\$ amounts in thousands)

<u>Valuation</u> <u>As of</u> <u>Dec 31</u>	<u>Actuarial</u> <u>Value of</u> <u>Assets</u>	<u>Actuarial</u> <u>Accrued</u> <u>Liability</u> <u>(AAL)</u>	<u>Unfunded</u> <u>AAL</u> <u>(UAAL)</u>	<u>Funded</u> <u>Ratio</u>	<u>Covered</u> <u>Payroll</u>	<u>UAAL as a</u> <u>Percentage</u> <u>of Covered</u> <u>Payroll</u>
2010	\$4,641,425	\$4,447,548	\$ -	104.4%	\$538,218	0.0%
2009	4,814,402	4,269,324	-	112.8	553,846	0.0
2008	4,076,297	4,113,089	36,792	99.1	536,558	6.9
2007	5,192,000	3,958,061	-	131.2	532,412	0.0
2006	4,899,721	3,846,481	-	127.4	528,854	0.0

Schedule of Employer Contributions
(\$ amounts in thousands)

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

Source: Tables 11a and 11b of the Actuarial Valuation Report as of January 1, 2011.

Actuarial Assumptions and Methods include:

Actuarial Cost Method: Projected Unit Credit

Amortization Method: Closed; Level Percent of Pay; Pay assumed to grow 3% per year

Remaining Amortization Period: 23 years

Asset Valuation Method: 5-year smoothed market, 20% corridor

Investment Rate of Return: 8.5% average

Projected Salary Increases: General: 3.5-8.5%; Police and Fire: 4.0-15.4%

Inflation Assumption: 3.0%

Cost of Living Adjustments: Varies by Employee Class

For more information about the ERS, details on plan benefits, and for copies of their financial and actuarial reports, see <http://www.cmers.com>

FIREMEN’S ANNUITY AND BENEFIT FUND

The Firemen’s Annuity and Benefit Fund was established in 1923 pursuant to Chapter 423 of the 1923 Laws of Wisconsin. In 1947, the Firemen’s Annuity and Benefit Fund was closed to new entrants. The final pre-1947 member retired in 1989. There are approximately 60 members or their spouses currently receiving benefits under the Fund program.

The Principal Mutual Life Insurance Company made a proposal to provide annuities guaranteeing benefit payments to members and spouses, exclusive of duty disability benefits, beginning in February 1990 in consideration of a single premium payment on January 31, 1990 in the amount of \$20,419,207. The Retirement Board of the Firemen’s Annuity and Benefit Fund and the Common Council authorized acceptance of the proposal and payment of the required premium on December 19, 1989. The Retirement Board ceased its activities and the Firemen’s Annuity and Benefits Fund was dissolved. The City will be liable to pay retirement benefits if the insurance company defaults on its obligations under the annuity policy. The estimated value of those benefits is under \$3,000,000.

POLICEMEN’S ANNUITY AND BENEFIT FUND

Membership in the Policemen’s Annuity and Benefit Fund consists of all Police Department employees whose service commenced prior to July 29, 1947. As of December 31, 2010, there were 25 members and 56 spouses receiving benefits under the fund program.

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

Schedule of Funding and Contributions

<u>Dec 31</u>	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded AAL (UAAL)	Funded Ratio	Annual Required Contribution	Percent Contributed
2010	\$1,584,173	\$2,945,917	\$1,361,744	53.8%	\$268,667	100%
2009	1,935,745	3,686,621	1,750,876	52.5	329,672	100
2008	2,147,172	4,295,606	2,148,434	50.0	41,423	100
2007	4,779,417	5,049,363	269,946	94.7	56,972	100
2006	5,585,697	5,956,676	371,279	93.8	307,582	100

Source: Table 2 of the Actuarial Valuation Report as of January 1, 2011, and as of January 1, 2010.

OTHER POST-EMPLOYMENT BENEFITS

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

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

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

The required contribution for medical and life insurance for retirees is based upon pay-as-you-go financing. Medical benefits provided through the basic health care plan are self-insured. For 2010, the City paid approximately \$32.9 million and \$1.2 million, respectively, towards medical and life insurance for retirees.

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

Funding Status and Funding Progress

Annual Required Contribution (ARC)	\$80,498,000
Interest on Net OPEB	5,373,000
Adjustment to ARC	<u>(4,560,000)</u>
Annual OPEB Cost	81,311,000
Contributions Made	<u>34,025,000</u>
Increase in net OPEB Obligation	47,286,000
Net OPEB Obligation – beginning of year	<u>127,074,000</u>
Net OPEB Obligation – end of year	<u>\$174,360,000</u>

Source: City's 2010 CAFR

Annual Cost and Net OPEB Liability

Year Ended <u>Dec 31</u>	Annual <u>OPEB Cost</u>	Percentage of Annual OPEB <u>Cost Contributed</u>	Net OPEB <u>Obligation</u>
2010	\$81,311,000	45.0%	\$174,360,000
2009	77,389,000	37.1	127,074,000
2008	73,100,000	45.0	78,400,000
2007	67,600,000	43.5	38,200,000

Source: City's 2010 and 2009 CAFRs

Schedule of Funding Progress

(\$ amounts in thousands)

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

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

Actuarial Assumptions and Methods include:

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

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

LEGAL MATTERS

LITIGATION STATEMENT

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

The City Attorney's office has reviewed the status of pending or threatened litigation, claims and assessments to which the office has devoted substantive attention in the form of legal consultation or representation and which individually represent maximum potential loss exposure in excess of \$1 million, existing on March 26, 2012.

Amoco Oil, et al. v. City of Milwaukee. Amoco, BP, Marathon, and US Oil are contesting the property tax assessments of their contiguous oil terminals. They allege that the City's inclusion of the value of certain through-put contracts is contrary

to law and that a tax refund is warranted. The City asserts that the inclusion of the value of these contracts in the assessments is consistent with the law because they run with the property. Following the June 2011 lifting of the stay imposed during the pendency of *Metropolitan Associates v. City of Milwaukee*, (plaintiff successfully challenged the validity of 2008 amendments to § 74.37 of the Wisconsin Statutes that would have been favorable to the City in future tax cases), four separate cases have been consolidated in Judge Moroney's court for trial on December 12, 2012. In addition, following the lifting of the stay, each of the terminals was permitted to add tax years 2009 and 2010 to the original claim for tax year 2008. Approximately \$3.9 million of property taxes are being disputed.

Section 74.37 Litigation. Several plaintiffs have brought a series of approximately a dozen similar lawsuits against the City for the refund of allegedly excessive property taxes on various commercial properties such as apartment buildings and pharmacies. The first of these lawsuits was brought in 2009 for the 2008 tax year. All of these cases were stayed by the Chief Judge for Milwaukee County Circuit Court pending the Wisconsin Supreme Court's resolution of the case of *Metropolitan Associates v. City of Milwaukee*. With the resolution of that case, the stay was lifted in June of 2011. The 2009 and 2010 tax years have now been added to most of these cases. Circuit Court branches have begun to issue scheduling orders that will result in these cases progressing to adjudication beginning about the middle of 2012. In addition, a dozen new lawsuits were filed in the second half of 2011 for tax year 2010. These cases are also moving toward adjudication in 2012 and 2013. Appeals by the losing party are likely in many of these cases. The city estimates that up to \$7.3 million of property taxes are being disputed.

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

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

LEGAL OPINIONS

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

RATINGS

As of the date of this Offering Memorandum, the following ratings have been assigned to the Notes:

Rating Agency

P-1 Moody's Investors Service, Inc.
A-1+ Standard & Poor's Ratings Services

Fitch has rated prior general obligation and other debt of the City. The City did not request a rating from Fitch for the Initial Issue.

Generally, a rating addresses the likelihood of full and timely payment of principal and interest and does not address the remoteness of an extension of the maturity date. The ratings, when issued, reflect only the views of the respective rating service. Any explanation of the significance of a rating on the Notes may only be obtained from the rating service giving the rating. No one can offer any assurance that a rating will be maintained for any period of time; a rating service may lower or withdraw the rating if in its judgment circumstances so warrant. Any downgrade or withdrawal of a rating may adversely affect the market price of the Notes.

TAX MATTERS

Summary of Bond Counsel Opinion

INTEREST ON THE SERIES T8 NOTES WILL NOT BE EXCLUDED FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES AND IS NOT EXEMPT FROM WISCONSIN INCOME TAXES.

Bond Counsel is of the opinion that under existing law, interest on the Series C6 Notes and the Series R7 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 is of the opinion that interest on the Series C6 Notes and the Series R7 Notes will continue to be excluded from the gross income of the owners thereof for federal income tax purposes. Bond Counsel is further of the opinion that the Series C6 Notes and the Series R7 Notes are not "private activity bonds" within the meaning of Section 141(a) of the Code. Accordingly, interest on the Series C6 Notes and the Series R7 Notes is not an item of tax preference for purposes of computing individual or corporate alternative minimum taxable income. However, interest on the Series C6 Notes and the Series R7 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 Series C6 Notes and the Series R7 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 Series C6 Notes and the Series R7 Notes in order to preserve the exclusion from gross income for federal income tax purposes of interest on the Series C6 Notes and the Series R7 Notes. These requirements relate to the use and investment of the proceeds of the Series C6 Notes and the Series R7 Notes, the payment of certain amounts to the United States, the security and source of payment of the Series C6 Notes and the Series R7 Notes and the use of the property financed with the proceeds of the Series C6 Notes and the Series R7 Notes.

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 Series C6 Notes and the Series R7 Notes. Among these requirements are the following:

Limitations on Private Use. The Code includes limitations on the amount of Series C6 Note and the Series R7 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 Series C6 Notes and the Series R7 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 Series C6 Notes and the Series R7 Notes.

Rebate of Arbitrage Profit. Unless the City qualifies for an exemption, earnings from the investment of the "gross proceeds" of the Series C6 Notes and the Series R7 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 Series C6 Notes and the Series R7 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 Series C6 Notes and the Series R7 Notes amounts received as a result of investing such proceeds and amounts to be used to pay debt service on the Series C6 Notes and the Series R7 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 Series C6 Notes and the Series R7 Notes.

Risks of Non-Compliance

In the event that the City fails to comply with the requirements of the Code, interest on the Series C6 Notes and the Series R7 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 Series C6 Notes and the Series R7 Notes

require neither acceleration of payment of principal of, or interest on, the Series C6 Notes and the Series R7 Notes nor payment of any additional interest or penalties to the owners of the Series C6 Notes and the Series R7 Notes.

Federal Income Tax Consequences

Pursuant to Section 103 of the Code, interest on the Series C6 Notes and the Series R7 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 Series C6 Notes and the Series R7 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 SERIES C6 NOTES AND THE SERIES R7 NOTES.**

Cost of Carry. Owners of the Series C6 Notes and the Series R7 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 Series C6 Notes and the Series R7 Notes. As discussed below, special allocation rules apply to financial institutions.

Corporate Owners. Interest on the Series C6 Notes and the Series R7 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 Series C6 Notes and the Series R7 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 Series C6 Notes and the Series R7 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 Series C6 Notes and the Series R7 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 Series C6 Notes and the Series R7 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 Series C6 Notes and the Series R7 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 Series C6 Notes and the Series R7 Notes held by such a company is properly allocable to the shareholder.

The opinion of Bond Counsel and the descriptions of the tax law contained in this Official Memorandum 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 Series C6 Notes and Series R7 Notes are outstanding in a manner that would adversely affect the value or the tax treatment of ownership of the Series C6 Notes and Series R7.

Effect of Implementing a Reset Rate

A Reset Rate with respect to a Note may be higher than the Original Rate for such Note. Although the Reset Rate is not expected to be used, Noteholders should consult their own tax advisors concerning the possibility that the implementation of a Reset Rate will create original issue discount that is taxable under the Code (in the case of T8 Notes) and Wisconsin law (in the case of all Notes).

CONTINUING DISCLOSURE

The City has agreed to enter into an undertaking (the "Undertaking") for the benefit of holders including beneficial holders of the Notes to provide certain financial information and operating data relating to the City annually to the Municipal Securities Rulemaking Board (the "MSRB"), and to provide notices of the occurrence of certain events enumerated in Rule 15c2-12 promulgated by the United States Securities and Exchange Commission pursuant to the Securities Exchange Act of

1934 (the “Rule”) electronically or in the manner otherwise prescribed by the MSRB to the MSRB. The MSRB has designated its Electronic Municipal Market Access (“EMMA”) system as the system to be used for continuing disclosures to investors. The details and terms of the Undertaking, as well as the information to be contained in the annual report or the notices of material events, are set forth in the Continuing Disclosure Certificate to be executed and delivered by the City at the time the initial Series of Notes are delivered. Such Certificate will be in substantially the form attached hereto as Appendix C. The City intends to fully comply with the Undertaking relating to the Notes.

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

A failure by the City to comply with the Undertaking will not constitute an event of default on the Notes (although holders will have the right to obtain specific performance of the obligations under the Undertaking); however, such a failure may adversely affect the transferability and liquidity of the Notes and their market price.

FINANCIAL ADVISOR

Robert W. Baird & Co. has been retained as Financial Advisor to the City in connection with the issuance of the Notes.

DEALERS

The City has appointed Merrill Lynch, Pierce, Fenner & Smith Incorporated (an indirect wholly-owned subsidiary of the Bank of America Corporation), Morgan Stanley & Co. LLC and Loop Capital Markets LLC (the “Dealers”) to serve as dealers for the Notes. Gonzalez Saggio & Harlan LLP has been retained as counsel to the Dealers in connection with the issuance of the Notes. Under Dealer Agreements, dated as of April 1, 2012, by and between the City and each Dealer, the Dealers have no commitment to purchase any of the Notes, but are obligated only to use best efforts as agents of the City to solicit and arrange sales of the Notes on behalf of the City. Inquiries to the Dealers may be directed to the following:

<i>Contact:</i>	Merrill Lynch, Pierce, Fenner & Smith Incorporated c/o Bank of America Merrill Lynch Attn: Municipal Money Markets	Morgan Stanley Attn: Municipal Short-Term Products	Loop Capital Markets LLC Attn: Clarence Bourne
<i>Address:</i>	One Bryant Park, FLR 9 New York, NY 10036	1585 Broadway New York, NY 10036	111 W. Jackson Boulevard Suite 1901 Chicago, IL 60604
<i>Phone:</i>	(212) 449-5101	(212) 762-6946	(312) 356-5009
<i>E-Mail:</i>	dg.temm@baml.com	muni-short-term@morganstanley.com	clarence.bourne@loopcapital.com

REPRESENTATIONS OF THE CITY

To the best of its knowledge, the information in this Offering Memorandum 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 AND DOCUMENTS INCORPORATED BY REFERENCE

Additional information and copies of documents incorporated herein by reference may be obtained from the undersigned City Comptroller upon request.

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

/s/ Martin Matson

Martin Matson, Comptroller
City of Milwaukee, Wisconsin

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APPENDIX A

**Audited Annual Financial Report of
the City of Milwaukee, Wisconsin
for the Year Ended December 31, 2010**

Selected Sections of the Comprehensive Annual Financial Report

The complete Comprehensive Annual Financial Report
may be downloaded from EMMA

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 Memorandum, nor has the independent auditor been asked to give consent to the inclusion of this appendix in this Official Memorandum.

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INTRODUCTORY SECTION

Pages 2-16 Omitted



KPMG LLP
Suite 1500
777 East Wisconsin Avenue
Milwaukee, WI 53202-5337

Independent Auditors' Report

The Honorable Members
Common Council
City of Milwaukee, Wisconsin:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Milwaukee, Wisconsin (the City) as of and for the year ended December 31, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Housing Authority of the City of Milwaukee, the Redevelopment Authority of the City of Milwaukee, the Milwaukee Economic Development Corporation, and the Neighborhood Improvement Development Corporation, which represents 100% of the assets and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the aggregate discretely presented component units, is based on the reports of the other auditors.

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

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Milwaukee as of December 31, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

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



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

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

In accordance with *Government Auditing Standards*, we have also issued a report dated July 29, 2011, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in assessing the results of our audit.

KPMG LLP

Milwaukee, Wisconsin
July 29, 2011

CITY OF MILWAUKEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010
(unaudited)

Within this section of the City of Milwaukee Comprehensive Annual Financial Report, the City's management provides narrative discussion and analysis of the financial activities of the City for the fiscal year ended December 31, 2010. The City's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section. This *Management Discussion and Analysis* (MD&A) should be read in conjunction with the City's basic financial statements, which follow this discussion. Additional information is available in the letter of transmittal, which precedes Management's Discussion and Analysis. The MD&A focuses on the City's primary government and, unless otherwise noted, component units reported separately from the primary government are not included.

FINANCIAL HIGHLIGHTS

- The assets of the City of Milwaukee exceeded its liabilities at the close of fiscal year 2010 by \$950 million (net assets); \$273 million in governmental activities and \$677 million in business-type activities. Governmental activities' unrestricted assets reflect a deficit of \$285 million. The City regularly makes significant investments in private purpose developments which do not produce any direct financial return to the City. The City also finances certain long-term liabilities as they come due rather than when they are incurred. The City's net assets increased 2% compared to the previous year of \$929 million.
- The vast majority of the City's net assets are capital assets, most of which do not generate revenues by their use or sale. Total net assets are comprised of the following:
 - Capital assets, including property and equipment, net of related debt and accumulated depreciation – \$980 million.
 - Restricted net assets, limited by constraints imposed externally such as debt covenants, grantors, laws, or regulations – \$222 million.
 - Unrestricted net assets – (\$252) million.
- The City's total 2010 year-end other post-employment benefits (OPEB) obligation is \$174 million; an increase of 37% from the 2009 obligation of \$127 million. The obligation is based on an actuarial valuation as of January 1, 2009, which indicates the 2010 actuarial accrued liability for benefits was \$1,008 million over a 30-year amortization period.
- Total liabilities of the City increased by \$144 million to \$1,879 million. The long-term portion of total liabilities (\$1,297 million) consists of \$174 million for OPEB, \$1,063 million for outstanding debt and \$60 million for compensated absences, claims, and judgments.
- City governmental expenses exceeded combined program revenues by \$757 million. General revenues and transfers of \$782 million resulted in a \$25 million increase of net assets for the year. Business-type activities produced a decrease of net assets of 1% over 2009, generating a \$4 million shortfall in 2010.
- For governmental activities, program revenue supported 25% of the total expenses for 2010. Property taxes and other taxes represented 28% of the primary government's governmental activities' expenses, state aids for the General Fund equaled 27%, and miscellaneous revenues and transfers supported 23% of the expenses. Revenues and transfers exceeded expenses by 3% in 2010.
- For business-type activities, program revenue supported 123% of the expenses for 2010; and, in total exceeded the expenses by \$43 million. Miscellaneous revenue net of transfers out reduced this excess to \$4 million shortfall for the year.
- The City's total governmental funds reported total ending fund balances of \$264 million this year. Compared to the prior year ending fund balance of \$226 million, an increase of \$38 million resulted by year end 2010; a 17% increase.
- The General Fund balance at year-end 2010 totaled \$60 million – a \$12 million reduction compared to 2009 (-15%). This ending Fund balance is about 8% of General Fund expenditures and transfers.
- The operating expenditures of the General Fund were \$8 million less than budgeted. This favorable variance is a result of savings from general government departments of \$6 million, public safety departments of \$1 million, and a combined savings of \$1 million in other departments. The combined savings from the general government departments of Comptroller, Treasurer, Employees' Retirement and Employees Relations resulted in a favorable variance in various fringe benefit costs that were allocated to capital and grant projects rather than to general fund accounts, and, thus saved \$4 million for the year. In addition, savings of \$1 million was realized in a non-departmental account set aside for

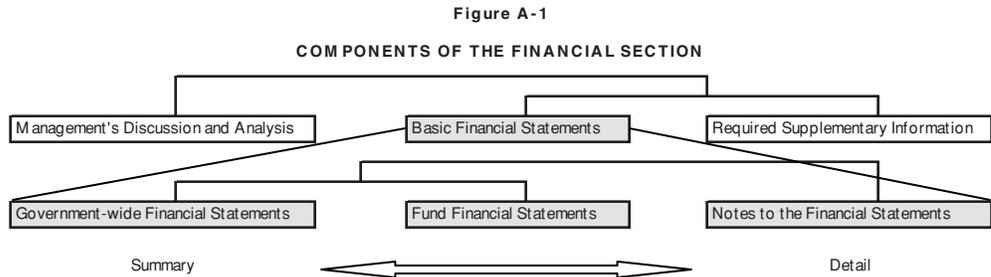
CITY OF MILWAUKEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
 FOR THE YEAR ENDED DECEMBER 31, 2010
 (unaudited)

contingencies. Fire, Police, and Neighborhood Services' operating accounts saved about \$1 million; with the remaining \$2 million from all other operating accounts of other departments.

- Outstanding General Obligation bonds and notes payable increased by \$114 million during the current fiscal year from \$780 million to \$894 million. This increase results from early retirement of General Obligation debt of \$471 million and issuance of \$585 million in new General Obligation bonds and notes for the continued funding of City capital projects as well as debt issued on behalf of the Milwaukee Public Schools.
- The City issued General Obligation Cash-flow Promissory Notes for \$147 million in advance of receipt of the State Shared Revenues. With the receipt of these revenues, an amount equal to the debt was transferred to the Debt Service Fund.

OVERVIEW OF THE FINANCIAL STATEMENTS

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



The basic financial statements include two kinds of statements.

- Government-wide financial statements that provide both long-term and current period information about the City's overall financial status.
- "Fund" specific financial statements that focus on individual components of City government, reporting the City's operations in more detail than the government-wide statements.
 - Governmental fund statements tell how general government services such as public safety were financed in the past year as well as what remains for future spending.
 - Proprietary fund statements offer current year and long-term financial information about business type activities such as the water utility and the sewer maintenance systems.
 - Fiduciary fund statements provide financial information about certain operations - such as benefit plans for the City's employees—in which the City is solely a trustee or agent for the benefit of others to whom the resources belong.

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

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

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

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

The City's major funds begin with Exhibit A-1. The fund financial statements provide detailed information about the most significant financial components of the municipality as opposed to the City as a whole. These individual funds are established for the purpose of executing specific activities and objectives in accordance with Federal, State and local laws and regulations.

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The accounts of the City are organized on the basis of funds. Each fund is a separate fiscal and accounting entity with a self-balancing set of accounts including assets, liabilities, equities, revenues and expenditures or expenses.

The City reports financial activity and status according to three fund types: governmental, proprietary and fiduciary funds.

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

Notes to the Financial Statements

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

Required Supplementary Information

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

Combining and Individual Fund Statements and Schedules and Miscellaneous Financial Data

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

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

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

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	2009	2010	2009	2010	2009	2010
Current and other assets	\$ 839,138	\$ 888,034	\$ 99,970	\$ 117,622	\$ 939,108	\$ 1,005,656
Capital assets	929,995	985,504	795,192	837,899	1,725,187	1,823,403
Total assets	1,769,133	1,873,538	895,162	955,521	2,664,295	2,829,059
Long-term obligations	948,158	1,072,207	149,645	224,791	1,097,803	1,296,998
Other liabilities	572,852	528,317	64,488	53,925	637,340	582,242
Total liabilities	1,521,010	1,600,524	214,133	278,716	1,735,143	1,879,240
Net assets:						
Invested in Capital assets, net of related debt	367,061	360,132	650,478	619,758	1,017,539	979,890
Restricted	164,011	210,066	30,551	11,422	194,562	221,488
Unrestricted	(282,949)	(297,184)	-	45,625	(282,949)	(251,559)
Total net assets	\$ 248,123	\$ 273,014	\$ 681,029	\$ 676,805	\$ 929,152	\$ 949,819

Net assets of the City's governmental activities increased 11% to \$273 million for 2010. The portion of these net assets restricted as to use totaled \$198 million. Net assets invested in capital facilities (buildings, roads, bridges, etc) totaled \$360 million net of outstanding debt used to acquire those assets. The City uses these assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in capital assets are reported net of related debt, the funding needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The unrestricted net assets deficit (\$285 million) at the end of 2010 does not imply that the City has inadequate financial resources available to meet its current obligations. For example, the City's annual budgets do not include the full amounts needed to meet future liabilities arising from property-casualty claims, unused employee vacation-sick leave and outstanding debt. The City will include the amounts needed in future years' budgets as these obligations come due.

The net assets of business-type activities decreased 1% to \$677 million in 2010. The City generally can only use these net assets to finance the continuing operations of its specific enterprise activities.

Long-term obligations for governmental activities increased 13% and for business-type activities increased 50% from 2009 due primarily to the issuance and retirement of long-term debt and the recording of other post employment benefits (OPEB) obligation.

Total assets including capital assets increased \$165 million or 6% from 2009. Capital assets of the primary government increased 6% from the previous year due to several completed major street projects by the State of Wisconsin. For 2010, capital assets of the Water Works and the Sewer Maintenance Funds comprise 93% of the City's total capital assets related to business-type activities. These are the City's two largest enterprise (business-type) funds. The Water Works capital assets (48%) consist primarily of water mains and related water facilities and plants; and, the Sewer Maintenance Fund (45%) includes local sewer mains and connections.

Changes in net assets. Total annual City revenues less expenses yield the change in net assets. The City's program and general revenues totaled \$985 million for governmental activities. Forty-three percent of governmental purpose revenues are intergovernmental revenues (State aids, Federal and State grants) while 29% is derived from property and other taxes. Charges for services represent 10% of total revenues, and the remaining 18% generated by licenses, permits, fines and forfeits and other miscellaneous sources.

The City's governmental activity expenses cover a range of services, with \$326 million (32%) related to public safety (fire and police, neighborhood services). General government expenditures total \$259 million (26%) while public works expenditures total \$169 million (17%). Program specific revenues generated only about one-fourth of the revenue needed to support the cost of governmental activities. General City revenues, taxes and State aids provide the remaining funds.

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Total governmental activities revenues and transfers exceeded expenditures by \$26 million (3%). For business-type activities expenditures and transfers exceeded its revenues by \$4 million (2%). However, prior to the transfer of \$48 million from business type funds to governmental funds, business type funds showed a \$44 million excess of revenues over expenses while governmental activities showed a \$22 million gap of revenues below expenses. Chart 1, Expenses and Program Revenues – Governmental Activities and Chart 2 Expenses and Program Revenues – Business-type Activities depict this comparison by major function.

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

Table 2
Changes in Net Assets
(Thousands of Dollars)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2009	2010	2009	2010	2009	2010
Revenues:						
Program revenues:						
Charges for services	\$ 91,057	\$ 97,146	\$ 213,032	\$ 226,139	\$ 304,089	\$ 323,285
Operating grants and contributions	73,694	95,018	-	-	73,694	95,018
Capital grants and contributions	-	57,739	18,674	3,094	18,674	60,833
General revenues:						
Property taxes and other taxes	270,191	283,442	-	-	270,191	283,442
State aids for General Fund	272,337	270,939	-	-	272,337	270,939
Miscellaneous	47,217	179,057	120	1,085	47,337	180,142
Total revenues	<u>754,496</u>	<u>983,341</u>	<u>231,826</u>	<u>230,318</u>	<u>986,322</u>	<u>1,213,659</u>
Expenses						
General government	207,504	259,420	-	-	207,504	259,420
Public safety	331,409	326,366	-	-	331,409	326,366
Public Works	167,983	168,699	-	-	167,983	168,699
Health	22,995	23,360	-	-	22,995	23,360
Culture and recreation	22,901	21,075	-	-	22,901	21,075
Conservation and development	50,683	66,758	-	-	50,683	66,758
Capital contribution to						
Milwaukee Public Schools	5,153	91,161	-	-	5,153	91,161
Contributions	21,026	23,321	-	-	21,026	23,321
Interest on long-term debt	23,985	26,467	-	-	23,985	26,467
Water	-	-	67,946	67,966	67,946	67,966
Sewer Maintenance	-	-	34,847	41,188	34,847	41,188
Parking	-	-	24,659	25,450	24,659	25,450
Port of Milwaukee	-	-	3,811	5,885	3,811	5,885
Metropolitan Sewerage District User Charges.	-	-	44,545	45,876	44,545	45,876
Total expenses	<u>853,639</u>	<u>1,006,627</u>	<u>175,808</u>	<u>186,365</u>	<u>1,029,447</u>	<u>1,192,992</u>
Increase in net assets before transfers	(99,143)	(23,286)	56,018	43,953	(43,125)	20,667
Transfers	40,111	48,177	(40,111)	(48,177)	-	-
Increase in net assets	(59,032)	24,891	15,907	(4,224)	(43,125)	20,667
Net assets – Beginning	<u>307,155</u>	<u>248,123</u>	<u>665,122</u>	<u>681,029</u>	<u>972,277</u>	<u>929,152</u>
Net assets – Ending	<u>\$ 248,123</u>	<u>\$ 273,014</u>	<u>\$ 681,029</u>	<u>\$ 676,805</u>	<u>\$ 929,152</u>	<u>\$ 949,819</u>

Governmental Activities

Revenues for the City's governmental activities totaled \$983 million, while total expenses totaled \$1,007 million for 2010. The 2010 governmental activity expenditures total increased by 18% over 2009. Total revenues, excluding transfers, supported 98% of total expenses; 103% with transfers. Comparable data for 2009 indicates 88% of all revenues, excluding transfers supported the 2009 expenses and, 93% including transfers.

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Property taxes represent 29% of the total revenues for 2010 compared to 36% for 2009; a 7% decrease in this category. While the actual revenue increased 5% over the previous year, the comparison to the total decreased due to an increase in additional grants and contributions. The City of Milwaukee's share of the Tax Rate increased eighty cents (from \$8.09 in 2009 to \$8.89 in 2010 (per \$1,000 of Assessed Value), due in part to a decrease in assessed property value. State aids for the General Fund of \$271 million decreased by \$1 million or 1% in 2010. The combined property taxes and State aids comprised approximately 56% of the total revenues for governmental funds in 2010 compared to 72% in 2009. Charges for services equaled 10% of the total revenues in 2010 compared to 12% in 2009. Operating grants, capital grants, and contributions increased \$79 million, to a total \$153 million or 16% of total revenues in 2010 compared to only 10% in 2009. During 2010, non-cash capital grants were recorded to represent the State contribution of completed major street projects on behalf of the City.

In 2010, governmental-activity-type expenses increased by \$153 million (18%) to 1,007 million in 2010. Federal Recovery Act funding, Milwaukee Public Schools (MPS) cash-flow borrowing and an addition to City Pension reserves were the major contributing factors. Expenses for general government, which comprise 26% of the total expenses, increased 25% in 2010. Public safety expenses represent the largest category of governmental activities or 32% of the total expenses for 2010 which is a decrease of 2% over 2009. The largest change occurred in the City's contribution to the Milwaukee Public Schools, an increase of \$86 million and represents 56% of the overall increase in expenditures. The Milwaukee Public Schools cannot issue its own debt. As a result, the City issued debt to finance MPS operations pending the issuance of revenue anticipation notes later in the year. Since this borrowing simply finances MPS operating costs until MPS receives State aids, this City increase does not reflect an expansion of MPS or City spending. Also, the General Government category increased \$52 million, primarily as a result of a one-time contribution payment to the Employees' Retirement System of \$49 million as a result of significant investment losses incurred in prior years. These two items represent \$135 million or 88% of the overall increase in governmental activities for 2010.

Chart 1
2010 Expenses and Program Revenues - Governmental Activities

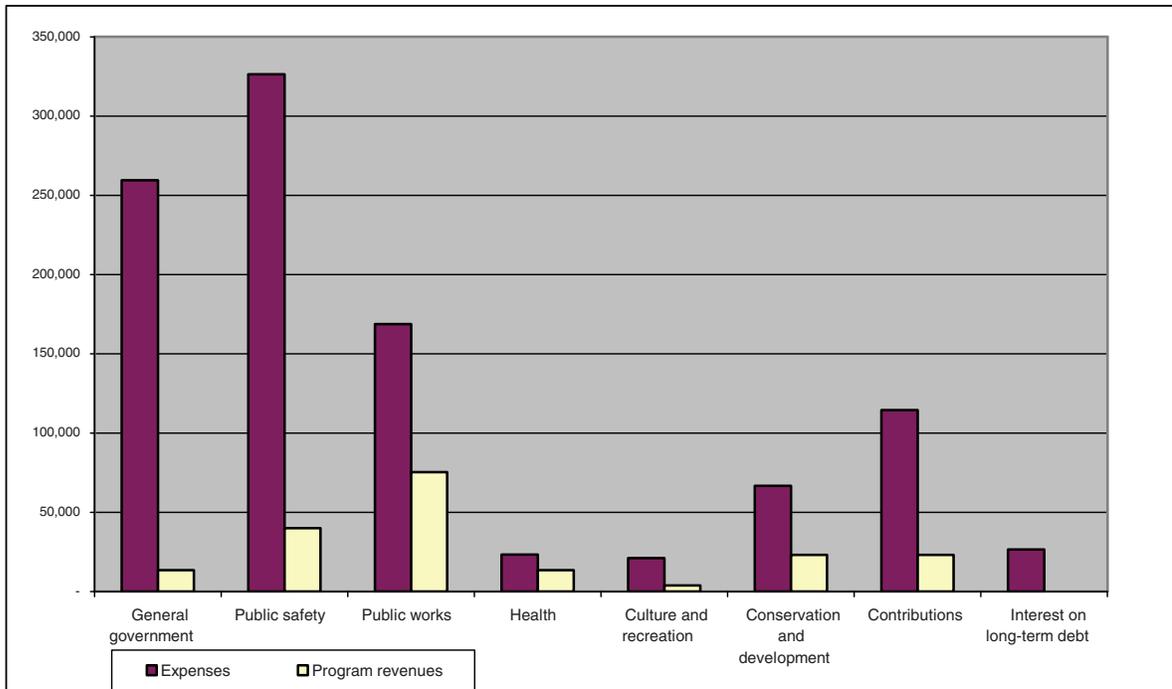


Table 3 presents the cost of each of the City's largest programs as depicted in the Chart 1 above, as well as each program's net costs (total cost less the revenues generated by the activities). General government includes most City departments, such as: Mayor, Common Council, Administration, Employee Relations, Municipal Court, City Attorney, Comptroller and Treasurer.

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Public safety includes Fire, Police and Neighborhood Services. "Net cost" shows the financial placed on the city taxpayers by each of these functions.

Table 3
Governmental Activities
(Thousand of Dollars)

	Total Cost of Services		Net Cost of Services	
	2009	2010	2009	2010
General government	\$ 207,504	\$ 259,420	\$ 195,668	\$ 245,926
Public safety	331,409	326,366	300,285	286,416
Public works	167,983	168,699	101,405	35,626
Health	22,995	23,360	10,496	9,942
Culture and recreation	22,901	21,075	19,094	17,181
Conservation and development	50,683	66,758	33,076	43,689
Contributions	26,179	114,482	4,879	91,477
Interest on long-term debt	23,985	26,467	23,985	26,467
Total Governmental Activities	<u>\$ 853,639</u>	<u>\$ 1,006,627</u>	<u>\$ 688,888</u>	<u>\$ 756,724</u>

The Table 3 above indicates that the cost of services not funded with direct program revenue for governmental activities increased in 2010 to \$757 million from \$689 million in 2009 or 10% change. Because such a small portion of total costs are supported by program revenue, the remainder of the total costs of service must be funded by general City taxes and State aids.

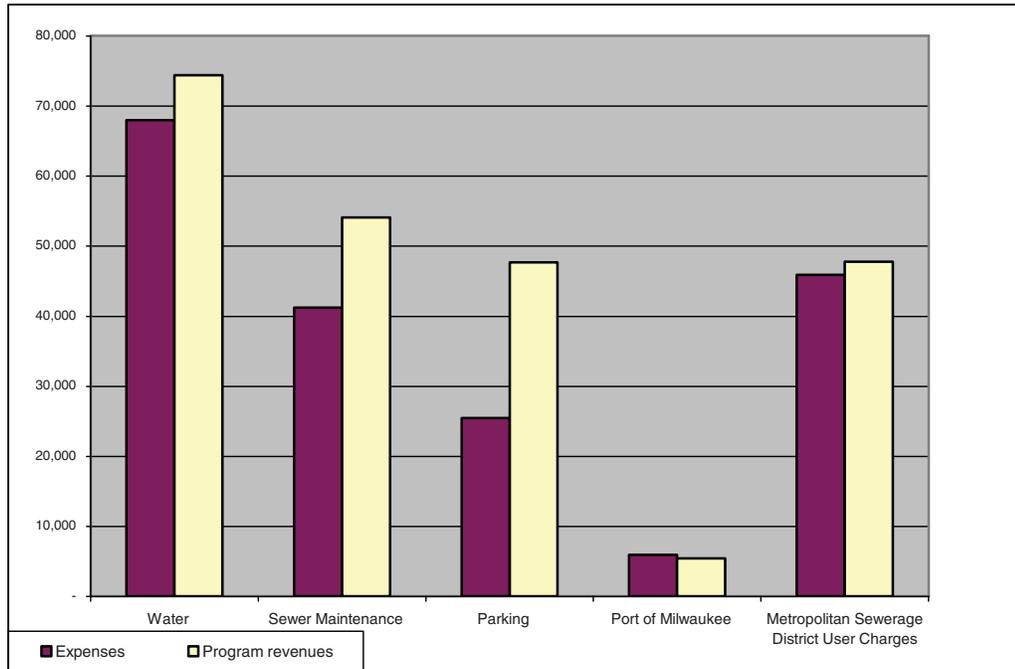
Business-type Activities

The two major enterprises or business-type activities for the City of Milwaukee are water services and sewer maintenance. The Water Works had operating expenses of \$67 million and operating income of \$6 million. The Sewer Maintenance produced a net operating income of \$30 million after incurring expenses of \$22 million.

Business-type revenues on Table 2 decreased by \$3 million in 2010 compared to 2009, or 1%. Total expenses and transfers of all enterprise funds of the City increased \$17 million, from \$216 million in 2009 to \$233 million in 2010 (+8%). Overall, 2010 year-end Total Net Assets decreased by \$4 million to \$677 million, or -1%.

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Chart 2
2010 Expenses and Program Revenues - Business-type Activities



FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

Governmental Funds

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

As the City completed 2010, its Governmental Funds (as presented in the balance sheet on Exhibit A-1) reported a combined fund balance of \$264 million, an increase of \$38 million or 17% over 2009. The General Obligation Debt Service Fund and the Public Debt Amortization Fund generated nearly \$32 million of this increase. Non-major governmental funds produced a positive change from operations of \$2 million. The Capital Projects Fund balance increased by \$17 million; although, the total Fund balance remains a negative amount of \$20 million. This negative balance persists because the City of Milwaukee typically borrows to fund authorized capital projects only after expenditures for these projects. This practice minimizes City borrowing costs and facilitates compliance with Federal IRS regulations. Debt issued for capital projects totaled \$238 million in 2010 compared to \$84 million in 2009.

The total reserves of the General Fund decreased 15% to \$60 million from \$71 million in 2009. This decrease was due to a reduction in required reserves for encumbrances, carryovers, and inventory of \$14 million. Of the total year-end 2010 General Fund fund balance of \$60 million, \$29 million is reserved and available for 2012 and subsequent years' budgets. This amount is unchanged when compared to the \$29 million balance at year-end 2009.

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Chart 3 and 4 illustrate spending by function and revenues by source for all governmental funds.

Chart 3
2010 City Spending by Function - Governmental Funds

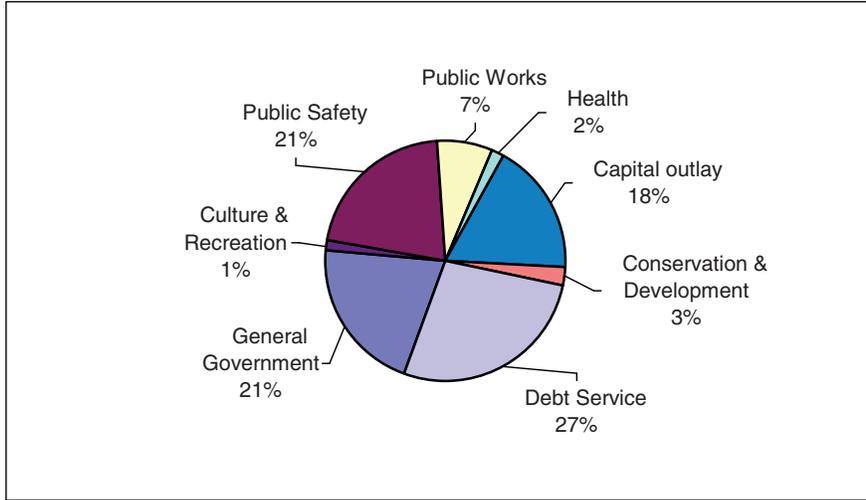
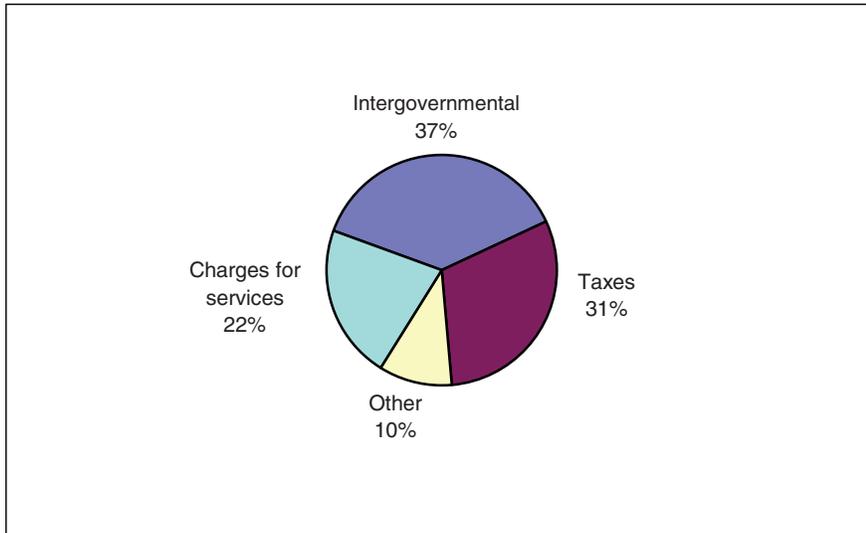


Chart 4
2010 Revenues by Source - Governmental Funds



Revenues for governmental functions overall totaled \$922 million in the fiscal year ended December 31, 2010 (+19%). Expenditures for governmental funds totaled \$1,356 million (+32%). Expenditures exceeded revenues by \$434 million. Other financing sources closed the gap, leaving a total net increase in governmental fund balances of \$38 million for the year compared to an increase of \$23 million in 2009. Other financing sources include, proceeds from issuance of debt, refunding payment and issuance premiums; transfers from enterprise funds; and receipt of loans receivable transferred from the Neighborhood Improvement Development Corporation component unit.

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Major Governmental Funds

The General Fund is the City's primary operating fund and the largest funding source for day-to-day services. The fund balance of the General Fund decreased by \$12 million or 16%. Revenues and other financing sources totaled approximately \$802 million and expenditures and other financing uses totaled approximately \$813 million - detailed in Table 4 below. While revenues growth remained consistent with the prior year (increasing by 4% over 2009), expenditures increased by 6% over 2009, with expenditures exceeding revenues by 10%. Other Financing Sources (consisting of debt proceeds and transfers in from other funds), exceeded Other Financing Uses (consisting of transfers out to other funds) by \$50 million. This excludes the budgeted use of funds from the Reserve for Tax Stabilization account. Thirteen million was budgeted from the Reserve for Tax Stabilization to fund the 2010 General Fund budget. This was a decrease of \$9 million from 2009.

Total General Fund revenues for 2010 totaled \$603 million. The largest revenue category is intergovernmental at \$271 million with 45% of the total revenue. The second largest revenue source is Property Taxes with \$168 million or 28%. The Charges for Services category, which includes revenues for services provided by City departments, comprises 16% or \$97 million. These three categories combined comprise 89% of the total revenues for 2010. The largest percentage increase in revenues compared to 2009 was the Other Taxes category with a 45% increase.

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

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

Revenues and Other Financing Sources				Expenditures and Other Financing Uses			
Revenues:	2009	2010	% Change	Expenditures:	2009	2010	% Change
Property taxes	\$ 156,410	\$ 168,031	7.4%	General government.....	\$ 222,809	\$ 276,326	24.0%
Other taxes	3,504	5,097	45.5%	Public safety.....	276,060	264,067	-4.3%
Licenses and permits	12,186	12,948	6.3%	Public works.....	97,093	94,482	-2.7%
Intergovernmental	272,337	270,939	-0.5%	Health.....	10,446	9,996	-4.3%
Charges for services	91,057	97,146	6.7%	Culture and recreation	17,329	15,656	-9.7%
Fines and forfeits	4,802	5,422	12.9%	Conservation and development	4,230	3,747	-11.4%
Contributions received	21,300	23,005	8.0%	Total Expenditures	627,967	664,274	5.8%
Other	19,967	20,323	1.8%				
Total Revenues	581,563	602,911	3.7%				
Other Financing Sources				Other Financing Uses			
Debt proceeds	119,000	147,000	23.5%	Transfers out	118,081	149,078	26.3%
Transfers in	43,834	51,711	18.0%	Total Expenditures and other Financing Uses	\$ 746,048	\$ 813,352	9.0%
Total Revenues and Other Financing Sources .	<u>744,397</u>	<u>801,622</u>	7.7%				
Excess of Revenues over Expenditures	<u>(46,404)</u>	<u>(61,363)</u>	-32.2%				
Net Change in Fund Balance	\$ (1,651)	\$ (11,730)	-610.5%				

Beginning in 2006, the City began issuing General Obligation Cash-Flow Promissory Notes (rather than Revenue Anticipation Notes) in advance of receipt of the State Shared Revenues. For 2010, \$147 million was issued.

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

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(unaudited)

retirement of the public debt. The General Obligation Debt Service Fund increased its fund balance from \$81 million to \$118 million or 46%. Total revenues of the General Obligation Debt Service increased from \$103 million 2009 to \$205 million in 2010. Revenues combined with *Other Financing Sources* totaled \$519 million; expenditures combined with *Other Financing Uses* totaled \$482 million; resulting in a *net increase in Fund Balance* for year end 2010 of \$37 million.

Capital Projects Funds are used to account for the financial resources segregated for the acquisition, construction, or repair of major capital facilities other than those financed by proprietary funds. At year end, 2010 showed a fund balance deficit of \$20 million (an increase in the fund balance of \$16 million compared to a fund balance deficit of \$36 million in 2009). In 2010, total debt proceeds amounted to \$238 million as compared to \$84 million in 2009, a 183% increase. Total revenues increased 24% from \$17 million to \$21 million; expenditures increased from \$98 million to \$240 million or 145%. The issuance of bonds and notes during 2010 for capital purposes combined with revenues and transfers were sufficient to cover the current year's expenditures and also reduced the 2010 year end deficit in fund balance by \$16 million.

Proprietary Funds

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

At the end of the fiscal year, the total unrestricted net assets for all enterprise funds were \$46 million. This was an increase from \$19 million at December 31, 2009 or 142%. This increase consists of \$(-18) million in Water Works and \$45 million in Sewer Maintenance fund.

In 2010, operating revenues of the enterprise funds totaled \$226 million (+7%); total operating expenses increased to \$164 million in 2010 (+2%). The Water Works is the largest enterprise activity for the City, comprising approximately 32% of the total operating revenues. The Sewer Maintenance Fund comprises 23% of the total operating revenues. Both funds primarily bill customers based on water consumption. For 2010, Water Works operating revenues increased 0.6% while Sewer Maintenance operating revenues increased 8%; all other enterprise funds combined increased by 10%. Water Works non-operating revenues for 2010 are mainly composed of interest income and other miscellaneous revenues. The investment income decreased \$73,000 (83%) compared to the 2009 income. Other miscellaneous non-operating revenue also decreased from \$63,000 to \$45,000 in 2010. These miscellaneous revenues (fees for servicing of branch water mains and water tapping services) decreased 29% from 2009.

The Water Works incurred total expenses of \$67 million for 2010 compared to \$68 million for 2009. Excluding depreciation expense, operating expenses increased over the previous year by \$32,000 or .06%. The non-operating expenses (interest expense) of the Water Works decreased by \$118,000 due to the declining principal balances on outstanding debt.

Excluding the Water Works, total operating expenses of all other enterprises funds increased 4% over 2009.

General Fund Budgetary Highlights

For the fiscal year ended December 31, 2010, the General Fund revenue budget exceeded actual revenues by \$3 million. Actual 2010 General Fund revenues also exceeded that of the prior year. On a budgetary basis, General Fund actual revenues totaled \$580 million in 2010, a \$20 million (4%) increase over 2009. Property Taxes and Other Taxes increased by 7% and 45%, respectively. All revenue categories except Intergovernmental had an increase in 2010. Charges for Services category increased of \$6 million. Noteworthy increases for this category over 2009 actual revenue include new revenue from Construction Debris Disposal and Vacant Building Registration and Residential Rental Inspection fees. These three revenues totaled \$0.8 million. While the revenues from paramedic activities decreased \$0.8 million, recycling revenues increased \$0.6 million. Combining the snow and ice fee and the solid waste fee, the overall net increase was \$2.7 million. In addition, services to the sewer maintenance enterprise fund showed had an increase of \$2.1 million. Property Taxes increased nearly \$12 million due to an increase in the tax rate for City purposes of eighty cents (from \$8.09 to \$8.89 per \$1,000 of Assessed Value). All other categories combined (Other Taxes, Licenses and permits, Intergovernmental, Fines and forfeits, and Other) increased by \$2 million or 0.6%. A major Other Revenue identified was interest on investments, which totaled \$503,000 for 2010. The average interest earnings rate was 0.315% compared to .746% in 2009 with a decrease in the average investable balance from \$238.3 million in 2009 to \$235.8 million in 2010.

The year 2010 also produced an unexpended budget surplus of \$8 million. The general government category contributed \$6 million; the public safety category had a surplus of \$1 million. Public works, health culture and recreation, and, conservation and development categories, in the aggregate, added nearly \$1 million. These savings included \$4 million in various fringe

CITY OF MILWAUKEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010
(unaudited)

benefit costs that were allocated to capital and grant projects rather than to general fund accounts, \$1 million was realized in the non-departmental account for departments' contingencies primarily earmarked for snow operations, \$1 million in the aggregate from various Police, Fire and Neighborhood Services departments' operating accounts, and \$2 million from all other departmental operating accounts.

During 2010, the Common Council adopted seven resolutions which increased the General Fund appropriations due to greater than anticipated revenues. These increased revenues provided departments an additional \$2 million in appropriation authority.

The original budget for expenditures includes the adopted budget plus the encumbrances carried over from 2009 less the encumbrances carried over to 2011. The final budget includes the original budget as defined plus appropriations authorized for carryover from 2009 by the Common Council less those appropriations authorized for carryover to 2011. In addition, certain appropriations are budgeted in a general non-departmental account (i.e. contingency) and are only transferred from this account to specific departments during the year to expend after authorization by the Common Council. These appropriation adjustments are part of the final budget. As detailed in the Required Supplementary Information Section, Exhibit E-1 shows both the original 2010 General Fund expenditure budget of \$633 million and the final budget of \$650 million. This is a 4% increase over the final 2009 budget of \$625 million. The original General Fund revenue budget totaled \$582 million with the final budget increasing approximately \$1 million. This is a 4% increase over the final 2009 revenue budget of \$563 million.

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

The City's General Fund's beginning fund balance of \$71 million as reported on the General Fund Statement of Revenues, Expenditures and Changes in Fund Balance differs from the General Fund's budgetary fund balance reported in the budgetary comparison schedule by the amount of the budgeted withdrawal from the Reserve for Tax Stabilization of \$13 million.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City's capital assets for governmental and business-type activities as of December 31, 2010 total \$1,823 million (net of accumulated depreciation). Capital assets include land, buildings, infrastructure, improvements other than buildings, machinery and equipment, furniture and furnishings, non-utility property, and construction in progress. The total increase in the City's capital assets for the current fiscal year was \$98 million or 5.7%. Governmental activities' capital assets increased \$56 million or a 6% increase from 2009. Business-type activities' capital assets increased \$43 million or 5.4% at the end of 2010. A schedule comparing the assets by type for 2009 and 2010 for both governmental and business-type activities is depicted in Table 5 below. The net change in assets as detailed in Note 4 reports that additions were \$78 million and deletions were \$23 million for 2010 for governmental activities. The Sewer Maintenance Fund had a net change in capital assets that resulted in an increase of \$35 million. Of the Sewer Maintenance Fund's net assets at year end, 99% relate to the sewer mains infrastructure. Infrastructure net assets of the Water Works Fund comprise 68% of its total net assets with 25% consisting of machinery and equipment. The total net change in all Water Works net assets was an increase of 2%.

Debt issued to finance tax incremental districts (TID) totals \$163 million outstanding at year end. The majority of these expenditures have no related assets for TID, so the net increase in TID debt reduces unrestricted net assets by an equal amount. In addition, debt issued for school purposes at year end was \$132 million. The Milwaukee Public Schools (MPS) is a separate governmental entity. By State Statute, MPS cannot issue its own debt. As a result, the City issues debt for school purposes. The City has the option of providing funds from its treasury or issue debt to finance school construction, operations and/or maintenance. The City chooses to issue debt. The MPS's assets are not an asset of the City and, as a result, capital expenditures for school purposes also reduce unrestricted net assets by an equal amount.

CITY OF MILWAUKEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
 FOR THE YEAR ENDED DECEMBER 31, 2010
 (unaudited)

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

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>
Capital assets not being depreciated:						
Land	\$ 164,250	\$ 164,210	\$ 18,167	\$ 18,253	\$ 182,417	\$ 182,463
Construction in progress	40,839	26,513	18,095	14,897	58,934	41,410
Intangible right of ways	-	1,319	-	-	-	1,319
Capital assets being depreciated:.....						
Buildings	257,076	276,816	89,407	91,798	346,483	368,614
Infrastructure	1,377,383	1,450,918	802,717	861,200	2,180,100	2,312,118
Improvements other than buildings	11,687	11,811	7,717	7,771	19,404	19,582
Machinery and equipment	164,265	173,788	215,306	221,194	379,571	394,982
Intangible software.....	-	1,364	-	-	-	1,364
Nonutility property	-	-	5,509	4,692	5,509	4,692
Accumulated depreciation	<u>(1,085,505)</u>	<u>(1,121,235)</u>	<u>(361,726)</u>	<u>(381,906)</u>	<u>(1,447,231)</u>	<u>(1,503,141)</u>
Total	<u>\$ 929,995</u>	<u>\$ 985,504</u>	<u>\$ 795,192</u>	<u>\$ 837,899</u>	<u>\$ 1,725,187</u>	<u>\$ 1,823,403</u>

Debt

At year-end, the City had \$894 million in general obligation bonds and notes, \$81 million in State loans, and \$54 million in revenue bonds outstanding as itemized in Table 6.

New debt issued for general obligation bonds and notes totaled \$585 million, of which \$75 million related to Water Works, Sewer Maintenance, Port, and Parking Enterprises.

The City continues to maintain high investment grade ratings from the three major rating agencies. A rating of AA+ from Fitch Ratings, AA from Standard and Poor's Corporation, and Aa2 from Moody's Investors Service, Inc, were received on the City's April 2010 general obligation bond issues.

The City's gross general obligation debt per capita, excluding enterprise fund debt, was \$1,155 at the end of 2009 and \$1,259 at the end of 2010; an 9% increase from the prior year. As of December 31, 2010, the City's outstanding net general obligation debt for governmental activities was 2.40% of the City's total taxable value of property. (Statistical Section - Table 9) The legal debt limit is 7% of equalized property value, including Milwaukee Public Schools debt, which also is issued by the City. Excluding the 2% limit on School debt, the City has a 5% legal debt limit and has used about 52% of this limit. The City issues general obligation notes to purchase a portion of General Fund delinquent taxes. During 2010, notes were issued in the amount of approximately \$29.9 million. Collections on these taxes and related interest will be used to meet the related debt service requirements.

CITY OF MILWAUKEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
 FOR THE YEAR ENDED DECEMBER 31, 2010
 (unaudited)

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

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>
General obligation bonds and notes (backed by the City)	\$ 742,752	\$ 812,183	\$ 36,803	\$ 82,002	\$ 779,555	\$ 894,185
State loans	-	-	48,002	80,724	48,002	80,724
Revenue bonds (backed by specific fee revenues)	-	-	57,515	53,737	57,515	53,737
Total	\$ 742,752	\$ 812,183	\$ 142,320	\$ 216,463	\$ 885,072	\$ 1,028,646

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND TAX RATE

The average unemployment rate within the City of Milwaukee for 2010 is 11.5%, compared to 11% for 2009. City of Milwaukee per capita income for the most recent fiscal year available (2009) was \$37,088, compared to 37,118 for 2008. The City's population over the last five years is depicted in the table below. The 2006-2009 data is estimated from the Wisconsin Department of Revenue used in the distribution of State Shared Taxes; and, these years differ from the U.S. Census Bureau. The 2010 data is from the Census Bureau.

2006	590,370
2007	590,190
2008	590,870
2009	584,000
2010	594,833

The 2011 adopted City Budget is about \$1.5 billion with a General Fund budget of \$683 million. The General Fund budget decreased 0.15% over the 2009 budget of \$684 million. In 2011, the City will expend \$145 million for health insurance and related costs compared to \$120 million budgeted for 2010, an increase of 21%. Estimated Full-time Equivalent (FTE) employment for all General Fund departments decreased by 24 FTE with the Public Works Department and the Unified Call Center Department showing a decrease of 20 and 7 FTE, respectively. The City reached agreements with its largest labor union (District Council (DC) 48) holding wage rates for 2010 and 2011 at 2009 levels, with progression steps not awarded. Also, the City continued four mandatory furloughs days for both 2010 and 2011.

Total property taxes levied for all funds of the City in 2010 for 2011 purposes increased \$0.23 per thousand dollars of assessed valuation to a rate of \$9.12 (+2.6%). The 2009 for 2010 rate increased \$0.80 (from \$8.09 to \$8.89 or +11.0%).

The total City property tax levy remained at the \$247 million for both 2009 and 2010. While the rate for 2010 increased, the assessed valuation decreased; thus providing roughly the same amount in property tax revenue. The property tax levy will provide \$111.6 million for general City purposes in 2011. This represents an increase of \$21.6 million from 2010 or 24%. The 2011 General City Purpose budget includes \$100 million in estimated revenue for City charges for services rendered, an increase of \$4 million. A City Solid Waste Fee is the largest revenue source in this category and is expected to generate \$32 million for 2011. This fee represents 32% of the total charges for services in the 2011 budget. The Street Sweeping-Leaf Collection Fee is expected to generate \$12 million for 2010, no increase over 2009. This Fee comprises 13% of the total charges for services for both 2011 and 2010. Most 2011 revenue estimates remained consistent with the prior year with only a net overall increase of 0.08%.

Estimated General City Purposes intergovernmental revenues, primarily from the State of Wisconsin, are projected to total \$271.6 million; a slight increase of \$750,000 from 2010.

Revenue increases were also implemented in City enterprise funds for 2011 including the following: the Water Works in late December 2010 received approval from the Public Service Commission at a reduced rate of return from what the Work Works

CITY OF MILWAUKEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010
(unaudited)

had requested. The delay in implementing the new rates cost the utility about \$18 million in revenue in 2010. Due to this loss in expected revenue, the Water Works took action to stabilize its 2010 finances by delaying equipment purchased, scrutinizing operating expenses and reducing overtime, and curtailing water main replacements. A second rate case approved a 4.18% rate of Return and should be fully implemented in mid-2011. As a result, the average single family residential user in the City of Milwaukee will pay \$45.48 per quarter. Sewer Maintenance Fee will increase 1.6% to \$14.22.

The City remains in sound financial condition, as demonstrated by the financial statements and schedules included in this report. The General Fund Reserve for Tax Stabilization remained stable at \$44 million for 12/31/10 compared to \$42 million for 12/31/09. That portion of the Reserve for Tax Stabilization available for future years also remained stable at \$29 million at year-end 2010 and for 2009. With expected continuing limitations on State Shared Revenue, growing health care and post employment costs and other fiscal pressures, the City is reviewing options for 2011.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

**BASIC
FINANCIAL
STATEMENTS**

**GOVERNMENT-WIDE
FINANCIAL STATEMENTS**

CITY OF MILWAUKEE
STATEMENT OF NET ASSETS
 December 31, 2010
 (Thousands of Dollars)

Exhibit 1

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and cash equivalents	\$ 274,745	\$ 53,665	\$ 328,410	\$ 60,099
Investments	14,883	-	14,883	4,687
Receivables (net):				
Taxes	213,584	-	213,584	-
Accounts	27,843	44,941	72,784	2,881
Unbilled accounts	754	15,156	15,910	-
Special assessments	10,556	-	10,556	-
Notes and loans	118,911	-	118,911	94,002
Accrued interest	315	8	323	5,758
Due from component units	17,707	-	17,707	-
Due from primary government	-	-	-	399
Due from other governmental agencies	198,245	51	198,296	26,072
Inventory of materials and supplies	7,621	2,632	10,253	-
Inventory of property for resale	26	-	26	8,027
Prepaid items	355	590	945	1,014
Deferred charges	2,489	321	2,810	999
Other assets	-	258	258	427
Total Noncapital Assets	<u>888,034</u>	<u>117,622</u>	<u>1,005,656</u>	<u>204,365</u>
Capital assets:				
Capital assets not being depreciated:				
Land	164,210	18,253	182,463	56,816
Construction in progress	26,513	14,897	41,410	16,732
Intangible right of ways	1,319	-	1,319	-
Capital assets being depreciated:				
Buildings	276,816	91,798	368,614	500,289
Infrastructure	1,450,918	861,200	2,312,118	379
Improvements other than buildings	11,811	7,771	19,582	1,725
Machinery and equipment	173,788	221,194	394,982	3,718
Intangible software	1,364	-	1,364	-
Nonutility property	-	4,692	4,692	-
Accumulated depreciation	(1,121,235)	(381,906)	(1,503,141)	(251,174)
Total Capital Assets	<u>985,504</u>	<u>837,899</u>	<u>1,823,403</u>	<u>328,485</u>
Total Assets	<u>1,873,538</u>	<u>955,521</u>	<u>2,829,059</u>	<u>532,850</u>

CITY OF MILWAUKEE
STATEMENT OF NET ASSETS
 December 31, 2010
 (Thousands of Dollars)

Exhibit 1 (Continued)

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
LIABILITIES				
Accounts payable	\$ 37,727	\$ 21,010	\$ 58,737	\$ 10,531
Accrued expenses	33,089	2,599	35,688	12,966
Accrued interest payable	12,122	1,167	13,289	-
Internal balances	(29,135)	29,135	-	-
Due to component units	399	-	399	-
Due to other governmental agencies	294	-	294	2,486
Deferred revenue	298,821	14	298,835	4,584
Revenue anticipation notes payable	175,000	-	175,000	-
Other payables	-	-	-	-
Other liabilities	-	-	-	10,782
Due to primary government:				
Due within one year	-	-	-	1,157
Due in more than one year	-	-	-	16,550
Long-term obligations:				
Due within one year	107,894	14,447	122,341	11,437
Due in more than one year	<u>964,313</u>	<u>210,344</u>	<u>1,174,657</u>	<u>133,946</u>
Total Liabilities	<u>1,600,524</u>	<u>278,716</u>	<u>1,879,240</u>	<u>204,439</u>
NET ASSETS				
Invested in capital assets, net of related debt	360,132	619,758	979,890	200,573
Restricted for:				
Debt Service	197,499	11,422	208,921	-
Other purposes	12,567	-	12,567	18,591
Unrestricted	<u>(297,184)</u>	<u>45,625</u>	<u>(251,559)</u>	<u>109,247</u>
Total Net Assets	<u>\$ 273,014</u>	<u>\$ 676,805</u>	<u>\$ 949,819</u>	<u>\$ 328,411</u>

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

CITY OF MILWAUKEE
STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED DECEMBER 31, 2010
 (Thousands of Dollars)

Exhibit 2

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental Activities:				
General government	\$ 259,420	\$ 9,931	\$ 3,563	\$ -
Public safety	326,366	16,202	23,748	-
Public works	168,699	68,135	7,199	57,739
Health	23,360	1,071	12,347	-
Culture and recreation	21,075	1,504	2,390	-
Conservation and development	66,758	303	22,766	-
Capital contribution to Milwaukee Public				
Schools	91,161	-	-	-
Contributions	23,321	-	23,005	-
Interest on long-term debt	26,467	-	-	-
Total Governmental Activities	1,006,627	97,146	95,018	57,739
Business-type Activities:				
Water	67,966	73,473	-	910
Sewer Maintenance	41,188	52,046	-	2,011
Parking	25,450	47,477	-	173
Port of Milwaukee	5,885	5,398	-	-
Metropolitan Sewerage District				
User Charges	45,876	47,745	-	-
Total Business-type Activities	186,365	226,139	-	3,094
Total Primary Government	\$ 1,192,992	\$ 323,285	\$ 95,018	\$ 60,833
Component units:				
Housing Authority	\$ 90,346	\$ 20,057	\$ 53,938	\$ 20,829
Redevelopment Authority	13,805	5,980	8,294	9,292
Milwaukee Economic Development Authority	3,385	2,969	1,814	-
Neighborhood Improvement Development Corporation	3,715	764	1,313	1,343
Total Component Units	\$ 111,251	\$ 29,770	\$ 65,359	\$ 31,464
General revenues:				
Property taxes and other taxes				
State aids for General Fund				
Miscellaneous				
Transfers				
Total General Revenues and Transfers				
Change in Net Assets				
Net Assets - Beginning, as restated (note 1w)				
Net Assets - Ending				

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

Net (Expenses) Revenue and Changes in Net Assets			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (245,926)		\$ (245,926)	
(286,416)		(286,416)	
(35,626)		(35,626)	
(9,942)		(9,942)	
(17,181)		(17,181)	
(43,689)		(43,689)	
(91,161)		(91,161)	
(316)		(316)	
<u>(26,467)</u>		<u>(26,467)</u>	
<u>(756,724)</u>		<u>(756,724)</u>	
-	\$ 6,417	6,417	
-	12,869	12,869	
-	22,200	22,200	
-	(487)	(487)	
<u>-</u>	<u>1,869</u>	<u>1,869</u>	
<u>-</u>	<u>42,868</u>	<u>42,868</u>	
<u>(756,724)</u>	<u>42,868</u>	<u>(713,856)</u>	
			\$ 4,478
			9,761
			1,398
			<u>(295)</u>
			<u>15,342</u>
283,442	-	283,442	-
270,939	-	270,939	-
179,057	1,085	180,142	4,908
<u>48,177</u>	<u>(48,177)</u>	<u>-</u>	<u>-</u>
<u>781,615</u>	<u>(47,092)</u>	<u>734,523</u>	<u>4,908</u>
24,891	(4,224)	20,667	20,250
<u>248,123</u>	<u>681,029</u>	<u>929,152</u>	<u>308,161</u>
<u>\$ 273,014</u>	<u>\$ 676,805</u>	<u>\$ 949,819</u>	<u>\$ 328,411</u>

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**FUND
FINANCIAL
STATEMENTS**

CITY OF MILWAUKEE
BALANCE SHEET
GOVERNMENTAL FUNDS
 DECEMBER 31, 2010
(Thousands of Dollars)

Exhibit A-1

	General
ASSETS	
Assets:	
Cash and cash equivalents	\$ 57,002
Investments	135
Receivables (net):	
Taxes	139,841
Accounts	26,596
Unbilled accounts	754
Special assessments	-
Notes and loans	19
Accrued interest	87
Due from other funds	57,997
Due from component units	1,209
Due from other governmental agencies	337
Advances to other funds	9,798
Inventory of materials and supplies	7,194
Inventory of property for resale	26
Prepaid items	350
Total Assets	<u>\$ 301,345</u>
LIABILITIES AND FUND BALANCES	
Liabilities:	
Accounts payable	\$ 19,891
Accrued expenses	32,462
Due to other funds	1,732
Due to component units	-
Due to other governmental agencies	-
Deferred revenue	187,634
Revenue anticipation notes payable	-
Advances from other funds	-
Total Liabilities	<u>241,719</u>
Fund Balances:	
Reserved for debt service	-
Reserved for delinquent taxes receivable	-
Reserved for economic development	-
Reserved for grant activities	-
Reserved for encumbrances, prepaids, and carryovers	8,144
Reserved for inventory	7,220
Reserved for mortgage trust	135
Reserved for environmental remediation	303
Reserved for tax stabilization - 2011	14,600
Reserved for tax stabilization - 2012 and subsequent years' budgets and advances to other funds	29,224
Unreserved:	
Undesignated	-
Special assessment (deficit)	-
Total Fund Balances	<u>59,626</u>
Total Liabilities and Fund Balances	<u>\$ 301,345</u>

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

General Obligation Debt Service	Public Debt Amortization	Capital Projects	Nonmajor Governmental Funds	Total
\$ 161,857	\$ 25,603	\$ 11,727	\$ 18,556	\$ 274,745
-	14,748	-	-	14,883
53,240	-	2,663	17,840	213,584
-	-	1,098	149	27,843
-	-	-	-	754
-	-	10,556	-	10,556
77,102	22,561	-	19,229	118,911
24	204	-	-	315
-	-	-	288	58,285
16,319	-	138	41	17,707
175,000	-	3,919	18,989	198,245
-	-	-	-	9,798
-	-	427	-	7,621
-	-	-	-	26
-	-	-	5	355
\$ 483,542	\$ 63,116	\$ 30,528	\$ 75,097	\$ 953,628
\$ 90	\$ -	\$ 10,753	\$ 6,993	\$ 37,727
7	-	226	394	33,089
3,700	-	12,244	11,474	29,150
-	-	287	112	399
-	-	-	294	294
187,020	-	17,075	11,957	403,686
175,000	-	-	-	175,000
-	-	9,798	-	9,798
365,817	-	50,383	31,224	689,143
117,725	63,116	-	16,658	197,499
-	-	-	14,570	14,570
-	-	-	213	213
-	-	-	12,432	12,432
-	-	7,649	-	15,793
-	-	427	-	7,647
-	-	-	-	135
-	-	-	-	303
-	-	-	-	14,600
-	-	-	-	29,224
-	-	(19,445)	-	(19,445)
-	-	(8,486)	-	(8,486)
117,725	63,116	(19,855)	43,873	264,485
\$ 483,542	\$ 63,116	\$ 30,528	\$ 75,097	\$ 953,628

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CITY OF MILWAUKEE
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET ASSETS**
 DECEMBER 31, 2010
(Thousands of Dollars)

Exhibit A-2

Fund balances - total governmental funds (Exhibit A-1) \$ 264,485

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

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

Land	\$ 164,210	
Buildings, net of \$78,395 accumulated depreciation	198,421	
Infrastructure, net of \$934,550 accumulated depreciation	516,368	
Improvements other than buildings, net of \$7,972 accumulated depreciation	3,839	
Machinery and equipment, net of \$100,221 accumulated depreciation	73,567	
Intangible assets net of \$97 accumulated depreciation	2,586	
Construction in progress	<u>26,513</u>	
		985,504

Deferred charges for debt issuance costs are not available to pay for current-period expenditures and therefore are deferred in the funds. 2,489

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

Taxes to be collected after year-end	11,916	
Other revenues to be collected after year-end	6,778	
Special assessments to be collected after year-end	9,069	
Notes and loans receivable to repay long-term bonds and notes	<u>77,102</u>	
		104,865

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

Accrued interest payable	(12,122)	
Bonds and notes payable	(812,183)	
Deferred amount on refunding	2,903	
Unamortized premiums	(35,478)	
Compensated absences	(38,948)	
Net other postemployment benefits obligation	(169,040)	
Claims and judgments	<u>(19,461)</u>	
		<u>(1,084,329)</u>

Total net assets of governmental activities (Exhibit 1) **\$ 273,014**

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

CITY OF MILWAUKEE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2010
 (Thousands of Dollars)

Exhibit A-3

	General
Revenues:	
Property taxes	\$ 168,031
Other taxes	5,097
Special assessments	-
Licenses and permits	12,948
Intergovernmental	270,939
Charges for services	97,146
Fines and forfeits	5,422
Contributions received	23,005
Other	20,323
Total Revenues	<u>602,911</u>
Expenditures:	
Current:	
General government	276,326
Public safety	264,067
Public works	94,482
Health	9,996
Culture and recreation	15,656
Conservation and development	3,747
Capital outlay	-
Debt Service:	
Principal retirement	-
Interest	-
Bond issuance costs	-
Total Expenditures	<u>664,274</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(61,363)</u>
Other Financing Sources (Uses):	
General obligation bonds and notes issued	147,000
Proceeds current refunding	-
Payment current refunding	-
Loans receivable activities	-
Issuance premium	-
Transfers in	51,711
Transfers out	(149,078)
Total Other Financing Sources and Uses	<u>49,633</u>
Net Change in Fund Balances	<u>(11,730)</u>
Fund Balances - Beginning	<u>71,356</u>
Fund Balances - Ending	<u>\$ 59,626</u>

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

General Obligation Debt Service	Public Debt Amortization	Capital Projects	Nonmajor Governmental Funds	Total
\$ 69,118	\$ -	\$ 4,768	\$ 6,039	\$ 247,956
25,663	3,349	-	-	34,109
-	-	3,421	-	3,421
-	-	-	-	12,948
1,197	-	3,831	68,962	344,929
103,315	-	-	-	200,461
-	-	-	-	5,422
-	-	-	-	23,005
5,684	1,997	9,094	12,443	49,541
<u>204,977</u>	<u>5,346</u>	<u>21,114</u>	<u>87,444</u>	<u>921,792</u>
392	-	-	5,260	281,978
-	-	-	23,748	287,815
-	-	-	7,199	101,681
-	-	-	12,347	22,343
-	-	-	2,390	18,046
-	-	-	31,721	35,468
-	-	240,480	-	240,480
333,780	-	-	-	333,780
33,305	-	-	-	33,305
1,314	-	-	-	1,314
<u>368,791</u>	<u>-</u>	<u>240,480</u>	<u>82,665</u>	<u>1,356,210</u>
<u>(163,814)</u>	<u>5,346</u>	<u>(219,366)</u>	<u>4,779</u>	<u>(434,418)</u>
-	-	238,424	29,867	415,291
94,420	-	-	-	94,420
(106,500)	-	-	-	(106,500)
-	-	-	(293)	(293)
21,632	-	-	-	21,632
198,244	3,457	-	-	253,412
<u>(7,037)</u>	<u>(13,928)</u>	<u>(2,428)</u>	<u>(32,764)</u>	<u>(205,235)</u>
<u>200,759</u>	<u>(10,471)</u>	<u>235,996</u>	<u>(3,190)</u>	<u>472,727</u>
36,945	(5,125)	16,630	1,589	38,309
<u>80,780</u>	<u>68,241</u>	<u>(36,485)</u>	<u>42,284</u>	<u>226,176</u>
<u>\$117,725</u>	<u>\$ 63,116</u>	<u>\$ (19,855)</u>	<u>\$ 43,873</u>	<u>\$ 264,485</u>

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CITY OF MILWAUKEE
**RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES**
FOR THE YEAR ENDED DECEMBER 31, 2010
(Thousands of Dollars)

Exhibit A-4

Net change in fund balances - total governmental funds (Exhibit A-3)		\$ 38,309
Amounts reported for governmental activities in the statement of activities are different because:		
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay (\$105,478) exceeded depreciation expense (\$49,688) in the current period less loss on disposals (\$281)</p>		
	55,509	
Notes and loans receivable to repay long-term bonds and notes		52,350
Revenues in the statement of activities that do not provide current financial resources are reported as deferred revenue in the funds.		
Taxes accrued in prior years	\$ 1,377	
Other revenues deferred at year end	5,565	
Special assessments deferred revenue beginning of the year \$11,627 less deferred at end of the year \$9,069	(2,558)	
		4,384
<p>The issuance of long-term debt (bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p>		
Debt issued:		
Bonds and notes issued	(509,711)	
Issuance premiums	(21,632)	
Issuance costs	954	
Repayments:		
Principal retirement	440,280	
Amortization:		
Premiums	9,993	
Issuance costs	(508)	
Deferred amount on refunding	(1,097)	
		(81,721)
<p>Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather as it accrues. The adjustment combines the net changes of the following balances.</p>		
Compensated absences	(44)	
Net other postemployment benefits obligation	(46,096)	
Claims and judgments	4,258	
Accrued interest on bonds and notes	(2,058)	
		(43,940)
Changes in net assets of governmental activities (Exhibit 2)		<u>\$ 24,891</u>

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

CITY OF MILWAUKEE
STATEMENT OF NET ASSETS
ENTERPRISE FUNDS
 DECEMBER 31, 2010
 (Thousands of Dollars)

Exhibit B-1

	Water Works	Sewer Maintenance	Nonmajor Enterprise Funds	Total
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 3,494	\$ 17,745	\$ 21,004	\$ 42,243
Restricted cash and cash equivalents	680	1,910	-	2,590
Receivables (net):				
Accounts	14,528	15,816	14,597	44,941
Unbilled accounts	9,771	2,218	3,167	15,156
Accrued interest	2	6	-	8
Due from other funds	5,144	762	581	6,487
Due from other governmental agencies	-	51	-	51
Inventory of materials and supplies	2,632	-	-	2,632
Prepaid items	590	-	-	590
Deferred charges	-	321	-	321
Other assets	258	-	-	258
Total Current Assets	<u>37,099</u>	<u>38,829</u>	<u>39,349</u>	<u>115,277</u>
Noncurrent assets:				
Restricted cash and cash equivalents	-	8,832	-	8,832
Capital assets:				
Capital assets not being depreciated:				
Land	2,022	-	16,231	18,253
Construction in progress	12,717	-	2,180	14,897
Capital assets being depreciated:				
Buildings	25,406	-	66,392	91,798
Infrastructure	355,873	488,707	16,620	861,200
Improvements other than buildings	-	-	7,771	7,771
Machinery and equipment	206,450	4,563	10,181	221,194
Nonutility property	4,692	-	-	4,692
Accumulated depreciation	<u>(204,982)</u>	<u>(116,862)</u>	<u>(60,062)</u>	<u>(381,906)</u>
Net Capital Assets	<u>402,178</u>	<u>376,408</u>	<u>59,313</u>	<u>837,899</u>
Total Noncurrent Assets	<u>402,178</u>	<u>385,240</u>	<u>59,313</u>	<u>846,731</u>
Total Assets	<u>439,277</u>	<u>424,069</u>	<u>98,662</u>	<u>962,008</u>

CITY OF MILWAUKEE
STATEMENT OF NET ASSETS
ENTERPRISE FUNDS
 DECEMBER 31, 2010
 (Thousands of Dollars)

Exhibit B-1 (Continued)

	Water Works	Sewer Maintenance	Nonmajor Enterprise Funds	Total
LIABILITIES				
Current Liabilities:				
Accounts payable	\$ 5,093	\$ 4,277	\$ 11,640	\$ 21,010
Accrued expenses	1,113	744	742	2,599
Accrued interest payable	246	-	234	480
Compensated absences	1,329	-	-	1,329
Due to other funds	23,888	-	11,734	35,622
Deferred revenue	-	-	14	14
General obligation debt payable - current	3,025	675	2,000	5,700
Revenue bonds payable - current	964	-	-	964
Total Current Liabilities	<u>35,658</u>	<u>5,696</u>	<u>26,364</u>	<u>67,718</u>
Current Liabilities Payable from Restricted Assets:				
Revenue bonds payable	-	6,454	-	6,454
Accrued interest payable	-	687	-	687
Total Current Liabilities Payable from Restricted Assets	<u>-</u>	<u>7,141</u>	<u>-</u>	<u>7,141</u>
Noncurrent Liabilities:				
General obligation debt payable	10,722	52,762	13,155	76,639
Revenue bonds & State loans payable	7,498	120,887	-	128,385
Other post employment benefits obligation	3,077	1,184	1,059	5,320
Total Noncurrent Liabilities	<u>21,297</u>	<u>174,833</u>	<u>14,214</u>	<u>210,344</u>
Total Liabilities	<u>56,955</u>	<u>187,670</u>	<u>40,578</u>	<u>285,203</u>
Net Assets:				
Invested in capital assets, net of related debt	379,969	195,630	44,159	619,758
Restricted for Debt Service	680	10,742	-	11,422
Unrestricted	1,673	30,027	13,925	45,625
Total Net Assets	<u>\$ 382,322</u>	<u>\$ 236,399</u>	<u>\$ 58,084</u>	<u>\$ 676,805</u>

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

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CITY OF MILWAUKEE
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
ENTERPRISE FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2010
 (Thousands of Dollars)

Exhibit B-2

	Water Works	Sewer Maintenance	Nonmajor Enterprise Funds	Total
Operating Revenues:				
Charges for Services:				
Water sales	\$ 59,371	\$ -	\$ -	\$ 59,371
Statutory sewer user fee	-	-	46,279	46,279
Sewer maintenance fee	-	52,046	-	52,046
Rent	-	-	12,847	12,847
Fire protection service	6,607	-	-	6,607
Parking meters	-	-	5,112	5,112
Parking permits	-	-	3,928	3,928
Vehicle towing	-	-	5,341	5,341
Parking forfeitures	-	-	25,646	25,646
Other	7,495	-	1,467	8,962
Total Operating Revenues	<u>73,473</u>	<u>52,046</u>	<u>100,620</u>	<u>226,139</u>
Operating Expenses:				
Milwaukee Metropolitan Sewerage District charges ..	-	-	40,891	40,891
Employee services	-	8,642	9,726	18,368
Administrative and general	7,947	-	60	8,007
Depreciation	13,434	5,551	3,553	22,538
Transmission and distribution	20,381	-	3,342	23,723
Services, supplies, and materials	-	8,054	15,582	23,636
Water treatment	14,852	-	-	14,852
Water pumping	7,608	-	-	7,608
Billing and collection	2,823	-	1,471	4,294
Total Operating Expenses	<u>67,045</u>	<u>22,247</u>	<u>74,625</u>	<u>163,917</u>
Operating Income	<u>6,428</u>	<u>29,799</u>	<u>25,995</u>	<u>62,222</u>
Nonoperating Revenues (Expenses):				
Investment income	15	17	-	32
Grant Revenue	-	1,941	-	1,941
Interest expense	(921)	(4,073)	(702)	(5,696)
Other	45	(14,868)	(876)	(15,699)
Total Nonoperating Revenues (Expenses)	<u>(861)</u>	<u>(16,983)</u>	<u>(1,578)</u>	<u>(19,422)</u>
Income before Contributions and Transfers.....	5,567	12,816	24,417	42,800
Capital contributions	910	70	173	1,153
Transfers in	-	-	576	576
Transfers out	(13,154)	(8,757)	(26,842)	(48,753)
Change in Net Assets	(6,677)	4,129	(1,676)	(4,224)
Total Net Assets - Beginning	<u>388,999</u>	<u>232,270</u>	<u>59,760</u>	<u>681,029</u>
Total Net Assets - Ending	<u>\$ 382,322</u>	<u>\$ 236,399</u>	<u>\$ 58,084</u>	<u>\$ 676,805</u>

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

CITY OF MILWAUKEE
STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2010
 (Thousands of Dollars)

Exhibit B-3

	Water Works	Sewer Maintenance	Nonmajor Enterprise Funds	Total
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from customers and users	\$ 68,385	\$ 50,927	\$ 99,747	\$ 219,059
Receipts from interfund services provided	5,254	-	-	5,254
Payments to suppliers	(7,533)	(6,565)	(60,315)	(74,413)
Payments to employees	(25,471)	(8,390)	(9,503)	(43,364)
Payments from other funds	-	-	1,671	1,671
Payments to other funds	(5,942)	(27,958)	(1,723)	(35,623)
Net Cash Provided by Operating Activities.....	<u>34,693</u>	<u>8,014</u>	<u>29,877</u>	<u>72,584</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Miscellaneous nonoperating revenue	45	1,941	-	1,986
Other nonoperating expenses	-	(14,868)	-	(14,868)
Transfers from other funds	-	-	576	576
Transfers to other funds	(13,154)	(8,757)	(26,842)	(48,753)
Net Cash Used for Noncapital Financing Activities	<u>(13,109)</u>	<u>(21,684)</u>	<u>(26,266)</u>	<u>(61,059)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Proceeds from sale of bonds and notes	675	106,823	2,681	110,179
Acquisition of property, plant, and equipment	(20,875)	(40,571)	(2,809)	(64,255)
Retirement of bonds, notes, and revenue bonds	(3,445)	(30,671)	(1,920)	(36,036)
Interest paid	(1,014)	(3,985)	(710)	(5,709)
Other	-	(51)	(868)	(919)
Net Cash Used for Capital and Related Financing Activities	<u>(24,659)</u>	<u>31,545</u>	<u>(3,626)</u>	<u>3,260</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Investment income	17	120	-	137
Net Increase (Decrease) in Cash and Cash Equivalents	(3,058)	17,995	(15)	14,922
Cash and Cash Equivalents - Beginning	<u>7,232</u>	<u>10,492</u>	<u>21,019</u>	<u>38,743</u>
Cash and Cash Equivalents - Ending	<u>\$ 4,174</u>	<u>\$ 28,487</u>	<u>\$ 21,004</u>	<u>\$ 53,665</u>

CITY OF MILWAUKEE
STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Thousands of Dollars)

Exhibit B-3 (Continued)

	Water Works	Sewer Maintenance	Nonmajor Enterprise Funds	Total
Cash and Cash Equivalents at Year-End Consist of:				
Unrestricted Cash	\$ 3,494	\$ 18,245	\$ 21,004	\$ 42,743
Restricted Cash	<u>680</u>	<u>10,742</u>	<u>-</u>	<u>11,422</u>
	<u>\$ 4,174</u>	<u>\$ 28,987</u>	<u>\$ 21,004</u>	<u>\$ 54,165</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:				
Operating income	\$ 6,428	\$ 29,799	\$ 25,995	\$ 62,222
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation	13,434	5,551	3,553	22,538
Changes in assets and liabilities:				
Receivables	(325)	(1,076)	(862)	(2,263)
Due from other funds	13,698	(43)	493	14,148
Inventories	(16)	-	-	(16)
Prepaid items	(550)	-	-	(550)
Other assets	(4)	-	-	(4)
Accounts payable	1,399	1,489	1,031	3,919
Accrued liabilities	(47)	(28)	33	(42)
Net other postemployment benefits obligation	676	280	190	1,146
Due to other funds	-	(27,958)	(545)	(28,503)
Deferred revenue	<u>-</u>	<u>-</u>	<u>(11)</u>	<u>(11)</u>
Net Cash Provided by Operating Activities	<u>\$ 34,693</u>	<u>\$ 8,014</u>	<u>\$ 29,877</u>	<u>\$ 72,584</u>

Non-cash Activities:

During the year, water mains and related property, installed by others were deeded to the Water Works in the amount of \$910,324.

During the year, the Sewer Maintenance Fund removed infrastructure assets costing \$104,054 with a net value of \$0, and, received donated assets in the amount of \$70,153.

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

CITY OF MILWAUKEE
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
 DECEMBER 31, 2010
(Thousands of Dollars)

Exhibit C-1

	Pension and Other Employee Benefit Trusts	Private- Purpose Trusts	Agency Funds
ASSETS			
Cash and cash equivalents	\$ 403	\$ 3,082	\$ 302,562
Investments	<u>-</u>	<u>2,429</u>	<u>-</u>
Total Assets	<u>403</u>	<u>5,511</u>	<u>\$ 302,562</u>
LIABILITIES			
Liabilities:			
Accounts payable	86	35	1,821
Due to other governmental agencies	<u>-</u>	<u>-</u>	<u>300,741</u>
Total Liabilities	<u>86</u>	<u>35</u>	<u>\$ 302,562</u>
Net Assets			
Employees' pension benefits and other purposes	<u>\$ 317</u>	<u>\$ 5,476</u>	

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

CITY OF MILWAUKEE
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2010
(Thousands of Dollars)

Exhibit C-2

	Pension and Other Employee Benefit Trusts	Private- Purpose Trusts
Additions		
Contributions:		
Plan members	\$ 1,397	\$ -
Private donations	-	3,325
Total Contributions	1,397	3,325
Investment earnings:		
Net appreciation in fair value of investments, dividends and interest	-	133
Total Additions	1,397	3,458
Deductions		
Benefits	1,482	-
Fees remitted from Trust	-	2,873
Other	-	144
Total Deductions	1,482	3,017
Change in Net Assets	(85)	441
Net Assets - Beginning	402	5,035
Net Assets - Ending	\$ 317	\$ 5,476

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

CITY OF MILWAUKEE
COMBINING STATEMENT OF NET ASSETS
COMPONENT UNITS
 DECEMBER 31, 2010
 (Thousands of Dollars)

Exhibit D-1

	Housing Authority	Redevelopment Authority	Milwaukee Economic Development Corporation	Neighborhood Improvement Development Corporation	Total
ASSETS					
Current Assets:					
Cash and cash equivalents	\$ 20,384	\$ 23,970	\$ 13,783	\$ 1,962	\$ 60,099
Investments	3,087	1,300	-	300	4,687
Receivables (net):					
Accounts	2,549	218	69	45	2,881
Notes and loans	41,924	19,228	32,351	499	94,002
Accrued interest	5,391	107	133	127	5,758
Due from primary government	-	378	-	21	399
Due from other governmental agencies	6,046	2,522	17,504	-	26,072
Inventory of property for resale	-	4,885	955	2,187	8,027
Prepaid items	952	62	-	-	1,014
Deferred charges	217	782	-	-	999
Other assets	344	-	83	-	427
Total Noncapital Assets	<u>80,894</u>	<u>53,452</u>	<u>64,878</u>	<u>5,141</u>	<u>204,365</u>
Capital assets:					
Capital assets not being depreciated:					
Land and land improvements	40,188	16,628	-	-	56,816
Construction in progress	16,217	515	-	-	16,732
Capital assets being depreciated:					
Buildings	397,056	103,233	-	-	500,289
Infrastructure	-	379	-	-	379
Improvements other than buildings	882	843	-	-	1,725
Machinery and equipment	3,502	-	216	-	3,718
Accumulated depreciation	(240,111)	(10,869)	(194)	-	(251,174)
Total Capital Assets, Net of Depreciation	<u>217,734</u>	<u>110,729</u>	<u>22</u>	<u>-</u>	<u>328,485</u>
Total Assets	<u>298,628</u>	<u>164,181</u>	<u>64,900</u>	<u>5,141</u>	<u>532,850</u>

CITY OF MILWAUKEE
COMBINING STATEMENT OF NET ASSETS
COMPONENT UNITS
 DECEMBER 31, 2010
 (Thousands of Dollars)

Exhibit D-1 (Continued)

	Housing Authority	Redevelopment Authority	Milwaukee Economic Development Corporation	Neighborhood Improvement Development Corporation	Total
LIABILITIES					
Current Liabilities:					
Accounts payable	\$ 5,984	\$ 3,278	\$ 1,220	\$ 49	\$ 10,531
Accrued expenses	6,254	6,712	-	-	12,966
Due to other governmental agencies	1,137	1,349	-	-	2,486
Deferred revenue	493	3,825	-	266	4,584
Other liabilities	<u>5,659</u>	<u>3,076</u>	<u>764</u>	<u>1,283</u>	<u>10,782</u>
Total Current Liabilities	<u>19,527</u>	<u>18,240</u>	<u>1,984</u>	<u>1,598</u>	<u>41,349</u>
Due to primary government:					
Due within one year	1,096	-	34	27	1,157
Due in more than one year	<u>-</u>	<u>15,102</u>	<u>1,448</u>	<u>-</u>	<u>16,550</u>
Total Due to Primary Government	<u>1,096</u>	<u>15,102</u>	<u>1,482</u>	<u>27</u>	<u>17,707</u>
Long-term obligations:					
Due within one year	11,437	-	-	-	11,437
Due in more than one year	<u>46,964</u>	<u>82,257</u>	<u>4,725</u>	<u>-</u>	<u>133,946</u>
Total Noncurrent Liabilities	<u>58,401</u>	<u>82,257</u>	<u>4,725</u>	<u>-</u>	<u>145,383</u>
Total Liabilities	<u>79,024</u>	<u>115,599</u>	<u>8,191</u>	<u>1,625</u>	<u>204,439</u>
NET ASSETS:					
Invested in capital assets, net of related debt ...	160,774	39,799	-	-	200,573
Restricted	5,113	4,128	8,196	1,154	18,591
Unrestricted	<u>53,717</u>	<u>4,655</u>	<u>48,513</u>	<u>2,362</u>	<u>109,247</u>
Total Net Assets	<u>\$ 219,604</u>	<u>\$ 48,582</u>	<u>\$ 56,709</u>	<u>\$ 3,516</u>	<u>\$ 328,411</u>

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

CITY OF MILWAUKEE
**COMBINING STATEMENT OF ACTIVITIES
 COMPONENT UNITS**
 FOR THE YEAR ENDED DECEMBER 31, 2010
(Thousands of Dollars)

Exhibit D-2

	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Housing Authority				
Low income housing	\$ 90,346	\$ 20,057	\$ 53,938	\$ 20,829
Redevelopment Authority				
Prevention and elimination of blight	13,805	5,980	8,294	9,292
Milwaukee Economic Development Corporation				
Increase employment and expansion of business ..	3,385	2,969	1,814	-
Neighborhood Improvement Development Corp.				
Housing improvements	<u>3,715</u>	<u>764</u>	<u>1,313</u>	<u>1,343</u>
 Total Component Units	 <u>\$111,251</u>	 <u>\$ 29,770</u>	 <u>\$ 65,359</u>	 <u>\$ 31,464</u>

General revenues:
Miscellaneous
Total General Revenues
Change in Net Assets
Net Assets - Beginning, as restated (note 1w).....
Net Assets - Ending

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

Net (Expense) Revenue and Changes in Net Assets				
Housing Authority	Redevelopment Authority	Milwaukee Economic Development Corporation	Neighborhood Improvement Development Corporation	Total
\$ 4,478	\$ -	\$ -	\$ -	\$ 4,478
-	9,761	-	-	9,761
-	-	1,398	-	1,398
<u>-</u>	<u>-</u>	<u>-</u>	<u>(295)</u>	<u>(295)</u>
<u>4,478</u>	<u>9,761</u>	<u>1,398</u>	<u>(295)</u>	<u>15,342</u>
<u>4,230</u>	<u>183</u>	<u>458</u>	<u>37</u>	<u>4,908</u>
<u>4,230</u>	<u>183</u>	<u>458</u>	<u>37</u>	<u>4,908</u>
8,708	9,944	1,856	(258)	20,250
<u>210,896</u>	<u>38,638</u>	<u>54,853</u>	<u>3,774</u>	<u>308,161</u>
<u>\$ 219,604</u>	<u>\$ 48,582</u>	<u>\$ 56,709</u>	<u>\$ 3,516</u>	<u>\$328,411</u>

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**NOTES
TO THE
FINANCIAL
STATEMENTS**

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

Discretely Presented Component Units

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

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

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

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

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

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

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

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

Related Organizations

Milwaukee Area Workforce Investment Board

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

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

B. Basis of Presentation

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

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

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

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

The City reports the following major governmental funds:

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

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

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

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

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

The City reports the following major enterprise funds:

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

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

Additionally, the City reports the following fiduciary fund types:

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

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

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

C. Basis of Accounting

The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flow takes place. Non-exchange transactions, in which the City receives value without directly giving equal value in return, include property tax revenue, grants, and other contributions. On an accrual basis, revenue from property taxes is recognized in the period for which the levy is intended to finance, which is the year after the taxes are levied. Taxes levied in 2010 that will be collected in 2011 are recorded as receivable and deferred revenue. Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Revenue from grants and other contributions are recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the City must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the City on a reimbursement basis.

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

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

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

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

D. Cash and Cash Equivalents

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

E. Investments

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

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

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

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

F. Property Taxes

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

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

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

G. Accounts Receivable

Accounts receivables are presented net of allowances. The amount of the General Fund allowance as of December 31, 2010 is approximately \$2,186,000.

H. Unbilled Services

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

I. Special Assessments

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

J. Notes and Loan Receivables

The General Fund, the Special Revenue Fund - Community Development Block Grant, and Neighborhood Improvement Development Corporation hold notes and loans receivable from individuals, small businesses, and corporations in the Milwaukee area that are secured by primary or secondary security interests in real estate or other assets. The City periodically analyzes the collectability of the notes and loans that are not insured and provides allowances as considered necessary. The amount of the allowance in the nonmajor governmental fund is approximately \$9,660,000 as of December 31, 2010.

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

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2010

K. Inventories

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

L. Prepaid Items

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

M. Capital Assets

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

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

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

Capital Asset Category	Capitalization Threshold	Estimated Useful Life
Infrastructure	\$ 5,000	5-50 years
Land	5,000	N/A
Land Improvements	5,000	N/A
Intangible right of ways	5,000	N/A
Site Improvements	5,000	3-50
Buildings	5,000	10-60
Building Improvements	5,000	10-45
Machinery and equipment	5,000	3-25
Works of Art, Historical Treasures	5,000	N/A
Intangible software	100,000	5-20

N. Pension Contributions

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

O. Compensated Absences

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

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

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

P. Claims and Judgments

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

Q. Bond Premiums, Discounts, and Issuance Costs

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

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

R. Advance Refundings of Debt

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

S. Fund Balances

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

T. Net Assets

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

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

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

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

U. Interfund Transactions

The City has the following types of interfund transactions:

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

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

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

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

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

V. Use of Estimates

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

W. New Accounting Pronouncements

In June, 2007, the GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. This Statement requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. The City has implemented this Statement beginning with the year ending December 31, 2010 which resulted in the capitalization of approximately \$2,683,000 Primary Government intangible assets. This statement also resulted in the Redevelopment Authority adding \$231,000 of intangible assets to CIP as of January 1, 2009. This resulted in an addition of beginning net assets for component units from \$307,930,000 to \$308,161,000.

In June, 2008, the GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. This Statement addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. The City has implemented this Statement beginning with the year ending December 31, 2010. The City does not have any Derivative Instruments meeting the criteria of GASB Statement No. 53.

In February, 2009, the GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement establishes fund balance classifications that comprise a hierarchy primarily based on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. This Statement provides guidance for classifying stabilization amounts on the face of the balance sheet and requires disclosure of certain information about stabilization arrangements in the notes to the financial statements. This Statement also clarifies the definitions of the general fund, special revenue fund type, capital projects fund type, debt service fund type, and permanent fund type. The City will implement this Statement beginning with the year ending December 31, 2011. The City does not expect the implementation of the Statement to have a significant impact on its financial statements.

In November 2010, the GASB issued Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*. This Statement addresses service concession arrangements, which are a type of public-private partnership. The City will implement this Statement beginning with the year ending December 31, 2012. The City does not expect the implementation of the Statement to have a significant impact on its financial statements.

In November 2010, the GASB issued Statement No. 61, *an amendment of GASB Statements No. 14 and No. 34*. This Statement modifies existing requirements for the assessment of potential component units in determining what should be included in the financial reporting entity display and disclosure requirements. The City will implement this Statement beginning with the year ending December 31, 2013. The City does not expect the implementation of the Statement to have a significant impact on its financial statements.

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2010

2. DEPOSITS AND INVESTMENTS

A. Primary Government

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

As of December 31, 2010, the City's deposits and investments are as follows:

	Fair Value	Investment Maturities (in Years)			Greater than 10	Credit Rating
		Less than 1	1-5	6-10		
Governmental and Business-type activities:						
<i>Investment type</i>						
Pooled Deposits and Investments	\$ 219,334	\$ 219,334	\$ -	\$ -	\$ -	see below
Segregated Deposits and Investments						
Interest Checking	10,167	10,167	-	-	-	not rated
Wisconsin Local Government						
Investment Pool	90,047	90,047	-	-	-	not rated
Municipal Bonds	12,574	-	495	10,210	1,869	see below
U.S. Treasury strips	1,680	1,116	1	563	-	AAA
Treasuries (Fiscal Agent)	8,997	8,997	-	-	-	AAA
Other	494	-	-	-	494	
	<u>\$ 343,293</u>	<u>\$ 329,661</u>	<u>\$ 496</u>	<u>\$ 10,773</u>	<u>\$ 2,363</u>	
Fiduciary activities:						
<i>Investment type</i>						
Investments in the Pool	\$ 260,074	\$ 260,074	\$ -	\$ -	\$ -	see below
Other Deposits	44,623	44,623	-	-	-	not rated
Segregated Deposits and Investments						
Wisconsin Local Government						
Investment Pool	1,350	1,350	-	-	-	not rated
U.S. Treasury strips	2,429	420	1,627	382	-	AAA
	<u>\$ 308,476</u>	<u>\$ 306,467</u>	<u>\$ 1,627</u>	<u>\$ 382</u>	<u>\$ -</u>	

Municipal Bonds

The Moody's ratings vary from AAA to A2 for the Municipal Bonds that were rated. The remainder of the Municipal bonds held by the City was not rated.

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2010

B. Component Units

Deposits and Investments

Deposits in each local and area bank are insured by the FDIC in the amount of \$250,000 for interest bearing accounts and \$250,000 for noninterest bearing accounts. An additional \$400,000 is covered by the State Deposit Guarantee Fund.

Interest Rate Risk

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

Credit Risk

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

The Component Units have the following investments on December 31, 2010:

	Investment Maturities (in Years)					Credit Rating
	<i>(Thousands of Dollars)</i>					
Component Units:	Fair value	Less than 1	1-2	8-10	10 and greater	
Local Government Investment Pool	\$ 16,378	\$ 16,378	-	-	-	not rated
U.S. Treasury Money Market Fund	12,527	12,527	-	-	-	Aaa
U.S. Agencies						
Government National Mortgage Association	649	4	-	645	-	Aaa
Certificates of Deposit	1,600	1,600	-	-	-	N/A
	<u>\$ 31,154</u>	<u>\$ 30,509</u>	<u>\$ -</u>	<u>\$ 645</u>	<u>\$ -</u>	

Custodial Credit Risk

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

As of December 31, 2010 Component Units bank balances exposed to Custodial Credit Risk are as follows:

	Bank Balance	Uninsured and Uncollateralized
Housing Authority	\$ 7,144,323	\$ 1,030,669
Redevelopment Authority	13,328,705	-
Milwaukee Economic Development Corporation	12,593,350	3,745,716
Neighborhood Improvement Development Corporation	2,037,438	764,185

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

As of December 31, 2010, the Housing Authority had \$648,877 of investments exposed to custodial credit risk as uninsured and uncollateralized.

As of December 31, 2010, the Redevelopment Authority had \$10,372,106 of investments exposed to custodial credit risk as uninsured and uncollateralized.

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2010

3. PROPERTY TAXES

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

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

At December 31, 2010, delinquent property taxes include delinquent sewer and water charges and special assessments by year levied, tax deeded property, and allowance for uncollectible taxes. These delinquent property taxes are reported as part of taxes receivable in the General Fund and Special Revenue Fund - Delinquent Tax and consist of the following:

	City Levy	Purchased Taxes Receivable	Total
<i>(Thousands of Dollars)</i>			
2005 and prior	\$ 685	\$ 1,085	\$ 1,770
2006	452	700	1,152
2007	1,202	1,810	3,012
2008	3,791	5,739	9,530
2009	<u>11,783</u>	<u>18,455</u>	<u>30,238</u>
 Total delinquent property taxes receivable	 <u>\$ 17,913</u>	 <u>\$ 27,789</u>	 45,702
 Property taxes receivable on foreclosed property			 19,562
 Less: Allowance for uncollectible taxes			 <u>(17,918)</u>
 Net delinquent property taxes receivable, including tax deeded property			 <u>\$ 47,346</u>

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2010

4. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2010 was as follows:

	Balance 01-01-10	Additions	Deletions	Balance 12-31-10
Governmental activities	<i>(Thousands of Dollars)</i>			
<i>Capital assets not being depreciated:</i>				
Land	\$ 164,250	\$ 41	\$ 81	\$ 164,210
Construction in progress	40,839	8,308	22,634	26,513
Intangible right of ways	<u>-</u>	<u>1,319</u>	<u>-</u>	<u>1,319</u>
Total capital assets not being depreciated	<u>205,089</u>	<u>9,668</u>	<u>22,715</u>	<u>192,042</u>
<i>Capital assets being depreciated:</i>				
Buildings	257,076	20,365	625	276,816
Infrastructure.....	1,377,383	80,615	7,080	1,450,918
Improvements other than buildings	11,687	215	91	11,811
Machinery and equipment	164,265	15,885	6,362	173,788
Intangible software.....	<u>-</u>	<u>1,364</u>	<u>-</u>	<u>1,364</u>
Total capital assets being depreciated	<u>1,810,411</u>	<u>118,444</u>	<u>14,158</u>	<u>1,914,697</u>
Less accumulated depreciation for:				
Buildings	72,025	6,995	625	78,395
Infrastructure	911,616	30,014	7,080	934,550
Improvements other than buildings	7,731	328	87	7,972
Machinery and equipment	94,133	12,254	6,166	100,221
Intangible software	<u>-</u>	<u>97</u>	<u>-</u>	<u>97</u>
Total accumulated depreciation	<u>1,085,505</u>	<u>49,688</u>	<u>13,958</u>	<u>1,121,235</u>
Total capital assets being depreciated, net	<u>724,906</u>	<u>68,756</u>	<u>200</u>	<u>793,462</u>
Government activity capital assets, net	<u>\$ 929,995</u>	<u>\$ 78,424</u>	<u>\$ 22,915</u>	<u>\$ 985,504</u>
Depreciation expense for governmental activities was charged to functions as follows:				
General government				\$ 462
Public safety				8,680
Public works				39,610
Health				260
Culture and recreation				<u>676</u>
Total				<u>\$ 49,688</u>

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

Business-type activities	Balance 01-01-10	Additions	Deletions	Balance 12-31-10
		<i>(Thousands of Dollars)</i>		
Water Works				
<i>Capital assets not being depreciated:</i>				
Land	\$ 1,936	\$ 86	\$ -	\$ 2,022
Construction in progress	15,635	21,916	24,834	12,717
Total capital assets not being depreciated	<u>17,571</u>	<u>22,002</u>	<u>24,834</u>	<u>14,739</u>
<i>Capital assets being depreciated:</i>				
Buildings	24,135	1,271	-	25,406
Infrastructure	338,510	18,162	799	355,873
Machinery and equipment	202,027	6,133	1,710	206,450
Nonutility property	5,509	-	817	4,692
Total capital assets being depreciated	<u>570,181</u>	<u>25,566</u>	<u>3,326</u>	<u>592,421</u>
Less accumulated depreciation for:				
Buildings	14,581	1,393	-	15,974
Infrastructure	80,929	3,851	802	83,978
Machinery and equipment	97,272	8,190	1,009	104,453
Nonutility property	988	-	411	577
Total accumulated depreciation	<u>193,770</u>	<u>13,434</u>	<u>2,222</u>	<u>204,982</u>
Total capital assets being depreciated, net	<u>376,411</u>	<u>12,132</u>	<u>1,104</u>	<u>387,439</u>
Water Works capital assets, net	<u>393,982</u>	<u>34,134</u>	<u>25,938</u>	<u>402,178</u>
Sewer Maintenance				
<i>Capital assets not being depreciated:</i>				
Construction in progress	16	-	16	-
Total capital assets not being depreciated	<u>16</u>	<u>-</u>	<u>16</u>	<u>-</u>
<i>Capital assets being depreciated:</i>				
Infrastructure	448,298	40,513	104	488,707
Machinery and equipment	4,419	144	-	4,563
Total capital assets being depreciated	<u>452,717</u>	<u>40,657</u>	<u>104</u>	<u>493,270</u>
Less accumulated depreciation for:				
Infrastructure	109,116	5,204	104	114,216
Machinery and equipment	2,299	347	-	2,646
Total accumulated depreciation	<u>111,415</u>	<u>5,551</u>	<u>104</u>	<u>116,862</u>
Total capital assets being depreciated, net	<u>341,302</u>	<u>35,106</u>	<u>-</u>	<u>376,408</u>
Sewer Maintenance capital assets, net	<u>341,318</u>	<u>35,106</u>	<u>16</u>	<u>376,408</u>

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2010

	Balance 01-01-10	Additions	Deletions	Balance 12-31-10
		<i>(Thousands of Dollars)</i>		
Other business-type activities:				
<i>Capital assets not being depreciated:</i>				
Land	16,231	-	-	16,231
Construction in progress	<u>2,444</u>	<u>2,099</u>	<u>2,363</u>	<u>2,180</u>
Total capital assets not being depreciated	<u>18,675</u>	<u>2,099</u>	<u>2,363</u>	<u>18,411</u>
<i>Capital assets being depreciated:</i>				
Buildings	65,272	1,120	-	66,392
Infrastructure—port.....	15,909	711	-	16,620
Improvements other than buildings	7,717	54	-	7,771
Machinery and equipment	<u>8,860</u>	<u>1,362</u>	<u>41</u>	<u>10,181</u>
Total capital assets being depreciated	<u>97,758</u>	<u>3,247</u>	<u>41</u>	<u>100,964</u>
Less accumulated depreciation for:				
Buildings	37,105	2,373	-	39,478
Infrastructure—port.....	9,076	278	-	9,354
Improvements other than buildings	5,318	301	-	5,619
Machinery and equipment	<u>5,042</u>	<u>601</u>	<u>32</u>	<u>5,611</u>
Total accumulated depreciation	<u>56,541</u>	<u>3,553</u>	<u>32</u>	<u>60,062</u>
Total capital assets being depreciated, net	<u>41,217</u>	<u>(306)</u>	<u>9</u>	<u>40,902</u>
Other business-type activities, net	<u>59,892</u>	<u>1,793</u>	<u>2,372</u>	<u>59,313</u>
Business-type activity capital assets, net	<u>\$ 795,192</u>	<u>\$ 71,033</u>	<u>\$ 28,326</u>	<u>\$ 837,899</u>

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
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	Balance 01-01-10	Additions	Deletions	Balance 12-31-10
		<i>(Thousands of Dollars)</i>		
Component Units				
<i>Capital assets not being depreciated:</i>				
Land	\$ 56,527	\$ 400	\$ 111	\$ 56,816
Construction in Progress	<u>3,409</u>	<u>23,740</u>	<u>10,417</u>	<u>16,732</u>
Total capital assets not being depreciated	<u>59,936</u>	<u>24,140</u>	<u>10,528</u>	<u>73,548</u>
<i>Capital assets being depreciated:</i>				
Buildings	488,043	19,472	7,226	500,289
Infrastructure	789	-	410	379
Improvements other than buildings	1,725	-	-	1,725
Machinery and equipment	<u>3,513</u>	<u>288</u>	<u>83</u>	<u>3,718</u>
Total capital assets being depreciated	<u>494,070</u>	<u>19,760</u>	<u>7,719</u>	<u>506,111</u>
Less accumulated depreciation for:				
Buildings	241,452	12,882	6,450	247,884
Infrastructure	40	24	23	41
Improvements other than buildings	324	129	-	453
Machinery and equipment	<u>2,616</u>	<u>261</u>	<u>81</u>	<u>2,796</u>
Total accumulated depreciation	<u>244,432</u>	<u>13,296</u>	<u>6,554</u>	<u>251,174</u>
Total capital assets being depreciated, net	<u>249,638</u>	<u>6,464</u>	<u>1,165</u>	<u>254,937</u>
Component units capital assets, net	<u>\$ 309,574</u>	<u>\$ 30,604</u>	<u>\$ 11,693</u>	<u>\$ 328,485</u>

5. DEFERRED REVENUE

Deferred revenue is recorded in the governmental funds for amounts not yet available and for resources received prior to being earned by the City. Related revenue is recognized when these amounts become available or when earned. The composition of the deferred revenue balances in the governmental funds as of December 31, 2010 is as follows:

	General	General Obligation Debt Service	Capital Projects	Nonmajor Governmental Funds	Total
		<i>(Thousands of Dollars)</i>			
Current property taxes	\$ 178,988	\$ 93,532	\$ 4,679	\$ -	\$ 277,199
Delinquent property taxes	8,646	-	-	3,270	11,916
Unearned revenue	-	-	3,327	8,572	11,899
Long-term receivables	-	93,488	-	115	93,603
Unbilled special assessments	<u>-</u>	<u>-</u>	<u>9,069</u>	<u>-</u>	<u>9,069</u>
Total	<u>\$ 187,634</u>	<u>\$ 187,020</u>	<u>\$ 17,075</u>	<u>\$ 11,957</u>	<u>\$ 403,686</u>

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

6. SHORT-TERM DEBT

During 2010, the City issued and repaid \$147,000,000 of General Obligation Cash Flow Promissory Notes, Series 2010 R4 (G.O. CFNs). The G.O. CFNs were issued for the purpose of financing the City's operating budget on an interim basis pending receipt of State of Wisconsin shared revenue payments due in November, 2010.

As of December 31, 2009, the City had outstanding \$228,000,000 of short-term Revenue Anticipation Notes (RANs) on behalf of Milwaukee Public Schools. In 2010, the City repaid the outstanding balance and issued \$225,000,000 short-term RANs for the same purpose. Of the new notes, \$50,000,000 was repaid in 2010 and the remaining balance of \$175,000,000 bears interest rates from 1.5% to 2% and will mature on June 27, 2011. The liability and related receivable to repay the revenue anticipation notes are recorded in the Debt Service Fund.

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2010

7. LONG-TERM OBLIGATIONS

A. Changes in Long-Term Obligations

Changes in long-term obligations for the year ended December 31, 2010 were as follows:

	Balance 01-01-10	Additions	Deductions	Balance 12-31-10	Amounts Due within One Year
	<i>(Thousands of Dollars)</i>				
Governmental activities:					
General obligation bonds and notes					
City	\$ 649,306	\$ 366,200	\$ 334,842	\$ 680,664	\$ 86,633
Milwaukee Public Schools	93,446	143,511	105,438	131,519	13,327
Deferred amount on refundings	(4,000)	-	(1,097)	(2,903)	-
Unamortized premiums	23,839	21,632	9,993	35,478	-
Compensated absences	38,904	3,141	3,097	38,948	4,014
Net other postemployment benefits obligation	122,944	77,666	31,570	169,040	-
Claims and judgments	23,719	2,812	7,070	19,461	3,920
Total governmental activities	<u>\$ 948,158</u>	<u>\$ 614,962</u>	<u>\$ 490,913</u>	<u>\$ 1,072,207</u>	<u>\$ 107,894</u>
Business-type activities					
Water Works					
General obligation bonds and notes	\$ 15,285	\$ 675	\$ 2,507	\$ 13,453	\$ 3,025
Deferred amount on refundings	(217)	-	(105)	(112)	-
Unamortized premiums	570	-	164	406	-
Revenue bonds	9,400	-	938	8,462	964
Compensated absences	1,248	1,598	1,517	1,329	1,329
Net other postemployment benefits obligation	2,400	2,072	1,395	3,077	-
Total Water Works	<u>28,686</u>	<u>4,345</u>	<u>6,416</u>	<u>26,615</u>	<u>5,318</u>
Sewer Maintenance					
General obligation bonds and notes	7,167	72,040	25,770	53,437	675
State Loans	48,002	34,783	2,061	80,724	3,514
Revenue bonds	48,115	-	2,840	45,275	2,940
Unamortized premiums	1,542	-	200	1,342	-
Net other postemployment benefits obligation	904	857	577	1,184	-
Total Sewer Maintenance	<u>105,730</u>	<u>107,680</u>	<u>31,448</u>	<u>181,962</u>	<u>7,129</u>
Other Enterprise Funds					
General obligation bonds and notes	14,351	2,681	1,920	15,112	2,000
Deferred amount on refundings	(141)	-	(46)	(95)	-
Unamortized premiums	193	-	55	138	-
Net other postemployment benefits obligation	826	716	483	1,059	-
Total Other Enterprise	<u>15,229</u>	<u>3,397</u>	<u>2,412</u>	<u>16,214</u>	<u>2,000</u>
Total business-type activities	<u>\$ 149,645</u>	<u>\$ 115,422</u>	<u>\$ 40,276</u>	<u>\$ 224,791</u>	<u>\$ 14,447</u>

CITY OF MILWAUKEE
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 FOR THE YEAR ENDED DECEMBER 31, 2010

	Balance 01-01-10	New Issues	Repayments	Balance 12-31-10	Amounts Due within One Year
<i>(Thousands of Dollars)</i>					
Component Units					
Revenue bonds	\$ 94,393	\$ -	\$ 2,668	\$ 91,725	\$ 535
Unamortized discounts	(97)	-	(6)	(91)	-
Notes payable	41,264	9,739	290	50,713	10,664
Advance from other organizations	-	-	-	-	-
Compensated Absences.....	1,106	-	312	794	238
Net other postemployment benefits.....	1,441	893	92	2,242	-
Total component units	<u>\$ 138,107</u>	<u>\$ 10,632</u>	<u>\$ 3,356</u>	<u>\$ 145,383</u>	<u>\$ 11,437</u>

B. General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities for the City and for Milwaukee Public Schools. General obligation bonds have been issued for both governmental and business-type activities. General obligation bonds are secured by the full faith and unlimited taxing power of the City. The debt for governmental activities will be retired by future property tax levies and other resources accumulated in the Debt Service Funds. The debt for business-type activities (i.e. Water Works, Sewer Maintenance, Parking, and Port of Milwaukee Enterprise Funds) will be retired by revenues from those operations or, if the revenues are not sufficient, by future tax levies. During the year ended December 31, 2010, general obligation bonds totaling \$57,390,000 were issued. \$41,414,890 was issued to finance capital improvements, \$11,020,000 for school purposes and \$4,955,110 for business-type activities.

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

Through 2010, \$154,206,284 has been borrowed and outstanding for forty-six tax incremental districts (TID). Total debt service requirements associated with these debt issues amounts to \$209,448,349. Active Tax increments received through 2010 total \$160,223,934. In any year in which TID debt service requirements for the ensuing year are greater than total tax increments received, the shortfall is funded by the property tax levy.

Under the Wisconsin Statutes, the City is required, if requested by the Board of Milwaukee Public Schools, and if approved by referendum, to issue general obligation bonds to finance purchases of school sites and to construct or remodel school buildings. No such bonds are currently outstanding. The \$131,519,000 of Milwaukee Public School long-term debt outstanding at December 31, 2010 consists of a portion of the City's general obligation bonds and notes that has been designated for school purposes. Under the Wisconsin Statutes, the City has title to the land and buildings of the Milwaukee Public Schools. However, the City does not control the use of the assets or receive the proceeds upon disposition of the assets. At June 30, 2010, the historical costs of the land and buildings as reported by Milwaukee Public Schools were approximately \$992,516,000. These assets are excluded from the financial statements of the City.

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2010

C. Revenue Bonds and State Loans

The City issues revenue bonds to provide funds for water and sewer improvements. As such, they are not backed by the general credit or taxing powers of the City. During 2010, the City received loans from the State for the Clean Water Fund Program permitted under State Statutes to provide financial assistance for specific Sewer Maintenance Enterprise Fund projects for a total of \$34,783,000. The loans will be repaid from revenues of the Sewer Maintenance Enterprise Fund.

D. Notes Payable

The City issues installment notes to provide funds for various public improvement projects, cash flow for the school district, and purchases of delinquent taxes. During the year ended December 31, 2010, installment loans totaling \$137,565,000 were issued. \$101,748,180 was issued to finance capital improvements, \$5,950,220 for business-type activities and \$29,866,600 to purchase 2009's delinquent taxes.

During 2010, the City continued to issue General Obligation Commercial Paper Promissory Notes totaling \$205,852,000. \$46,491,400 was issued to finance capital improvements, \$64,491,400 for business-type activities and \$95,191,000 for schools. The notes are a direct general obligation of the City payable from taxes levied without limitation as to rate or amount. Following is a summary of the General Obligation Commercial Paper Promissory Notes issued (in thousands), which is included in the totals for the general obligation bonds and notes in the long-term obligation table in footnote 7(a) above:

Balance 01-01-10	Additions	Deletions	Balance 12-31-10
90,000	205,852	217,252	78,600

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

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

Further, under the terms of the letter of credit agreement, the City has agreed to meet various covenants, which includes maintaining an above investment grade rating on its outstanding indebtedness. As of December 31, 2010, the City had no outstanding draws on the letter of credit.

E. Qualified Schools Construction Bonds Payable

During the year ended December 31, 2010, the City issued Qualified Schools Construction Bonds totaling \$37,300,000 to finance schools construction projects which is included in the totals for the general obligation bonds and notes in the long-term obligation table in footnote 7(a) above.

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
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F. Debt Service Requirements

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

Year	General Obligation Debt		Revenue Bonds Payable		Total Debt Service
	Principal	Interest	Principal	Interest	
<i>(Thousands of Dollars)</i>					
Governmental activities					
2011	\$ 99,959	\$ 34,174	\$ -	\$ -	\$ 134,133
2012	82,225	30,331	-	-	112,556
2013	75,928	26,750	-	-	102,678
2014	66,590	23,307	-	-	89,897
2015	61,484	20,212	-	-	81,696
2016-2020	270,152	61,477	-	-	331,629
2021-2025	115,230	20,850	-	-	136,080
2026-2030	40,615	3,113	-	-	43,728
Total	<u>\$ 812,183</u>	<u>\$ 220,214</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,032,397</u>
Business-type activities					
Water Works					
2011	\$ 3,026	\$ 674	\$ 964	\$ 211	\$ 4,875
2012	2,551	531	989	185	4,256
2013	2,161	395	1,015	158	3,729
2014	2,346	284	1,042	131	3,803
2015	1,736	171	1,069	104	3,080
2016-2020	1,348	166	3,383	135	5,032
2021-2025	285	35	-	-	320
Total	<u>\$ 13,453</u>	<u>\$ 2,256</u>	<u>\$ 8,462</u>	<u>\$ 924</u>	<u>\$ 25,095</u>
Sewer Maintenance					
2011	\$ 675	\$ 669	\$ 6,454	\$ 4,038	\$ 11,836
2012	677	644	6,649	3,841	11,811
2013	698	616	6,862	3,603	11,779
2014	700	585	7,086	3,351	11,722
2015	703	552	7,332	3,094	11,681
2016-2020	45,430	1,852	40,708	11,152	99,142
2021-2025	4,554	528	32,848	4,191	42,121
2026-2030	-	-	18,060	833	18,893
Total	<u>\$ 53,437</u>	<u>\$ 5,446</u>	<u>\$ 125,999</u>	<u>\$ 34,103</u>	<u>\$ 218,985</u>
Other Enterprise					
2011	\$ 2,000	\$ 674	\$ -	\$ -	\$ 2,674
2012	1,802	582	-	-	2,384
2013	1,643	498	-	-	2,141
2014	1,614	420	-	-	2,034
2015	1,477	344	-	-	1,821
2016-2020	4,620	924	-	-	5,544
2021-2025	1,956	188	-	-	2,144
Total	<u>\$ 15,112</u>	<u>\$ 3,630</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,742</u>

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2010

Year	General Obligation Debt		Revenue Bonds Payable		Total Debt Service
	Principal	Interest	Principal	Interest	
<i>(Thousands of Dollars)</i>					
Total Component Units					
2011	\$ 10,664	\$ 1,332	\$ 535	\$ 710	\$ 13,241
2012	146	1,263	570	682	2,661
2013.....	157	1,253	990	653	3,053
2014.....	3,892	1,242	1,195	620	6,949
2015.....	880	1,218	1,425	585	4,108
2016-2020	3,619	5,805	7,275	2,303	19,002
2021-2025	1,000	5,064	36,645	1,232	43,941
2026-2030	279	4,891	26,485	541	32,196
2031-2035.....	2,389	4,644	16,605	70	23,708
2036-2040	224	4,139	-	-	4,363
2041-2045	4,915	3,067	-	-	7,982
2046-2050	18,995	1,302	-	-	20,297
2051-2055	-	764	-	-	764
2056-2060.....	3,553	298	-	-	3,851
Total	<u>\$ 50,713</u>	<u>\$ 36,282</u>	<u>\$ 91,725</u>	<u>\$ 7,396</u>	<u>\$ 186,116</u>

G. Debt Limit

Wisconsin Statutes limit direct general obligation borrowing in the amount equivalent to 7% of the equalized valuation of taxable property. The Statutes further provide that within the 7% limitation, borrowing for school construction purposes may not exceed 2% of the equalized valuation and borrowing for general city purposes may not exceed 5% of the equalized valuation. At December 31, 2010, the City's legal debt margin was \$1,382,983,000. Of this amount, \$625,327,000 was for school purposes and \$757,656,000 was for City purposes.

H. Refundings

During February 2010, the City issued General Obligation Promissory Notes, Series 2010 N1 and T2 with a par amount of \$73,620,000 and interest rates from 1% to 5% and Corporate Purpose Bonds, Series 2010 B5 with a par amount of \$13,800,000 and interest rates from 1.5% to 5%. The current refunding of \$110,000,000 General Obligation Commercial Paper Promissory Notes will provide long-term financing for temporary borrowing.

In prior years, the City defeased certain general obligation bonds by placing the proceeds from new general obligation bonds in an irrevocable trust to provide all future debt service payments on the bonds. Accordingly, the trust account assets and liability for the defeased bonds are not included in the City's financial statements. At December 31, 2010, \$75,950,000 of bonds outstanding is considered defeased, which includes debt defeased during the current year.

I. Conduit Debt

From time to time, the City has issued revenue bonds in order to provide financing to private sector entities for the purpose of acquiring, constructing, or rehabilitating housing units and for retiring the existing debt associated with housing units. These obligations are primarily secured by mortgage or revenue agreements on the associated projects and, together with the interest obligation, are payable solely by the developers from leased rentals and other funds or revenues. In addition, these obligations do not constitute indebtedness of the City, as the City has no responsibility for the debt beyond the resources provided by related leases or loans. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. The aggregate amount of all revenue bonds outstanding at December 31, 2010 is approximately \$46,509,000 for the City and \$592,077,000 for RACM.

CITY OF MILWAUKEE
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8. RETIREMENT PLANS

Pension Benefits

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

Funding Policy – Plan members are required to contribute, or have contributed on their behalf, a percentage of their annual earnable compensation equal to 5.5%, 7%, 7%, and 7% for general City employees, police officers, firefighters, and elected officials, respectively. New hires that are not sworn police/fire must pay 1.6% of pensionable earnings for 8 years to fund the cost of benefit escalators due to the Global Pension Settlement. The City is required to contribute the actuarially determined amount. The City Charter assigns the authority to establish and amend contribution requirements. The City's contributions to the System for the years ending December 31, 2010, 2009, and 2008, were \$17,371,000, \$19,294,000, and \$23,532,000, respectively, equal to the required contributions on behalf of the plan members for each year.

Other Postemployment Benefits

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

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

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

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

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

CITY OF MILWAUKEE
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still part of the group life plan have their coverage reduced in accordance with the reduction schedule in effect on their last day physically at work, with the City assuming all future premiums.

Funding Policy. The contribution of plan members and the City are established and may be amended by the City. The required contribution for medical and life insurance for retirees is based on a pay-as-you-go financing. Medical benefits provided through the basic health care plan are self-insured. For 2010, the City paid approximately \$32,872,000 and \$1,153,000, respectively, toward medical and life insurance for retirees.

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

Funding Status and Funding Progress

ARC	\$ 80,498,000
Interest on Net OPEB Obligation	5,373,000
Adjustment to ARC	<u>(4,560,000)</u>
Annual OPEB Cost	81,311,000
Contribution made	<u>34,025,000</u>
Increase in net OPEB Obligation	47,286,000
Net OPEB obligation - beginning of year	<u>127,074,000</u>
Net OPEB obligation - end of year	<u>\$ 174,360,000</u>

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

Annual Cost and Net OPEB Liability

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/2008	\$ 73,100,000	45.0%	\$ 78,400,000
12/31/2009	77,389,000	37.1%	127,074,000
12/31/2010	81,311,000	41.8%	174,360,000

Funded Status and Funding Progress. As of January 1, 2010, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$1,007,573,000, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,007,573,000. The covered payroll (annual payroll of active employees covered by the plan) was \$413,648,000 and the ratio of the UAAL to the covered payroll was 244 percent.

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

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

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

Terminal Leave Payments

Upon retirement, employees receive a portion of their unused sick leave as terminal leave, in accordance with labor contracts and Section 350-38 of the Code of Ordinances. Firefighters whose normal hours of work exceed 40 hours per week receive between \$45 and \$65 for each work shift equivalent of unused sick leave. Firefighters whose normal hours of work average 40 hours per week receive between \$21 and \$30 for each work shift equivalent of unused sick leave. Police officers receive payment for up to 55 days of unused sick leave at base pay. Management pay plan employees are entitled to payment of 30% of unused sick leave (maximum 960 hours) plus one-half of the sick leave days accumulated during the last twelve months of service for up to six additional days for a total maximum of 42 days at the rate of pay at retirement. Substantially all remaining City employees receive up to 30 days for unused sick leave as terminal leave, although some bargaining units receive slightly different benefits in accordance with related labor agreements. In 2010, approximately \$7,925,000 was paid for sick leave from all funds. At December 31, 2010, accumulated sick leave earned but not taken totaled approximately \$168,764,000 determined on the basis of current salary rates.

Terminal leave pay is funded on a pay-as-you-go basis and provided for in the salary budgets of the respective departments annually. In 2010, terminal leave payments totaled \$2,400,000 to employees retiring during the year. As of December 31, 2010, the City has accrued approximately \$21,490,000 in the government-wide statements for future terminal leave payments. This amount is included under the unfunded compensated absences of \$38,948,000 with the remainder accrued vacation leave of \$17,458,000.

9. FUND EQUITY

Reserved for Tax Stabilization and Advances to Other Funds

The Reserved for Tax Stabilization, \$43,824,000 at December 31, 2010, is governed by the City's Code of Ordinances. This reserve includes an amount for advances of \$9,798,000 from the general fund to the capital projects fund. The general fund has advanced this amount to fund special assessment projects. The availability of the \$9,798,000 for Tax Stabilization is contingent upon future collection of the special assessments receivable. All General Fund appropriation balances not encumbered or carried over are reserved for tax stabilization in subsequent years. The total amount that can be withdrawn from the Reserved for Tax Stabilization in any one year is an amount that prevents an increase of more than 3% in the City's property tax rate, as defined, and is anticipated to be available as of April 15 of the year covered by the budget. Such amount must be included in the adopted budget, which requires a majority affirmative vote of the Common Council. Fund withdrawals not needed to stabilize the tax rate can be made for up to 50% of the available balance, but require a three-fourths affirmative vote of the Common Council.

Fund deficit

The Capital Projects Fund had a deficit fund balance of \$19,855,000 as of December 31, 2010, which is the result of expending funds for construction in advance of issuing general obligation bonds. The City plans to eliminate the fund deficit through the issuance of general obligation bonds in 2011.

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
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10. INTERFUND RECEIVABLE AND PAYABLE BALANCES AND NET TRANSFERS

The individual interfund receivable and payable balances at December 31, 2010:

		Due From					
		General Fund	Nonmajor Governmental Funds	Water Works	Sewer Maintenance Fund	Nonmajor Enterprise Funds	Total
		<i>(Thousands of Dollars)</i>					
Due To	General Fund	\$ -	\$ 288	\$ 1,444	\$ -	\$ -	\$ 1,732
	General Obligation Debt	-	-	3,700	-	-	3,700
	Capital Projects	12,244	-	-	-	-	12,244
	Nonmajor Governmental Funds	11,474	-	-	-	-	11,474
	Water Works	22,545	-	-	762	581	23,888
	Sewer Maintenance	-	-	-	-	-	-
	Nonmajor Enterprise Funds ...	11,734	-	-	-	-	11,734
Totals	<u>\$ 57,997</u>	<u>\$ 288</u>	<u>\$ 5,144</u>	<u>\$ 762</u>	<u>\$ 581</u>	<u>\$ 64,772</u>	

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

CITY OF MILWAUKEE
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Interfund transfers for the year ended December 31, 2010 were as follows:

Funds Transferred To	Fund Transferred From	Amount	Purpose
General Fund	General Obligation Debt	\$ 3,006	Funding for debt payments
	Nonmajor Governmental Funds	8,850	Subsidize uncollected property taxes
	Water Works	3,000	Subsidy for operations
	Water Works	10,154	Payment in Lieu of taxes
	Sewer Maintenance	436	Pension contribution
	Nonmajor Enterprise Funds	1,297	Payment in Lieu of taxes
	Nonmajor Enterprise Funds	22,287	Subsidy for operations
	Nonmajor Enterprise Funds	355	Pension contribution
	Nonmajor Enterprise Funds	<u>2,326</u>	Excess earnings of Port
		Subtotal General Fund	<u>51,711</u>
General Obligation Debt	General	147,000	Funding for cash flow debt
	General	2,076	Funding for debt payments
	Public Debt Amortization	13,928	Subsidy for operations
	Capital Projects	2,428	Tax Incremental District closeouts
	Nonmajor Governmental Funds	23,914	Funding for debt payments
	Sewer Maintenance	8,321	Subsidy for operations
	Nonmajor Enterprise Funds	<u>577</u>	Subsidy for operations
		Subtotal Debt Service	<u>198,244</u>
Public Debt Amortization	General Obligation Debt	<u>3,457</u>	Funding for debt payments
	Subtotal Public Debt Amortization	<u>3,457</u>	
Nonmajor Enterprise	General Fund	2	Subsidy for operations
	General Obligation Debt	<u>574</u>	Funding for debt payments
	Subtotal Nonmajor Proprietary	<u>576</u>	
	Total Interfund Transfers	<u>\$ 253,988</u>	

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

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
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11. BALANCES BETWEEN THE CITY AND COMPONENT UNITS

Balances due to and due from component units as of December 31, 2010:

Component Unit Payable	Primary Government's Receivable <i>(Thousands of Dollars)</i>
Due from HACM for reimbursable expenditures	\$ 1,096
Due from RACM for reimbursable expenditures	93
Due from RACM for tax incremental district loans	138
Due from RACM for loans issued to developers for the purpose of renovations and improvements to existing parcels of real estate	14,871
Due from MEDC for reimbursements for expenditures ...	34
Due from MEDC for tax incremental district loans	1,448
Due from NIDC for home and Community Development Block grants	27
Total	\$ 17,707

Component Unit Receivable	Primary Government's Payable <i>(Thousands of Dollars)</i>
Due to RACM for tax incremental projects.....	\$ 136
Due to RACM for urban renewal projects.....	131
Due to RACM Community Development Block grants and Home grants.....	111
Due to NIDC for tax incremental projects.....	20
Due to NIDC Community Development Block grants and.. Home grants.....	1
Total	\$ 399

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
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12. OPERATING LEASES

The City is the lessor for various properties under operating lease agreements expiring at various dates through 2010 and beyond. Certain leases contain provisions for possible renewal at term of the lease.

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

Year	Amount
<i>(Thousands of Dollars)</i>	
2011	\$ 5,770
2012	5,580
2013	5,478
2014	4,751
2015	4,701
2016-2020	17,782
2021-2025	8,357
2026-2030	7,298
2031 and beyond	<u>11,994</u>
Total	<u>\$ 71,711</u>

13. COMMITMENTS AND CONTINGENCIES

Claims and Other Legal Proceedings

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

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

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

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
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The liabilities recorded as long-term debt in the government-wide financial statements at December 31, 2010 are as follows:

General liability claims	\$ 8,470,000
Workers' compensation claims	6,982,000
Unemployment claims	1,128,000
Health insurance claims	1,417,000
Pollution remediation obligation.....	1,464,000

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

	2009	2010
Beginning of year liability	\$ 28,466,000	\$ 23,719,000
Current year claims and changes in estimates	10,233,000	2,812,000
Claim payments	<u>(14,980,000)</u>	<u>(7,070,000)</u>
End of year liability	<u>\$ 23,719,000</u>	<u>\$ 19,461,000</u>

On October 24, 2004, a claimant attended a party in the city that was hosted by a Milwaukee police officer and a number of other police officers had been invited. At some point, a number of the off-duty officers became involved in an altercation with the claimant who alleges that he was beaten for no reason and he did suffer severe injuries. The off-duty officers claim that they became involved with the claimant only after they suspected that he had stolen a badge from one of them. They also claim that the claimant resisted their efforts to obtain physical control of him. On-duty police were also called to the scene and claimant alleges that they, too, used excessive force on him and failed to stop the use of excessive force by those off-duty officers who were striking him. In addition to issues concerning the cause of the altercation, its actual participants, and its course, there is a substantial question of whether the off-duty officers involved in the matter were acting within the scope of their employment. All proceedings had been stayed pending the outcome of criminal trials. The county prosecutor charged three of the off-duty officers with crimes, but in April 2006 two were found not guilty and the jury could not reach a final verdict as to one charge against the third. Federal authorities indicted eight officers, with civil rights violations, and those cases, proceeded to trial in July 2007. Three of the officers were found guilty and one was acquitted. The other four officers entered into plea agreements. Now that all criminal trials have concluded, the court approved a discovery period. Discovery, including expert testimony, has been extended through August 1, 2011 and dispositive motions are due November 1, 2011.

Environmental Liabilities

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

During 2010, the City spent \$305,000 in pollution remediation-related activities. At December 31, 2010, the City has an outstanding liability of \$1.4 million related to pollution remediation obligations.

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
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The City is exposed to numerous environmental liabilities, the most significant of which relate to seven landfills. Four of the seven landfills have been closed. The remaining three landfills that are no longer accepting waste. The Wisconsin Department of Natural Resources has imposed closure requirements on the North College Avenue Site, which the City substantially closed during 2000. The City has accrued \$420,000 in the government-wide financial statement, as part of general liability claims for landfill closure related to the three sites. \$150,000 of these costs is meant to bring closure to the Hartung Quarry by constructing a sledding hill and additional landscaping. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

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

Construction Commitments

The governmental activities and the Water Works Fund (enterprise) have construction commitments of \$34,785,000 and \$8,088,000, respectively, for various capital improvement projects at December 31, 2010.

Intergovernmental grants

Intergovernmental awards received by the City are subject to audit and adjustment by the funding agency or their representatives. If grant revenues are received for expenditures, which are subsequently disallowed, the City may be required to repay the revenues to the funding agency. In the opinion of management, liabilities resulting from such disallowed expenditures, if any, will not be material to the accompanying financial statements at December 31, 2010.

14. SUBSEQUENT EVENTS

On June 9, 2011, the City issued \$93,625,000 of general obligation promissory notes for the purpose of financing various public improvement projects and refunding debt of the City. These bonds mature on May 15 of each year beginning 2012 until 2021. Interest is payable on May 15 and November 15 commencing November 15, 2011.

On June 9, 2011, the City issued \$28,890,000 of general obligation corporate purpose bonds for the purpose of financing various public improvement projects and refunding debt of the City. These bonds mature on May 15 of each year beginning 2022 until 2028. Interest is payable on May 15 and November 15 commencing November 15, 2011.

On June 9, 2011, the City issued \$33,930,000 of general obligation corporate purpose bonds for the purpose of financing various public improvement projects and refunding debt of the City. These bonds mature on May 15 of each year beginning 2013 until 2028. Interest is payable on May 15 and November 15 commencing November 15, 2011.

On June 9, 2011, the City issued \$100,000,000 of general obligation cash flow promissory notes financing the City's operating budget until the receipt of State shared revenues. These notes mature on December 1, 2011 with interest.

On June 9, 2011, the City issued \$52,565,000 of Sewerage System Revenue Bonds for the purpose of refunding Sewer Maintenance debt. These bonds mature on June 1 of each year beginning 2013 until 2031. Interest is payable on June 1 and December 1 commencing December 1, 2011.

On June 26, 2011, Wisconsin Act 10 was signed by the Wisconsin Governor. This legislation will reduce 2012 state aids by an estimated \$14 million for the City of Milwaukee, freeze future property tax levies at the greater of zero percent or the percentage growth in net new construction, and eliminate most public employees' collective bargaining rights for pensions and health care benefits.

On July 26, 2011, the Milwaukee Common Council passed legislation that will change health care benefits for all City employees and retirees. Current general City employees, civilian personnel within the police and fire departments, and new retirees will also pay health care premium equivalent to 12% of the City's health care costs. These changes are likely to reduce the City's net expenditures on health care between 2011 and 2012 by over \$20 million.

**REQUIRED
SUPPLEMENTARY
INFORMATION**

CITY OF MILWAUKEE
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
 FOR THE YEAR ENDED DECEMBER 31, 2010
 (Thousands of Dollars)
 (unaudited)

Exhibit E-1

	<u>Budgeted Amounts</u>		Actual - Amounts Budgetary Basis	Variance Positive (Negative)
	<u>Original Budget</u>	<u>Final Budget</u>		
Revenues:				
Property taxes	\$ 176,843	\$ 176,843	\$ 168,031	\$ (8,812)
Other taxes	4,769	4,769	5,097	328
Licenses and permits	12,754	12,754	12,948	194
Intergovernmental	270,872	270,872	270,939	67
Charges for services	92,349	93,517	97,146	3,629
Fines and forfeits	5,255	5,255	5,422	167
Other	19,256	19,256	20,323	1,067
Total Revenues	<u>582,098</u>	<u>583,266</u>	<u>579,906</u>	<u>(3,360)</u>
Expenditures:				
Current:				
General government	259,798	259,925	253,328	6,597
Public safety	256,850	265,207	264,067	1,140
Public works	88,574	95,180	94,482	698
Health	9,239	9,996	9,996	-
Culture and recreation	15,391	15,671	15,656	15
Conservation and development	3,420	3,802	3,747	55
Total Expenditures	<u>633,272</u>	<u>649,781</u>	<u>641,276</u>	<u>8,505</u>
Deficiency of Revenues over Expenditures	<u>(51,174)</u>	<u>(66,515)</u>	<u>(61,370)</u>	<u>5,145</u>
Other Financing Sources (Uses):				
General obligation bonds and notes issued	-	-	147,000	147,000
Transfers in	38,073	41,079	51,711	10,632
Transfers out	-	(2)	(149,078)	(149,076)
Contributions received	27,843	28,793	23,005	(5,788)
Contributions used	(27,794)	(30,591)	(22,998)	7,593
Use of fund balance - reserved for tax stabilization ...	13,070	13,070	13,070	-
Total Other Financing Sources and Uses	<u>51,192</u>	<u>52,349</u>	<u>62,710</u>	<u>10,361</u>
Net Change in Fund Balance	18	(14,166)	1,340	15,506
Fund Balance - Beginning (Excludes Reserved for Tax Stabilization)	58,286	58,286	58,286	-
Fund Balance - Ending	<u>\$ 58,304</u>	<u>\$ 44,120</u>	<u>\$ 59,626</u>	<u>\$ 15,506</u>

Explanation of Differences of Budget to GAAP:

For budget purposes, the fund balance - reserved for tax stabilization is reflected as other financing sources whereas for accounting purposes, it is reflected as part of fund balance. The difference between the fund balance on a GAAP basis compared with budget basis is \$13.070 million at January 1, 2010. Contributions received and used for budget purposes are reported as other financing sources, but for GAAP are considered to be revenues and expenditures.

See accompanying independent auditors' report.

CITY OF MILWAUKEE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS
 FOR THE YEAR ENDED DECEMBER 31, 2010
 (unaudited)

Exhibit E-2

Retiree Health and Life Insurance

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Liability (AAL) - Projected Unit Credit	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
7/1/2008	-	\$ 880,700,000	\$ 880,700,000	0.0%	\$ 425,360,370	207.0%
1/1/2009	-	959,562,000	959,562,000	0.0%	419,811,361	228.6%
1/1/2010	-	1,007,573,100	1,007,573,100	0.0%	413,647,606	243.6%

See accompanying independent auditors' report.

CITY OF MILWAUKEE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
 FOR THE YEAR ENDED DECEMBER 31, 2010

Budgets and Budgetary Accounting

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

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

Schedule of Funding Progress – Actuarial Methods and Assumptions

Valuation date	January 1, 2010
Actuarial cost method	Projected unit credit
Amortization method	Level-dollar
Amortization period	30 years (open)
Actuarial assumptions:	
Investment rate of return	4.5%
Projected salary increases	3.5%
Health care inflation rate	20.4% initial HMO
	7.7% initial Basic Plan
	4.5% ultimate

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

STATISTICAL SECTION

Pages 99-158 Omitted

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APPENDIX B

Form of Legal Opinions

May ____, 2012

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

We have examined a record of proceedings relating to the issuance of Extendable Municipal Commercial Paper Notes, 2012 Program (the "Notes") of the City of Milwaukee (the "City"), a municipal corporation of the State of Wisconsin. The Notes are authorized and issued pursuant to the provisions of Chapter 67 of the Wisconsin Statutes, including Section 67.12(1)(b)(1), and the City Charter and by virtue of resolutions passed by the Common Council of the City. The Notes are issued in anticipation of receiving proceeds from bonds or notes that the City has authorized under Chapter 67 of the Wisconsin Statutes. The Notes, in an aggregate principal amount outstanding at any time not to exceed \$200,000,000, are authorized to be issued in three separate series designated as follows: (i) City of Milwaukee, Extendable Municipal Commercial Paper Notes, 2012 Program Series C6 (the "Series C6 Notes"), (ii) City of Milwaukee, Extendable Municipal Commercial Paper Notes, 2012 Program Series R7 (the "Series R7 Notes"), and (iii) City of Milwaukee, Extendable Municipal Commercial Paper Notes, 2012 Program Series T8 (the "Series T8 Notes"). Terms used herein which are defined in the Indenture (as hereinafter defined) shall have the meanings set forth therein unless otherwise defined herein.

The Notes are being issued pursuant to the terms of a Trust Indenture dated as of April 1, 2012 (the "Indenture"), between the City and U.S. Bank National Association, as trustee (the "Trustee") and an Issuing and Paying Agent Agreement dated as of April 1, 2012 (the "Issuing and Paying Agent Agreement") between the City and U.S. Bank National Association.

We are of the opinion that:

1. The City is a municipal corporation duly existing under the laws of the State of Wisconsin and has all requisite power and authority under the Constitution and the laws of the State of Wisconsin, to enter into the Indenture with the Trustee and to issue the Notes thereunder.
2. The Indenture and the Issuing and Paying Agent Agreement have been duly authorized, executed and delivered by the City and, assuming the due authorization, execution and delivery by the other parties thereto, constitute the valid and binding obligations of the City and are legally enforceable in accordance with their respective terms.
3. The Notes have been duly authorized and, when issued by the City in accordance with the Indenture and Issuing and Paying Agent Agreement, will be the legal, valid and binding limited obligations of the City, entitled to the benefits and security of the Indenture, and enforceable in accordance with their terms.
4. The Notes are limited obligations of the City payable from the proceeds from the sale of Notes to refinance maturing Notes and the proceeds of refunding notes to be issued by the City pursuant to Section 3.02 of the Indenture. The Notes do not represent or constitute a debt of the City within the meaning of any constitutional or any statutory limitation.
5. The Indenture creates the valid and binding assignments and pledges that it purports to create of the amounts assigned and pledged to the Trustee under the Indenture.
6. Under existing law, interest on Series C6 Notes and Series R7 Notes issued in accordance with the provisions of the Indenture within 18 months after the date hereof to pay for costs of the Series C6 Project and the Series R7 Project, each as defined in the Indenture, and interest on Series C6 Notes and Series R7 Notes issued at any time to pay, directly or indirectly, maturing principal on such Series C6 Notes or Series R7 Notes, is not includable in the gross income of the owners thereof for Federal income tax purposes. If there is continuing compliance with the requirements of the Internal Revenue Code of 1986 (the "Code") described in the following paragraph, we are of the

opinion that interest on the Series C6 Notes and Series R7 Notes described in the preceding sentence will continue to be excluded from the gross income of the owners thereof for Federal income tax purposes. In addition, interest on the Series C6 Notes and the Series R7 Notes does not constitute an item of tax preference for purposes of computing individual and corporate alternative minimum taxable income. You are advised, however, that interest on the Series C6 Notes and the Series R7 Notes is includable in corporate earnings and profits and therefore must be taken into account when computing, for example, the corporate alternative minimum tax. Interest on the Notes is not exempt from present Wisconsin income taxes. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the accrual of interest on, the Notes.

The Code contains certain requirements that must be satisfied from and after the date hereof in order to preserve the exemption from Federal income taxes of interest on the Series C6 Notes and Series R7 Notes. These requirements relate to the use and investment of the proceeds of the Series C6 Notes and Series R7 Notes, the payment of certain amounts to the United States of America, the security and source of payment of the Series C6 Notes and Series R7 Notes and the use and tax ownership of the property financed with the proceeds of the Series C6 Notes and Series R7 Notes. The City has covenanted in the Indenture to comply with these requirements.

In rendering the foregoing opinion, we advise you that the enforceability (but not the validity or binding effect) of the Notes, the Indenture and the Issuing and Paying Agent Agreement (i) may be limited by any applicable bankruptcy, insolvency or other laws affecting the rights or remedies of creditors now or hereafter in effect and (ii) is subject to principles of equity in the event that equitable remedies are sought, either in an action at law or in equity.

You may continue to rely upon this opinion only if the representations, warranties and covenants of the City in the Indenture, and in the certificates dated the date hereof delivered by authorized officers of the City, remain true and correct in all respects material to such opinion and are complied with in all material respects.

Respectfully yours,

RMF/gw

APPENDIX C

Master Continuing Disclosure Certificate

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

ARTICLE I - Definitions

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

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

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

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

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

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

(5) “GASB” means the Governmental Accounting Standards Board.

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

- (i) principal and interest payment delinquencies;
- (ii) non-payment related defaults, if material;
- (iii) unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) substitution of credit or liquidity providers, or their failure to perform;
- (vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax-exempt status of the Offered Obligations, or other events affecting the tax-exempt status of the Offered Obligations;
- (vii) modifications to rights of Security Holders, if material;
- (viii) bond calls, if material;

- (ix) defeasances;
- (x) release, substitution, or sale of property securing repayment of the Offered Obligations, if material;
- (xi) rating changes;
- (xii) tender offers;
- (xiii) bankruptcy, insolvency, receivership or similar event of the Obligor (as specified in the Addendum Describing Annual Report).

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

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

(7) “Material Event Notice” means notice of a Material Event.

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

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

(10) “Official Statement” means the “final official statement” as defined in paragraph (f)(3) of the Rule.

(11) “Repository” means the SID and repository(ies), as designated from time to time by the SEC to receive continuing disclosure filings. The SID, repository(ies), and filing information are set forth in the Addendum Describing Repository and SID (Exhibit A) as may be revised from time to time.

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

(13) “SEC” means the United States Securities and Exchange Commission.

(14) “Security Holders” means the holders from time to time of Offered Obligations.

(15) “SID” means, at any time, a then-existing state information depository, if any, as operated or designated as such by or on behalf of the State for the purposes referred to in the Rule. As of the date of this Certificate, there is no SID.

(16) “State” means the State of Wisconsin.

(17) “Unaudited Financial Statements” means the same as Audited Financial Statements, except the same shall not have been unaudited.

(18) “Underwriters” means the underwriter(s) purchasing an issue of Offered Obligations.

ARTICLE II - The Undertaking

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

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

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

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

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

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

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

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

ARTICLE III - Operating Rules

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

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

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

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

ARTICLE IV - Termination, Amendment and Enforcement

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

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

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

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

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

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

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

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

(a) of this Section, beneficial owners shall be deemed to be Security Holders for purposes of this subsection (b).

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

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

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

CITY OF MILWAUKEE, WISCONSIN

By: _____
Comptroller

ADDENDUM DESCRIBING REPOSITORY AND SID

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

Repositories

In December, 2008, the Securities and Exchange Commission modified Exchange Act Rule 15c2-12 to require that Continuing Disclosure shall be made to the Electronic Municipal Market Access system administered by the MSRB (“EMMA”). Pursuant to that modification, continuing disclosure filings will be provided to the Municipal Securities Rulemaking Board for disclosure on the EMMA system. Information submitted to the MSRB for disclosure on the EMMA shall be in an electronic format as prescribed by the MSRB. All documents provided to the MSRB shall be accompanied by identifying information as prescribed by the MSRB.

SID (State Information Depository)

None.

IN WITNESS WHEREOF, this Addendum is executed this 1st day of December, 2010.

CITY OF MILWAUKEE, WISCONSIN

By: _____
Comptroller

**ADDENDUM DESCRIBING ANNUAL REPORT
FOR SHORT-TERM OBLIGATIONS**

This Addendum Describing Annual Report for General Obligation Debt (the "Addendum") is delivered by the City of Milwaukee, Wisconsin (the "City") pursuant to the Master Continuing Disclosure Certificate (the "Certificate"), executed and delivered by the Issuer and dated December 1, 2010. This Addendum describes the content of Annual Financial Information prepared with respect to obligations maturing within 18 months of the date of issue. Capitalized terms that are not defined in this Addendum have the meanings set forth in the Certificate.

Obligor: The City of Milwaukee, Wisconsin

Content of Annual Financial Information for Issuer:

None (Exception for securities with a stated maturity of 18 months or less).

IN WITNESS WHEREOF, this Addendum is executed this 1st day of December, 2010.

CITY OF MILWAUKEE, WISCONSIN

By: _____
Comptroller

WMM:RL

SUPPLEMENTAL CERTIFICATE

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

Name of Obligations:

\$200,000,000 Extendable Municipal Commercial Paper Notes
2012 Program, Series C6, Series R7, Series T8

Addendum Describing Annual Report:

ADDENDUM DESCRIBING ANNUAL REPORT
FOR SHORT-TERM OBLIGATIONS

Date of Issue:

May ____, 2012

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

IN WITNESS WHEREOF, this Supplemental Certificate is executed this ____ day of May, 2012.

CITY OF MILWAUKEE, WISCONSIN

By: _____
Comptroller

MM:RL

APPENDIX D

Form of Indenture

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TRUST INDENTURE

Between

CITY OF MILWAUKEE

and

U.S. BANK NATIONAL ASSOCIATION

as Trustee

Dated as of April 1, 2012

**RELATING TO
CITY OF MILWAUKEE
EXTENDABLE MUNICIPAL
COMMERCIAL PAPER NOTES
2012 PROGRAM
SERIES C6, R7 AND T8**

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EXHIBITS

Exhibit A	Form of Master Note
Exhibit B	Proceeds Fund Requisition
Exhibit C	Certificate Regarding Spending of Commercial Paper Note Proceeds

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TRUST INDENTURE

THIS TRUST INDENTURE, dated as of April 1, 2012 (this “Indenture”), is between the City of Milwaukee (the “City”), a municipal corporation of the State of Wisconsin, and U.S. Bank National Association (the “Trustee”), a national banking association duly organized, validly existing and authorized to accept the duties and obligations set out by virtue of the laws of the United States of America and having a corporate trust office located in the City of New York, New York, as trustee,

W I T N E S S E T H:

WHEREAS, pursuant to Section 67.12(1)(b)(1) of the Wisconsin Statutes the City is authorized to issue municipal obligations in anticipation of receiving proceeds from bonds or notes the City has authorized to issue under Chapter 67 of the Wisconsin Statutes; and

WHEREAS, pursuant to Resolution File Number 111568 adopted on April 11, 2012 (the “Refunding Resolution”), the Common Council of the City has authorized, among other things, the issuance of general obligation refunding promissory notes (the “GO Refunding Notes”) in an aggregate principal amount not to exceed \$220,000,000; and

WHEREAS, pursuant to Resolution File Number 111565 adopted on April 11, 2012 (the “CP Note Resolution”), the Common Council of the City has authorized the issuance of note anticipation notes in the form of extendable commercial paper notes (the “Extendable CP”) in an aggregate principal amount outstanding at any time of not to exceed \$200,000,000 in anticipation of receiving proceeds from the GO Refunding Notes; and

WHEREAS, on April 18, 2012 the Commissioners of the Public Debt of the City adopted a resolution (the “PDC Extendable CP Resolution”) approving the sale of the Extendable CP in accordance with the CP Note Resolution; and

WHEREAS, the City wishes to provide in this Indenture for the issuance, from time to time, of its Extendable CP in an aggregate principal amount outstanding at any one time not exceeding \$200,000,000 (the “Authorized Amount”), as authorized by the CP Note Resolution, and designated as “City of Milwaukee, Extendable Municipal Commercial Paper Notes, 2012 Program Series C6” (Capital Projects), “City of Milwaukee, Extendable Municipal Commercial Paper Notes, 2012 Program Series R7” (Cash Flow) and “City of Milwaukee, Extendable Municipal Commercial Paper Notes, 2012 Program Series T8” (Taxable) (collectively, the “Notes”); and

WHEREAS, although the City has the option to extend the maturity of a Note, the City intends, but is not obligated, to pay each Note on its Original Maturity Date from the proceeds of newly issued Notes of the same series, from the proceeds of GO Refunding Notes, or from other funds available to the City for such purpose. The option to extend the maturity exists in case there is a disruption in liquidity and not for the purpose of gaining an interest rate advantage; and

WHEREAS, the City wishes to provide in this Indenture that such Notes be limited obligations of the City issued in anticipation of receiving proceeds from GO Refunding Notes

that in this Indenture the City has covenanted to issue pursuant to the Refunding Resolution to repay the Notes and the Trustee is willing to accept the trusts provided in this Indenture;

NOW, THEREFORE, the City and the Trustee agree as follows each for the benefit of the other and/or the benefit of holders of the Commercial Paper Notes secured by this Indenture:

ARTICLE I

Definitions; General Authorization; Ratification

Section 1.01. Definitions. The following definitions shall, for all purposes of this Indenture and Supplemental Indentures, have the meanings herein specified unless the context clearly requires otherwise:

“Authenticating Agent” means, with respect to any Series, each person or entity, if any, designated by the City herein or in any Supplemental Indenture to manually sign the certificate of authentication on the Commercial Paper Notes, and its successors and assigns, and any other person or entity which may at any time be substituted for it pursuant hereto. Initially, the Authenticating Agent shall be the Issuing and Paying Agent.

“Authorized Amount” means \$200,000,000; provided that such amount may be issued in one or more Series; and provided, further, that the aggregate amount outstanding under this Indenture at any one time among all Series may not exceed such amount.

“Authorized City Representative” means the Comptroller, the Deputy Comptroller, the Treasurer, the Deputy Treasurer and the Accounting Manager or such other officer or employee of the City or other person, which other officer, employee or person has been designated by the Comptroller as an Authorized City Representative by written notice delivered by the Comptroller to the Trustee and the Issuing and Paying Agent.

“Beneficial Owner” means the Person in whose name a Note is recorded as beneficial owner of such Note by the Note Depository, Participant, or Indirect Participant, as the case maybe.

“Bond Counsel” means an attorney or firm or firms of attorneys of national recognition selected or employed by the City with knowledge and experience in the field of municipal finance.

“Business Day” means any day other than (i) a Saturday, Sunday or other day on which commercial banks in New York, New York, Milwaukee, Wisconsin or the city in which is located the office of the Issuing and Paying Agent, are authorized or required by law to close, or (ii) a day on which the New York Stock Exchange is closed.

“City” means the City of Milwaukee, a municipal corporation of the State of Wisconsin.

“Closing Date” means the date on which the initial series of Notes are issued hereunder.

“Code” means the Internal Revenue Code of 1986, as amended, and the applicable United States Treasury Regulations proposed or in effect with respect thereto.

“Comptroller” means the Comptroller of the City.

“Commercial Paper Debt Service Account” or “Debt Service Account” means the account by that name established pursuant to Section 4.01(b)(1) hereof.

“Commercial Paper Notes” or “Notes” means promissory notes of the City with a final maturity of not more than 180 days from the Issue Date, and which are authorized to be issued and reissued from time to time under Article II of this Indenture (in the case of the Series C6 Notes, the Series R7 Notes and the Series T8 Notes).

“Costs of Issuance” means all reasonable costs incurred by the City in connection with the issuance of a Series, including, but not limited to: (a) counsel fees related to the issuance of such Series (including, but not limited to, bond counsel and the Trustee’s counsel); (b) financial advisor fees incurred in connection with the issuance of such Series; (c) rating agency fees; (d) the initial fees and expenses of the Trustee and the Issuing and Paying Agent; (e) accountant fees related to the issuance of such Series; (f) printing and publication costs; and (g) any other fee or cost incurred in connection with the issuance of such Series that constitutes an “issuance cost” within the meaning of Section 147(g) of the Code.

“CP Note Resolution” means Resolution File Number 111565 adopted by the Common Council of the City on April 11, 2012.

“Dealer” means collectively, Merrill Lynch, Pierce, Fenner & Smith Incorporated, Morgan Stanley & Co., LLC, and Loop Capital Markets, LLC for as long as each such firm is acting as a dealer for the City with respect to the Notes, or any successor Dealer appointed pursuant to the Dealer Agreement, as approved by the City.

“Dealer Agreement” means the Commercial Paper Dealer Agreement, dated as of April 1, 2012, between the City and a Dealer, as amended and supplemented from time to time, and any such agreement with any successor Dealer.

“Debt Service Fund” means the fund by that name established pursuant to Section 4.01(b) hereof.

“Designated Representative” means the Comptroller, the Deputy Comptroller, the Treasurer, the Deputy Treasurer and the Accounting Manager and any additional individuals designated to complete and deliver Issuance Requests who have been identified and whose signatures have been certified in a certificate of an Authorized City Representative delivered to the Issuing and Paying Agent.

“DTC” means The Depository Trust Company, as Note Depository for one or more Series of Commercial Paper Notes, and its successors and assigns.

“EMMA” means the Electronic Municipal Market Access website of the Municipal Securities Rulemaking Board.

“Event of Default” means any one or more of those events set forth in Section 9.01 hereof, which Event of Default has not been cured.

“Extended Maturity Date” means, for each Note, a Business Day (which shall be specified in the confirmation sent to the Holder of the Note) that is the earlier of: 1) Extended Maturity Days after its Issue Date and 2) the Final Maturity Date.

“Extended Maturity Days” means 180 days.

“Final Maturity Date” means May 22, 2017.

“Fiscal Year” shall mean the period of time beginning on January 1 and ending on December 31 of each year, or such other similar period as the City designates as the fiscal year of the City.

“Fitch” means Fitch Ratings Inc., a corporation organized and existing under the laws of the State of Delaware, and its successors and assigns, and, if such corporation shall no longer perform the functions of a securities rating agency, any other rating agency designated by the City.

“GO Refunding Notes” means general obligation refunding promissory notes of the City authorized to be issued pursuant to the Refunding Resolution.

“Government Obligations” means (1) United States Obligations (including obligations issued or held in book entry form), and (2) prerefunded municipal obligations meeting the following conditions: (a) the municipal obligations are not subject to redemption prior to maturity, or the trustee therefor has been given irrevocable instructions concerning their calling and redemption and the issuer thereof has covenanted not to redeem such obligations other than as set forth in such instructions; (b) the municipal obligations are secured by cash and/or United States Obligations, which United States Obligations may be applied only to interest, principal and premium payments of such municipal obligations; (c) the principal of and interest on the United States Obligations (plus any cash in the escrow fund) are sufficient to meet the liabilities of the municipal obligations; (d) the United States Obligations serving as security for the municipal obligations are held by an escrow agent or trustee; (e) the United States Obligations are not available to satisfy any other claims, including those against the trustee or escrow agent; and (f) the municipal obligations are rated at least as high as investments described in (1) above by Moody’s, if Moody’s then maintains a rating on such obligations, and by S&P, if S&P then maintains a rating on such obligations.

“Indirect Participant” means a broker-dealer, bank, or other financial institution for which the Note Depository holds Notes as a securities depository through a Participant.

“Indenture” means this Trust Indenture, dated as of April 1, 2012, between the City and the Trustee, as supplemented and amended from time to time.

“Insolvent” shall be used to describe the Trustee, the Issuing and Paying Agent if (a) such person shall have instituted proceedings to be adjudicated a bankrupt or insolvent, shall have consented to the institution of bankruptcy or insolvency proceedings against it, shall have filed a

petition or answer or consent seeking reorganization or relief under the Federal Bankruptcy Code or any other similar applicable Federal or state law, or shall have consented to the filing of any such petition or to the appointment of a receiver, liquidator, assignee, trustee or sequestrator or other similar official of itself or of any substantial part of its property, or shall fail to timely controvert an involuntary petition filed against it under the Federal Bankruptcy Code, or shall consent to the entry of an order for relief under the Federal Bankruptcy Code or shall make an assignment for the benefit of creditors or shall admit in writing its inability to pay its debts generally as they become due; or (b) a decree or order by a court having jurisdiction in the premises adjudging such person as bankrupt or insolvent, or approving as properly filed a petition seeking reorganization, arrangement, adjustment or composition of or in respect of such person under the Federal Bankruptcy Code or any other similar applicable Federal or state law or for relief under the Federal Bankruptcy Code after an involuntary petition has been filed against such person, or appointing a receiver, liquidator, assignee, trustee or sequestrator or other similar official of such person or of any substantial part of its property, or ordering the winding up or liquidation of its affairs, shall have been entered and shall have continued unabated and in effect for a period of 90 consecutive days.

“Investment Agreement” means an investment agreement or guaranteed investment contract with entities with the following credit and collateral requirements: (a) if a corporation, they are initially rated “Aaa” by Moody’s and “AAA” by S&P, if a domestic bank, they are initially rated Thomson “B/C” or better, and if a foreign bank, they are initially rated Thomson “B” or better, (b) if credit quality is at or below Moody’s “Aa3” or S&P “AA” for corporations, Thomson “B/C” for domestic banks, and Thomson “B” for foreign banks, the provider thereof will provide adequate collateral to be held by Trustee or an agent of the Trustee within ten (10) business days and such collateral to be valued weekly by the Trustee or an agent of the Trustee, at 102% on Government Obligations and 105% on obligations described in item (2) of the definition of Permitted Investments; (c) the provider thereof must maintain minimum credit quality of at least Moody’s “A2” or S&P “A” for corporations, Thomson “C” for domestic banks, or Thomson “B/C” for foreign banks; and (d) the investment agreement will be terminated if credit ratings reach Moody’s “A3” or S&P “A-” for corporations, Thomson “C/D” for domestic banks and Thomson “C” for foreign banks.

“Issuance Request” means a request made by the City, acting through a Designated Representative, to the Issuing and Paying Agent for the delivery of a Commercial Paper Note or Commercial Paper Notes.

“Issue Date” means, for each Note, the date on which beneficial ownership is transferred to the original purchaser thereof.

“Issuing and Paying Agent” means U.S. Bank National Association, or any successor or assigns permitted under the Issuing and Paying Agent Agreement or any other Issuing and Paying Agent which is appointed by the City and has entered into an Issuing and Paying Agent Agreement. When there is a co-Issuing and Paying Agent, either may perform the functions and duties of the Issuing and Paying Agent hereunder and under the Issuing and Paying Agent Agreement.

“Issuing and Paying Agent Agreement” means the Issuing and Paying Agent Agreement, dated as of April 1, 2012, between the City and the Issuing and Paying Agent, and any and all modifications, alterations, amendments and supplements thereto, or any other Issuing and Paying Agent Agreement entered into by the City and the Issuing and Paying Agent with respect to the Commercial Paper Notes.

“Maximum Original Maturity Days” means 90 days.

“Maximum Rate” means with respect to any Series of Notes, the lesser of: (i) nine percent (9%) per annum and (ii) the maximum rate of interest permitted by applicable law.

“Moody’s” means Moody’s Investors Service, a corporation existing under the laws of the State of Delaware, its successors and assigns, and, if such corporation shall no longer perform the functions of a securities rating agency, any other nationally recognized rating agency designated by the City.

“Nominee” means the nominee of the Note Depository as determined from time to time in accordance with this Indenture or any Supplemental Indenture for any one or more Series of Commercial Paper Notes.

“Note Depository” means the securities depository for a Series of Commercial Paper Notes appointed as such pursuant to Section 2.05 hereof, and its successors and assigns.

“Note Proceeds” means proceeds of the sale of the Commercial Paper Notes or any moneys, securities or other obligations that may be deemed to be proceeds of the Commercial Paper Notes within the meaning of the Code.

“Noteholder,” “holder,” “owner” or “registered owner” means the person in whose name any Note or Notes are registered on the books maintained by the Registrar or Trustee.

“One Month LIBOR Index” means (i) the rate for deposits in U.S. dollars for the 1-month period which appears on Bloomberg Page BBAM1 (as defined below) at approximately 11:00 a.m., London time, on the applicable interest determination date. “Bloomberg Page BBAM1” means the display designated on page “BBAM1” on the Bloomberg Service (or such other page as may replace the BBAM1 page on that service, any successor service or such other service or services as may be nominated by the British Bankers’ Association for the purpose of displaying London interbank offered rates for U.S. dollar deposits), or (ii) if the Bloomberg Page BBAM1 is unavailable, the inter-bank US Dollar loan rate in London for a period of one month which appears on Telerate Page 3750 as of 11:00 a.m., London Time, or (iii) if such index is not published, such other publicly available rate as all of the Dealers with respect to the Series T8 Notes (or if the Dealers fail to do so, the City) shall deem most nearly equivalent thereto. Such index may be expressed as a percentage of (more or less than, or equal to, 100%) and/or a fixed spread to another index.

“Original Maturity Date” means, for each Note, a Business Day not less than 1 day and not greater than: i) the Maximum Original Maturity Days after the Issue Date, or ii) the Final Maturity Date, and specified as such in the confirmation sent to the Holder of the Note.

“Original Rate” means, for each Note, the rate of interest per annum borne by such Note to the Original Maturity Date as specified in the applicable Issuance Request.

“Outstanding” when used with respect to Notes shall mean all Notes which have been authenticated and delivered under this Indenture, except: (a) Notes cancelled or purchased by the Issuing and Paying Agent for cancellation or delivered to or acquired by the Issuing and Paying Agent for cancellation and, in all cases, with the intent to extinguish the debt represented thereby; (b) Notes in lieu of which other Notes have been authenticated under Section 2.08, 2.09 or 2.11 hereof; (c) Notes that have become due (at maturity or on redemption, acceleration or otherwise) and for the payment of which sufficient moneys, including interest accrued to the due date, are held by the Issuing and Paying Agent or Trustee; (d) Notes which, under the terms of this Indenture, are deemed to be no longer Outstanding; and (e) for purposes of any consent or other action to be taken by the holders of a specified percentage of Notes under this Indenture, Notes held by or for the account of the City or by any person controlling, controlled by or under common control with the City.

“Participant” means a broker-dealer, bank, or other financial institution for which the Note Depository holds Notes as a securities depository.

“Payment Instructions” means the payment instructions provided by the City to the Trustee pursuant to each Proceeds Fund Requisition as described in Exhibit B attached hereto.

“Permitted Investments” shall mean any of the following:

- (1) Government Obligations;
- (2) obligations, debentures, notes or other evidences of indebtedness issued or guaranteed by any of the following instrumentalities or agencies of the United States of America: Federal Home Loan Bank System; Export Import Bank of the United States; Federal Financing Bank; Government National Mortgage Association; Federal National Mortgage Association; Student Loan Marketing Association; Federal Farm Credit Bureau; Farmers Home Administration; Federal Home Loan Mortgage Corporation; and Federal Housing Administration;
- (3) direct and general long term obligations of any state, which obligations are rated in either of the two highest rating categories by Moody’s and by S&P, if S&P then maintains a rating on such obligations;
- (4) direct and general short term obligations of any state which obligations are rated in the highest rating category by Moody’s and by S&P, if S&P then maintains a rating on such obligations;
- (5) interest bearing demand or time deposits (including certificates of deposit) or interests in money market portfolios issued by state banks or trust companies or national banking associations that are members of the Federal Deposit Insurance Corporation (“FDIC”), which deposits or interests must either be (a) with banks that are rated at least “P 1” or “Aa” by Moody’s and at least “A 1” or “AA” by S&P, if such banks are then rated by S&P, or (b) fully secured by United States Obligations (i) which are

valued not less frequently than monthly and have a fair market value, exclusive of accrued interest, at least equal to the principal amount of the deposits or interests, (ii) held by the Trustee (who shall not be the provider of the collateral) or by any Federal Reserve Bank or depository acceptable to the Trustee, (iii) subject to a perfected first lien in the Trustee, and (iv) free and clear from all third party liens;

(6) long term or medium term corporate debt issued by or guaranteed by any corporation that is rated by both Moody's and S&P in either of their two highest rating categories;

(7) repurchase agreements which are (a) entered into with banks or trust companies organized under state law, national banking associations, insurance companies or government bond dealers reporting to, trading with and recognized as a primary dealer by the Federal Reserve Bank of New York, and which either are members of the Security Investors Protection Corporation or with a dealer or parent holding company that has an investment grade rating from Moody's and S&P, if S&P then maintains a rating of such institution, and (b) fully secured by investments specified in Section (1) or (2) of this definition of Permitted Investments (i) which are valued not less frequently than monthly and have a fair market value, exclusive of accrued interest, at least equal to the amount invested in the repurchase agreements, (ii) held by the Trustee (who shall not be the provider of the collateral) or by any Federal Reserve Bank or a depository acceptable to the Trustee, (iii) subject to a perfected first lien in the Trustee, and (iv) free and clear from all third party liens;

(8) prime commercial paper of a United States corporation, finance company or banking institution rated at least "P 1" by Moody's and at least "A 1" by S&P, if S&P then maintains a rating on such paper;

(9) shares of a diversified open end management investment company (as defined in the Investment Company Act of 1940, as amended) or shares in a regulated investment company (as defined in Section 851(a) of the Code) that is (a) a money market fund that has been rated in the highest rating category by each Rating Agency, or (b) a money market fund or account of the Trustee or any state or national banking association that is rated in the highest rating category by each Rating Agency;

(10) Investment Agreements; and

(11) any other type of investment in which the City directs the Trustee to invest, provided that there is delivered to the Trustee a certificate of an Authorized City Representative stating that each of the Rating Agencies then maintaining a rating on the Series has been informed of the proposal to invest in such investment and each of such Rating Agencies has confirmed that such investment will not adversely affect the rating then assigned by such Rating Agency to any Series.

"Person" means an individual, a corporation (including a limited liability company), a partnership (including a limited partnership), an association, a trust or any other entity or

organization, including a government or political subdivision or an agency or instrumentality thereof.

“Prevailing Rating” means, at the time of determination and with respect to a Rating Agency, the rating assigned to the Notes by the Rating Agency or any comparable future designation by the Rating Agency.

“Principal Office” means the corporate trust office of the Issuing and Paying Agent for purposes of performing its duties under this Indenture, which corporate trust office has been designated in writing by the Issuing and Paying Agent to an Authorized City Representative.

“Proceeds Fund” means the fund by that name established pursuant to Section 4.01(a).

“Project” means any undertaking, facility or item which is listed or otherwise described in a Tax Certificate of the City, as from time to time amended, as being financed in whole or in part with the proceeds of the Notes, which is acquired, constructed, reconstructed, improved, expanded or otherwise financed or refinanced with proceeds of the sale of the Notes, which may include the refunding of outstanding indebtedness of the City.

“Rating Agency” means, any of the following: (i) Moody’s, (ii) Standard & Poor’s, or (iii) any other nationally recognized credit rating agency specified in a Supplemental Indenture that maintains a rating on the Notes at the request of the City.

“Rebate Fund” means any fund required to be maintained by the City pursuant to a Tax Certificate in connection with the issuance of the Notes or any Series of Notes for the purpose of complying with the Code, and providing for the collection and holding for and payment of amounts to the United States of America.

“Refunding Resolution” means Resolution File Number 11568 adopted on April 11, 2012 by the Common Council of the City, authorizing the issuance of the GO Refunding Notes.

“Registrar” means, with respect to any Series, each person or entity, if any, designated by the City herein or in a Supplemental Indenture to keep a register of any Series and of the transfer and exchange of the Notes comprising such Series, and its successors and assigns, and any other person or entity which may at any time be substituted for it pursuant hereto. Initially, the Registrar shall be the Issuing and Paying Agent.

“Representation Letter” means the Blanket Issuer Letter of Representations from the City to DTC with respect to a Series.

“Reset Rate” means, for each Note, the rate of interest per annum established under Section 2.01(e) for each weekly period from and after the Original Maturity Date.

“Responsible Officer” means an officer or assistant officer of the Trustee assigned by the Trustee to administer this Indenture.

“SIFMA” means the Securities Industry and Financial Markets Association (formerly the Bond Market Association) or any successor thereto.

“SIFMA Index” means (i) the seven-day high grade market index of tax-exempt variable rate demand obligations, as produced by Municipal Market Data and published or made available by SIFMA or any Person acting in cooperation with or under the sponsorship of SIFMA or (ii) if such index is not published, such other publicly available rate as all Dealers with respect to the Series C6 Notes and the Series R7 Notes (or if the Dealers fail to do so, the City) shall deem most nearly equivalent thereto. Such index may be expressed as a percentage of (more or less than, or equal to, 100%) and/or a fixed spread to another index.

“Series” means a series of Commercial Paper Notes issued pursuant to this Indenture (e.g., Series C6 Notes, Series R7 Notes or Series T8 Notes); the Outstanding Notes of each series of Commercial Paper Notes, when aggregated with all Outstanding Commercial Paper Notes of other series, may be in an aggregate amount up to the full Authorized Amount regardless of when or whether issued.

“Series C6 Notes” means the City of Milwaukee, Extendable Municipal Commercial Paper Notes, 2012 Program Series C6 (Capital Projects), issued under and secured by this Indenture.

“Series C6 Project” means any capital item financed or refinanced in whole or in part with the proceeds of Series C6 Notes, which is acquired, constructed, reconstructed, improved, expanded or otherwise financed or refinanced with proceeds of the sale of Series C6 Notes and which may include the refunding of City indebtedness issued for such purposes by providing for the payment of the principal amount to be refunded prior to maturity, any redemption premium and the interest due thereon to the date fixed for redemption.

“Series R7 Notes” means the City of Milwaukee, Extendable Municipal Commercial Paper Notes, 2012 Program Series R7 (Cash Flow), issued under and secured by this Indenture.

“Series R7 Project” means any cash flow borrowing financed or refinanced with proceeds of the sale of Series R7 Notes and which may include the refunding of City indebtedness issued for such purpose by providing for the payment of the principal amount to be refunded prior to maturity, any redemption premium and the interest due thereon to the date fixed for redemption.

“Series T8 Notes” means the City of Milwaukee, Extendable Municipal Commercial Paper Notes, 2012 Program Series T8 (Taxable), issued under and secured by this Indenture.

“Series T8 Project” means any undertaking, facility, cost, expense or item, being financed or refinanced in whole or in part with the proceeds of the Series T8 Notes, which is acquired, constructed, reconstructed, improved, expanded or otherwise financed or refinanced with proceeds of the sale of Series T8 Notes and which may include the refunding of City indebtedness by providing for the payment of the principal amount to be refunded prior to maturity, any redemption premium and the interest due thereon to the date fixed for redemption.

“Standard & Poor’s” or “S&P” means Standard & Poor’s, A Division of The McGraw Hill Companies, Inc., a corporation organized and existing under the laws of the State of New York, and its successors and assigns, and, if such corporation shall no longer perform the functions of a securities rating agency, any other nationally recognized securities rating agency designated by the City.

“State” means the State of Wisconsin.

“Supplemental Indenture” means any document supplementing or amending this Indenture entered into as provided in Article XI of this Indenture.

“Tax Certificate” means a certificate, as amended from time to time, executed and delivered on behalf of the City by a Designated Representative on the date upon which a Series is initially issued and delivered, or any functionally equivalent certificate subsequently executed and delivered on behalf of the City by a Designated Representative with respect to the requirements of Section 148 (or any successor section) of the Code relating to a Series.

“Trustee” shall mean the entity named as such in the heading of this Indenture until a successor replaces it and, thereafter, means such successor.

“United States Obligations” means direct and general obligations of the United States of America, or obligations that are unconditionally guaranteed as to principal and interest by the United States of America, including, with respect only to direct and general obligations and not to guaranteed obligations, evidences of ownership of proportionate interests in future interest and/or principal payments of such obligations, provided that investments in such proportionate interests must be limited to circumstances wherein (1) a bank or trust company acts as custodian and holds the underlying United States Obligations; (2) the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor of the underlying United States Obligations; and (3) the underlying United States Obligations are held in a special account separate from the custodian’s general assets and are not available to satisfy any claim of the custodian, any person claiming through the custodian or any person to whom the custodian may be obligated.

Section 1.02. General Authorization. The appropriate officers, agents and employees of the City are each hereby authorized and directed, for and in the name and on behalf of the City, to take all actions and to make and execute any and all certificates, requisitions, agreements, notices, consents, warrants and other documents, which they, or any of them, deem necessary or appropriate in order to consummate the lawful issuance, sale and delivery of one or more Series of Commercial Paper Notes in accordance with the provisions hereof.

Section 1.03. Interpretation. All references herein to “Articles,” “Sections” and other subdivisions are to the corresponding Articles, Sections or subdivisions of this Indenture, and the words “herein,” “hereof,” “hereunder” and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section or subdivision hereof. If any date for the payment of principal of or interest on the Commercial Paper Notes is not a Business Day, payment may be made on the next succeeding day that is a Business Day and no interest will accrue for the intervening period.

ARTICLE II

The Commercial Paper Notes

Section 2.01. Authorized Amount of Commercial Paper Notes; Terms and Description of Commercial Paper Notes. No Commercial Paper Notes may be issued under the provisions of this Indenture except in accordance with this Article.

(a) *Authorization.* The City hereby authorizes the issuance of its Notes to be designated (i) “City of Milwaukee, Extendable Municipal Commercial Paper Notes, 2012 Program Series C6” (Capital Projects), (ii) “City of Milwaukee, Extendable Municipal Commercial Paper Notes, 2012 Program Series R7” (Cash Flow), and (iii) “City of Milwaukee, Extendable Municipal Commercial Paper Notes, 2012 Program Series T8” (Taxable), subject to the provisions of this Section and as hereinafter provided. Any of the Notes may contain additional designations as determined from time to time by the City. The Series C6 Notes shall be issued from time to time as provided herein to finance and refinance the cost of Series C6 Projects; the Series R7 Notes shall be issued from time to time as provided herein to finance and refinance the cost of Series R7 Projects; and the Series T8 Notes shall be issued from time to time as provided herein to finance and refinance the cost of Series T8 Projects. The aggregate amount of Commercial Paper Notes that may be Outstanding at any one time hereafter shall not exceed the Authorized Amount.

Notwithstanding anything herein to the contrary, there is hereby authorized as a subseries of the Series T8 Notes, a City Series T8 Note that is non-transferrable and registered in the name of the City (the “City Note”). The City Note: 1) is subject to optional redemption at any time without notice, 2) shall be sold only to the City without the need for a Dealer, with an Original Maturity Date of the first Business Day of the month following the Issue Date but no later than the Final Maturity Date, in the principal amount and at a rate as determined by the City, but in no event in excess of the Maximum Rate; and 3) until redeemed, but not past the Final Maturity Date, shall automatically be refunded on each Original Maturity Date with a City Note with the same rate.

(b) *Dated Date; Maturity Dates.* The Commercial Paper Notes shall be dated the Issue Date, shall be issued in registered form, and shall be issued in denominations of \$100,000 and integral multiples of \$1,000 in excess thereof. Commercial Paper Notes shall bear interest from their respective Issue Dates, payable on their respective maturity dates; provided that (a) the Original Maturity Date for each Note shall be not less than 1 day nor greater than the Maximum Original Maturity Days after its Issue Date and (b) the Extended Maturity Date for each Note shall be Extended Maturity Days after its Issue Date. No Commercial Paper Notes shall mature later than the Final Maturity Date. Notes within a single Series may bear different Issue Dates, Original Maturity Dates, Extended Maturity Dates and interest rates. Notes within a single Series bearing the same Issue Date and Original Maturity Date must bear the same interest rate.

(c) *Interest Calculation; Maturity; Sale Price.* Each Series C6 and Series R7 Note (i) except as provided in paragraph (d) below, shall bear interest payable at maturity at an annual rate (calculated on the basis of a year consisting of 365/366 days and actual number of days

elapsed), which shall not in any event exceed the Maximum Rate, (ii) shall mature on its Original Maturity Date, unless the City exercises its option in accordance with this Indenture to extend the maturity date, in which case the Note shall mature on its Extended Maturity Date, and (iii) shall be sold by the Dealer pursuant to a Dealer Agreement at a price of 100% of the principal amount thereof.

Each Series T8 Note (i) shall bear interest payable at maturity at an annual rate (calculated on the basis of a year consisting of 360 days and actual number of days elapsed), which shall not in any event exceed the Maximum Rate, (ii) shall mature on its Original Maturity Date, unless the City exercises its option in accordance with this Indenture to extend the maturity date, in which case the Note shall mature on its Extended Maturity Date, and (iii) shall be sold by the Dealer pursuant to a Dealer Agreement at a price of not less than 99% of the principal amount thereof.

(d) *Interest Rate.* Each Note shall bear interest at the Original Rate from its Issue Date to its Original Maturity Date and, unless the City exercises its option to extend the maturity date, be payable as to principal and interest on its Original Maturity Date. The stated interest rate or yield, maturity date and other terms of the Commercial Paper Notes, as long as not inconsistent with the terms of this Indenture, shall be as set forth in the Issuance Request required by Section 2.06 hereof directing the issuance of Commercial Paper Notes. If the City exercises its option in accordance with this Indenture to extend the maturity date of a Note, neither principal nor interest shall be paid on its Original Maturity Date, the Note shall bear interest from its Original Maturity Date at the Reset Rate, the accrued but unpaid interest shall be paid on the next interest payment date (as provided herein), and no additional interest shall accrue on the accrued but unpaid interest. If the Original Maturity Date is before the 15th day of the month, interest shall be payable on the first Business Day of the next month and on the first Business Day of each month thereafter and on the Extended Maturity Date for such Note. If the Original Maturity Date is on or after the 15th day of the month, interest shall be payable on the first Business Day of the second succeeding month and on the first Business Day of each month thereafter and on the Extended Maturity Date for such Note.

(e) *Reset Rate.* The Reset Rate shall be the rate of interest per annum determined by the following formula; provided that such Reset Rate shall not exceed the Maximum Rate:

The greater of (SIFMA Index + *E*) or *F*

The Reset Rate applicable to a Note will be determined by the Issuing and Paying Agent based on the Prevailing Ratings and other information available as of 11:00 a.m., New York, New York time, on the Original Maturity Date of the Note and each Thursday thereafter and will apply from that date through the following Wednesday or, if earlier, the applicable Extended Maturity Date. As used in the formula, the *E* and *F* variables shall be the fixed percentage rates, expressed in basis points and yields, respectively, determined based on the Prevailing Ratings of the Rating Agencies then rating the Notes, as follows:

Prevailing Rating			E Variable	F Variable
Fitch	Moody's	S&P		
F-1+	P-1	A-1+	250 basis points	7.00%
F-1	–	A-1	350	7.50%
F-2	P-2	A-2	550	8.00%
Lower than F-2 (or rating withdrawn for credit reasons)	Lower than P-2 (or rating withdrawn for credit reasons)	Lower than A-2 (or rating withdrawn for credit reasons)	Maximum Rate	Maximum Rate

If the individual Prevailing Ratings indicate different E or F variables as a result of split ratings assigned to the City, the E or F variable shall be the arithmetic average of those indicated by the Prevailing Ratings. If another credit rating agency becomes a Rating Agency, the Issuing and Paying Agent shall, upon written direction of the City, following consultation with the City and each Dealer, determine how the agency's rating categories shall be treated for the purpose of indicating an E or F variable.

Notwithstanding the foregoing, the Reset Rate with respect to any Series T8 Notes shall be determined by substituting "One Month LIBOR Index" for the SIFMA Index in the formula above.

(f) *Notice of Extension.* The City shall notify the Issuing and Paying Agent and each Dealer by 11:30 a.m., New York, New York time, on the Original Maturity Date if it is exercising its option to extend the maturity of a Note. The Issuing and Paying Agent shall correspondingly notify (i) DTC by 12:00 noon, New York, New York time on the Original Maturity Date and (ii) each Rating Agency then maintaining a rating on the Commercial Paper Notes and EMMA by the close of business in New York, New York on the Original Maturity Date, that the maturity is being extended. Even if the requisite notices are not given, if payment of the principal of and interest on a Note does not occur on the Original Maturity Date, the maturity of the Note shall be extended automatically. With the consent of the Issuing and Paying Agent and each Dealers, the City may modify the notification provisions contained in this Section 2.01 if deemed appropriate to conform to DTC's rules and procedures.

(g) In no event shall an extension of the Original Maturity Date constitute a default or a breach of any covenant under this Indenture.

(h) *Numbering.* The Series C6 Notes, the Series R7 Notes and the Series T8 Notes shall be numbered in such manner as the Issuing and Paying Agent may deem appropriate.

Section 2.02. Payment. The City's obligation to pay or cause to be paid the principal of and interest on each and every Commercial Paper Note when due is a limited obligation of the City payable solely from proceeds of the sale of Commercial Paper Notes or GO Refunding Notes issued to refinance the maturing Commercial Paper Notes and any funds held under this Indenture and available for such purpose. The Notes do not constitute an indebtedness for the purpose of determining the City's constitutional debt limitation. The City will make all payments of principal and interest directly to the Issuing and Paying Agent in immediately available funds on or prior to 2:00 p.m., New York, New York time, on the date payment is due on any Commercial Paper Note. The principal of and the interest on the Commercial Paper Notes shall be paid in Federal funds or other immediately available funds in such coin or

currency of the United States of America as, at the respective times of payment, is legal tender for the payment of public and private debts.

The principal of and the interest on the Commercial Paper Notes shall be payable at the Principal Office of the Issuing and Paying Agent on or before the close of business on any Extended Maturity Date upon which such Commercial Paper Notes have become due and payable, provided that such Commercial Paper Notes are presented and surrendered on a timely basis. Upon presentation of such a Commercial Paper Note to the Issuing and Paying Agent no later than 3:00 p.m. (New York, New York time) on a Business Day, payment for such Commercial Paper Note shall be made by the Issuing and Paying Agent in immediately available funds on such Business Day. If a Commercial Paper Note is presented for payment after 3:00 p.m. (New York, New York time) on a Business Day, payment therefor may be made by the Issuing and Paying Agent on the next succeeding Business Day without the accrual of additional interest thereon.

Notwithstanding the provisions of the previous paragraph, in the event the Notes are issued as a master note or master notes in book entry form, they shall be payable at maturity without physical presentation or surrender in accordance with the procedures of the Note Depository.

Section 2.03. Execution and Authentication of Commercial Paper Notes. The Notes, in certificated form, will be executed in the name of and for the City as provided in Section 67.08 of the Wisconsin Statutes, the City Charter of the City and the CP Note Resolution. Each Note shall be executed in the name of the City by the manual or facsimile signature of the Mayor of the City, countersigned by the manual or facsimile signature of the Comptroller and attested by the manual or facsimile signatures of the Commissioners of the Public Debt of the City. The seal of the City shall be imprinted or impressed on each Note and attested by the manual or facsimile signature of the City Clerk. In case any officer whose signature or whose facsimile signature shall appear on any Notes shall cease to be such officer before the authentication of such Notes, such signature or the facsimile signature thereof shall, nevertheless, be valid and sufficient for all purposes the same as if he or she had remained in office until authentication. Also, if a person signing a Note is the proper officer on the actual date of execution, the Note will be valid even if that person is not the proper officer on the nominal date of action and even though, at the date of this Indenture, such person was not such officer.

The Issuing and Paying Agent is, by this Indenture, designated by the City as the Authenticating Agent and Registrar for the Commercial Paper Notes in accordance with the terms of Section 7.01 hereof and the fiscal agent of the City in accordance with Section 67.10(2) of the Wisconsin Statutes. Notwithstanding anything herein to the contrary, the Issuing and Paying Agent shall not authenticate Commercial Paper Notes (i) which mature later than the Final Maturity Date or (ii) if an Event of Default then exists of which it has actual knowledge except if such authentication will cure the Event of Default.

Section 2.04. Forms of Commercial Paper Notes and Authentication Certificate. The definitive Series C6 Notes, Series R7 Notes and Series T8 Notes and the Certificate of Authentication endorsed thereon shall be substantially in the form set forth in Exhibit A attached

hereto and made a part hereof, with such appropriate variations, omissions and insertions as shall be required or appropriate in order to accomplish the purposes of the transactions authorized by this Indenture.

Section 2.05. Book Entry System. Unless an Authorized City Representative or his designee determines that a Series of Commercial Paper Notes shall be issued in registered form other than in book entry form, the Commercial Paper Notes shall initially be issued in book entry form as further provided in this Section.

(a) The Notes issued pursuant to this Indenture shall initially be issued in the form of a separate single fully registered master note for each Series of the Commercial Paper Notes. Except as provided in subsection (c) of this Section, all of the Commercial Paper Notes shall be registered in the name of the Nominee. Notwithstanding any provision to the contrary in Section 2.06, as long as the Notes remain in the form of one or more master notes in book entry form, the issuance of Notes pursuant to an Issuance Request against payment therefor shall not require the physical delivery of note certificates.

The Trustee, the Issuing and Paying Agent and the City may treat the registered owner of each Note as the sole and exclusive owner thereof for the purposes of payment of the principal of or interest on the Series of Notes to which such Note belongs, giving any notice permitted or required to be given to Noteholders hereunder, registering the transfer of Notes, obtaining any consent or other action to be taken by Noteholders, and for all other purposes whatsoever, and neither the Trustee, the Issuing and Paying Agent nor the City shall be affected by any notice to the contrary.

Neither the Trustee, the Issuing and Paying Agent nor the City shall have any responsibility or obligation to any participant in the Note Depository (a "Participant"), any Person claiming a beneficial ownership interest in the Commercial Paper Notes under or through the Note Depository or any Participant, or any other Person who is not shown on the registration books as being a Noteholder, with respect to (i) the accuracy of any records maintained by the Note Depository or any Participant; (ii) the payment by the Note Depository or any Participant of any amount in respect of the principal of or interest on the Commercial Paper Notes; (iii) the delivery of any notice which is permitted or required to be given to Noteholders hereunder; (iv) any consent given or other action taken by the Note Depository as Noteholder; or (v) any other purpose.

The Issuing and Paying Agent shall pay all principal of and interest on the Commercial Paper Notes only to or upon the order of the Note Depository, and all such payments shall be valid and effective to fully satisfy and discharge the City's obligations with respect to the payment of the principal of and interest on the Commercial Paper Notes to the extent of the sum or sums so paid. Upon delivery by the Note Depository to the Issuing and Paying Agent of written notice to the effect that the Note Depository has determined to substitute a new Nominee in place of the current Nominee, and subject to the provisions herein with respect to record dates, the word Nominee in this Article shall refer to such new Nominee.

(b) In order to qualify each Series of Commercial Paper Notes for the Note Depository's book entry system, an Authorized City Representative is hereby authorized to

execute, seal, countersign and deliver on behalf of the City to the Note Depository for each Series of Commercial Paper Notes, a Representation Letter from an Authorized City Representative representing such matters as shall be necessary to so qualify the Commercial Paper Notes. The execution and delivery of the Representation Letter shall not in any way limit the provisions of this Section or in any other way impose upon the City any obligation whatsoever with respect to Persons having beneficial ownership interests in the Commercial Paper Notes other than the Noteholders.

(c) (1) The Note Depository may determine to discontinue providing its services with respect to a Series of Commercial Paper Notes at any time by giving reasonable written notice to an Authorized City Representative, the Trustee and the Issuing and Paying Agent, and by discharging its responsibilities with respect thereto under applicable law.

(2) An Authorized City Representative, exercising the sole discretion of the City and without the consent of any other person, may terminate, upon provision of notice to the Note Depository, the Trustee and the Issuing and Paying Agent, the services of the Note Depository with respect to a Series of Commercial Paper Notes if the Authorized City Representative determines, on behalf of the City, that the continuation of the system of book entry only transfers through the Note Depository (or a successor securities depository) is not in the best interests of the owners of a Series of Commercial Paper Notes or is burdensome to the City, and shall terminate the services of the Note Depository with respect to a Series of Commercial Paper Notes upon receipt by the City, the Trustee and the Issuing and Paying Agent of written notice from the Note Depository to the effect that the Note Depository has received written notice from Direct Participants (as defined in the Representation Letter) having interests, as shown in the records of the Note Depository, in an aggregate principal amount of not less than fifty percent (50%) of the aggregate principal amount of the then Outstanding Commercial Paper Notes of such Series to the effect that: (i) the Note Depository is unable to discharge its responsibilities with respect to such Series of Commercial Paper Notes, or (ii) a continuation of the requirement that all of the outstanding Notes be registered in the registration books kept by the Issuing and Paying Agent in the name of the Nominee of the Note Depository, is not in the best interest of the Noteholders of such Series of Commercial Paper Notes.

(3) Upon the termination of the services of the Note Depository with respect to a Series of Commercial Paper Notes pursuant to subsection (c)(1) or (c)(2) hereof, after which no substitute Note Depository willing to undertake the functions of the Note Depository hereunder can be found or which, in the opinion of the City, is willing and able to undertake such functions upon reasonable and customary terms, a Series of Commercial Paper Notes shall no longer be restricted to being registered in the registration books kept by the Registrar in the name of the Nominee of the Note Depository. In such event, the City shall issue and the Issuing and Paying Agent shall transfer and exchange Note certificates as requested by the Note Depository or Direct Participants of like principal amount, Series and maturity, in denominations of \$100,000 and integral multiples of \$1,000 in excess thereof, to the identified Noteholder in replacement of such Noteholder's beneficial interests in a Series of Commercial Paper Notes.

(d) Notwithstanding any provision hereof to the contrary, as long as the Commercial Paper Notes of any Series are registered in the name of the Nominee, all payments with respect to principal of and interest on the Commercial Paper Notes of such Series and all notices with respect to the Commercial Paper Notes of such Series shall be made and given, respectively, as provided in the Representation Letter for the related Series of Notes or as otherwise instructed by the Note Depository.

(e) The initial Note Depository with respect to each Series of Commercial Paper Notes shall be DTC. The initial Nominee with respect to each Series of Commercial Paper Notes shall be CEDE & CO., as nominee of DTC.

(f) Each Note Depository and the Participants, the Indirect Participants, and the Beneficial Owners of the Notes, by their acceptance of the Notes, agree that the City, the Dealer and the Issuing and Paying Agent shall have no liability for the failure of any Note Depository to perform its obligation to any Participant, any Indirect Participant, or any Beneficial Owner of any Notes, nor shall the City, the Dealer or the Issuing and Paying Agent be liable for the failure of any Participant, Indirect Participant, or other nominee of any Beneficial Owner of any Notes to perform any obligation that such Participant, Indirect Participant, or other nominee may incur to any Beneficial Owner of the Notes.

Section 2.06. Conditions Precedent to Delivery of Commercial Paper Notes.

(a) Prior to the issuance of the first Commercial Paper Notes hereunder, Commercial Paper Notes of each initial Series shall be executed on behalf of the City and delivered to the Issuing and Paying Agent, which shall hold such Commercial Paper Notes unauthenticated in safekeeping for the City. Subject to the provisions of Sections 2.01 and 2.05 hereof, and paragraphs (f) and (g) of this Section, at any time and from time to time prior to the Final Maturity Date, Commercial Paper Notes shall be manually authenticated and delivered by the Issuing and Paying Agent for the consideration and in the manner hereinafter provided, but only upon receipt by the Issuing and Paying Agent of an Issuance Request, no later than 12:00 Noon (New York, New York time) on the Business Day on which Commercial Paper Notes are to be delivered, directing the Issuing and Paying Agent to authenticate the Commercial Paper Notes referred to therein and to deliver the same to or upon the order of the applicable Dealer. Each Issuance Request shall include: (i) the aggregate principal amount of Notes of each Series then to be issued, and the respective denominations in which they are to be issued, (ii) the Original Rate with respect to each Note, (iii) the Issue Date, the Original Maturity Date, and the Extended Maturity Date of each Note and (iv) the Series designation thereof. No later than 2:30 p.m. (New York, New York time) on each Business Day on which the City proposes to issue Commercial Paper Notes, the applicable Dealer shall report to the City each transaction made with or arranged by it or shall notify the City and the Issuing and Paying Agent of the difference, if any, between the amount of maturing Notes of a Series and the amount of Notes of a Series which the Dealer has arranged to sell or has agreed to purchase. The City may deliver an Issuance Request for the issuance of Notes on multiple roll-over dates in the future, but shall have the right to rescind such notice with respect to Notes to be issued, no later than 11:00 a.m. (New York, New York time) on any date Notes are to be issued.

(b) Upon receipt of such Issuance Request (which may be transmitted by mail, telecopy or other electronic communications method, or by telephone, promptly confirmed in writing by 2:00 p.m. New York, New York time), the Issuing and Paying Agent shall, by 3:00 p.m. (New York, New York time) on such day, complete each Series C6 Note, each Series R7 Note and each Series T8 Note as to amount, Issue Date, Original Maturity Date, Extended Maturity Date and Original Rate specified in such Issuance Request, and deliver each such Commercial Paper Note to or upon the order of the applicable Dealer upon receipt of payment therefor; provided, however, that no such Commercial Paper Notes shall be delivered by the Issuing and Paying Agent if such delivery would cause the sum of the aggregate principal amount of Commercial Paper Notes Outstanding to exceed the Authorized Amount. Notwithstanding any provision herein to the contrary, no such Commercial Paper Notes of any Series shall be delivered by the Issuing and Paying Agent if (A) it shall have received notice from an Authorized City Representative directing the Issuing and Paying Agent to cease authenticating and delivering Commercial Paper Notes until such time as such direction is withdrawn by similar notice, (B) it shall have actual knowledge that an Event of Default shall have occurred and be continuing, and will not be cured by the issuance of the applicable Notes, (C) it shall have received notice from Bond Counsel that its opinion regarding the exclusion of interest on the Notes of such issue or Series (issued as tax exempt Notes) from gross income for Federal income tax purposes of the holders thereof is being withdrawn or (D) the maturity date of such Commercial Paper Notes would extend beyond the related Final Maturity Date. If an Issuance Request is received after 12:00 Noon (New York, New York time) on a given day, the Issuing and Paying Agent shall not be obligated to deliver the requested Commercial Paper Notes until the next succeeding Business Day.

(c) The City shall, upon a change in the identity of any Designated Representative, provide a Certificate for each new Designated Representative to the Issuing and Paying Agent.

(d) In addition to the Issuance Request described above in this Section, and as a further condition to the issuance of any Commercial Paper Notes, the Designated Representative shall certify to or instruct, for and on behalf of the City, the Issuing and Paying Agent that, as of the date of delivery of such Commercial Paper Notes, (i) after the issuance of such Commercial Paper Notes and the application of the proceeds thereof, the sum of the aggregate principal amount of Commercial Paper Notes Outstanding will not exceed the Authorized Amount; (ii) unless interest on the Commercial Paper Notes to be issued is to be taxable, to the City's knowledge there has been no change in the facts, estimates, circumstances and representations of the City set forth or made (as the case may be) in the Tax Certificate (applicable to such Commercial Paper Notes); (iii) the Original Maturity Date of the Commercial Paper Notes is no longer than the Maximum Original Maturity Days and the Extended Maturity Date of such Commercial Paper Notes set forth in the Issuance Request does not extend beyond the related Final Maturity Date; (iv) the City, has not been notified by Bond Counsel that its opinion with respect to the validity of the Commercial Paper Notes and, unless interest on the Notes is to be taxable, the tax treatment of the interest thereon has been revised or withdrawn or, if any such revision or withdrawal has occurred, the revised opinion or a substitute opinion acceptable to the Dealer has been delivered; (v) to the actual knowledge of the City, no Event of Default has occurred and is then continuing; (vi) the Note Proceeds shall be deposited into the Payment Account or into the Proceeds Fund pursuant to Section 4.02 hereof in the amounts specified by

the Designated Representative; and (vii) all of the conditions precedent to the issuance of such Commercial Paper Notes set forth in this Section of this Indenture have been satisfied.

(e) The delivery of any Issuance Request under subsection (2) hereof to the Issuing and Paying Agent by a Designated Representative in the manner provided in this Section shall constitute the certification and representation of the City as of the date of such Issuance Request as to the matters set forth in paragraph (d) of this Section.

(f) Any Issuance Request made by telephone pursuant to this Section may be recorded by the Issuing and Paying Agent and shall be confirmed promptly in writing by a Designated Representative; provided, however, that any conflict between any recorded oral Issuance Request and the written confirmation thereof, shall not affect the validity of any recorded oral Issuance Request received by the Issuing and Paying Agent as provided herein. If the Issuing and Paying Agent does not record an oral Issuance Request, and a conflict exists between such oral Issuance Request and the written confirmation thereof, the terms of the written confirmation shall control.

(g) Prior to the initial delivery of Commercial Paper Notes under this Indenture and as a condition to such initial issuance, the Trustee and the City shall be notified by the Issuing and Paying Agent that the Issuing and Paying Agent has received:

(1) Certified copies of the CP Note Resolution, the PDC Extendable CP Resolution and the Refunding Resolution;

(2) a fully executed counterpart of each Dealer Agreement;

(3) a fully executed counterpart of the Issuing and Paying Agency Agreement;

(4) original, fully-executed Notes for the Series or an original, fully-executed Master Note covering the Series; and

(5) an opinion of Bond Counsel to the effect that the Notes of that Series have been duly and validly authorized and, when duly executed in the form and manner provided in this Indenture, duly authenticated by the Issuing and Paying Agent, delivered, and paid for, will constitute valid limited obligations of the City, issued pursuant to Section 67.12(1)(b)(1) of the Wisconsin Statutes and payable from Refunding Note proceeds and funds held under the Indenture, and that (except with respect to the Series T8 Notes and based upon assumptions stated therein and only to the extent the Notes are offered on such basis) the interest on the Notes of that Series is excluded from gross income of the owners for federal income tax purposes pursuant to the Code. The opinion of Bond Counsel may be qualified as to such matters as are acceptable to the Dealer.

(h) The purchase price of each Note shall be 100% of the principal amount thereof in the case of the tax-exempt Notes and at least 99% in the case of taxable Notes, and no Note shall be deemed to be issued until payment for its purchase has been made in lawful money of the United States of America.

Section 2.07. Ownership of Commercial Paper Notes. The City and the Issuing and Paying Agent may deem and treat the registered owner of Notes as the absolute owner thereof (whether or not such Commercial Paper Note shall be overdue and notwithstanding any notation of ownership or other writing thereon made by anyone other than the Issuing and Paying Agent) for the purpose of receiving payment thereof or on account thereof and for all other purposes, and neither the City nor the Issuing and Paying Agent shall be affected by any notice to the contrary.

Section 2.08. Mutilated, Lost, Stolen or Destroyed Notes. In the event any Commercial Paper Note is mutilated or defaced but identifiable by number and description, the City shall execute and the Authenticating Agent shall authenticate and deliver a new Note of like Series, date, maturity and denomination as such Note, upon surrender thereof to the Issuing and Paying Agent; provided that there shall first be furnished to the Issuing and Paying Agent clear and unequivocal proof satisfactory to the Issuing and Paying Agent that the Note is mutilated or defaced to such an extent as to impair its value to the Noteholder. The Noteholder shall accompany the above with a deposit of money required by the Issuing and Paying Agent for the cost of preparing the substitute Note and all other expenses connected with the issuance of such substitute. The Issuing and Paying Agent shall then cause proper record to be made of the cancellation of the original, and thereafter the substitute shall have the validity of the original.

(a) In the event any Note is lost, stolen or destroyed, the City may execute and the Authenticating Agent may authenticate and deliver a new Note of like Series, date, maturity and denomination as that Note lost, stolen or destroyed, provided that there shall first be furnished to the Issuing and Paying Agent evidence of such loss, theft or destruction satisfactory to the Issuing and Paying Agent, together with indemnity satisfactory to it and the City.

(b) Except as limited by any Supplemental Indenture, the Issuing and Paying Agent may charge the holder of any such Note all governmental charges and transfer taxes, if any, and its reasonable fees and expenses in this connection. All substitute Notes issued and authenticated pursuant to this Section shall be issued as a substitute and numbered, as determined by the Issuing and Paying Agent. In the event any such Note has matured or been called for redemption, instead of issuing a substitute Note, the Issuing and Paying Agent may pay the same at its maturity or redemption without surrender thereof upon receipt of indemnity satisfactory to it and the City.

Section 2.09. Transfer or Exchange of Notes. Upon surrender for transfer of any Note at the designated corporate trust office of the Registrar, the Registrar shall deliver in the name of the transferee or transferees a new fully authenticated and registered Note or Notes of authorized denominations of the same Series, and maturity for the same aggregate principal amount.

Noteholders may present Notes at the designated corporate trust office of the Registrar for exchange for Notes of different authorized denominations and, upon such presentation, the Registrar shall deliver to the Noteholder a new fully authenticated and registered Note or Notes of the same Series and maturity for the same aggregate principal amount. All Notes presented for transfer or exchange shall be accompanied by a written instrument or instruments of transfer

or authorization for exchange, in form and with guaranty of signature satisfactory to the Registrar, duly executed by the Noteholder or by his duly authorized attorney.

Except as limited by any Supplemental Indenture, the Registrar also may require payment from the Noteholder of a sum sufficient to cover any tax, or other governmental fee or charge that may be imposed in relation thereto. Such taxes, fees and charges shall be paid before any such new Note shall be delivered.

Supplemental Indentures may designate certain limited periods during which Notes will not be exchanged or transferred.

Notes delivered upon any exchange or transfer as provided herein, or as provided in Section 2.08 hereof, shall be valid limited obligations of the City, evidencing the same debt as the Note or Notes surrendered, shall be secured by this Indenture and shall be entitled to all of the security and benefits hereof to the same extent as the Note or Notes surrendered.

Section 2.10. Destruction of Notes. Whenever any Note shall be delivered to the Issuing and Paying Agent for cancellation pursuant to this Indenture, upon payment of the principal amount and interest represented thereby or for replacement pursuant to Section 2.08 or exchange or transfer pursuant to Section 2.09, such Note shall be cancelled and destroyed by the Issuing and Paying Agent or the Registrar and counterparts of a certificate of destruction evidencing such destruction shall be furnished by the Issuing and Paying Agent to the City.

Section 2.11. Temporary Notes. Pending preparation of definitive Notes of any Series, the City may execute and the Issuing and Paying Agent shall authenticate and deliver, in lieu of definitive Notes and subject to the same limitations and conditions, interim receipts, certificates or temporary Notes which shall be exchanged for the Notes.

If temporary Notes shall be issued, the City shall cause the definitive Notes to be prepared and to be executed, authenticated and delivered to the Issuing and Paying Agent, and the Issuing and Paying Agent, upon presentation to it of any temporary Note, shall cancel the same and deliver in exchange therefor at the place designated by the holder, without charge to the holder thereof, definitive Notes of an equal aggregate principal amount of the same Series issue date, maturity and bearing interest the same as the temporary Notes surrendered. Until so exchanged, the temporary Notes shall in all respects be entitled to the same benefit and security of this Indenture as the definitive Notes to be issued and authenticated hereunder.

Section 2.12. Nonpresentment of Notes. In the event any Note shall not be presented for payment when the principal thereof becomes due, if moneys sufficient to pay such Note shall have been deposited with the Trustee for the benefit of the owner thereof, all liability of the City to the owner thereof for the payment of such Note shall forthwith cease, terminate and be completely discharged, and thereupon it shall be the duty of the Trustee to hold such moneys, without liability to the City, any owner of any Note or any other Person for interest thereon, for the benefit of the owner of such Note, who shall thereafter be restricted exclusively to such moneys, for any claim of whatever nature on his or her part under this Indenture or on, or with respect to, said Note.

Any moneys so deposited with and held by the Trustee and not so applied to the payment of Notes within two years after the date on which the same shall have become due shall be paid by the Trustee to the City, free from the trusts created by this Indenture. Thereafter, the owners of the Notes shall be entitled to look only to the City for payment, and then only to the extent of the amount so repaid by the Trustee. The City shall apply the sums paid to it pursuant to this Section in accordance with applicable law, but shall not be liable for any interest on such sums paid to it pursuant to this Section and shall not be regarded as a trustee of such money.

ARTICLE III

Limited Obligations

Section 3.01. Source of Payment. The Commercial Paper Notes and the interest payable thereon are limited obligations of the City payable from any funds held under this Indenture, the proceeds from the sale of Commercial Paper Notes to refinance maturing Commercial Paper Notes and the proceeds of GO Refunding Notes to be issued by the City pursuant to Section 3.02 hereof. The Notes do not represent or constitute a debt of the City within the meaning of any constitutional or any statutory limitation.

Section 3.02. Covenant to Refinance. The City covenants that commencing not later than: (i) 90 days prior to any Extended Maturity Date the City will begin the process to offer for sale GO Refunding Notes of the City to refinance the Notes that are maturing on the applicable Extended Maturity Date and apply the proceeds of such sale thereof to the payment of such maturing Notes; (ii) 30 days prior to any Extended Maturity Date to sell upon reasonable and customary terms and conditions, such GO Refunding Notes; and (iii) 10 days prior to the applicable Extended Maturity Date to issue, if sold, the GO Refunding Notes.

The receipts derived from the refinancing of the Commercial Paper Notes, whether by other Commercial Paper Notes or GO Refunding Notes, and all amounts in the funds and accounts created or maintained pursuant to this Indenture, the Issuing and Paying Agent Agreement or any Tax Certificate (except the Rebate Fund), including earnings on such amounts, are hereby pledged as security for the payment of the Commercial Paper Notes and constitute trust funds held for that purpose, subject only to the provisions of this Indenture and the Issuing and Paying Agent Agreement permitting the application thereof for the purposes and on the terms and conditions set forth herein and therein. The pledge herein made shall be irrevocable until all of the Commercial Paper Notes have been paid and retired. The granting of this pledge by the City does not limit in any manner the rights of the City to issue any additional debt or incur any other obligations.

ARTICLE IV

Application of Commercial Paper Note Proceeds

Section 4.01. Creation of Funds and Accounts. (a) The Proceeds Fund is hereby created as a separate trust fund and shall be held, maintained and accounted for by the Trustee,

and the moneys in the Proceeds Fund shall be used for the purposes for which the Notes of any Series are authorized to be issued, including, but not limited to, costs of the Project for such Series, the payment of principal of and interest on the Notes, Costs of Issuance and administrative costs of the commercial paper program. If so specified in a Tax Certificate, or at the written direction of the City, the Trustee shall establish one or more accounts and subaccounts within the Proceeds Fund. The Proceeds Fund is designated as the “Commercial Paper Proceeds Fund” and herein called the “Proceeds Fund.”

(b) The Debt Service Fund is hereby created as a separate trust fund and shall be held by the Issuing and Paying Agent and shall be subject to the lien of this Indenture. The City may direct the Issuing and Paying Agent to establish and maintain a separate account or accounts in the Debt Service Fund with respect to any or all of the Notes of one or more Series. Moneys in the Debt Service Fund and the accounts therein shall be held in trust separate and apart from all other moneys, funds and accounts held by the Issuing and Paying Agent, and shall be applied to pay the principal of and interest on Outstanding Notes in the amounts, at the times and in the manner set forth herein and in any Supplemental Indenture. The following accounts are hereby established within the Debt Service Fund, and the Issuing and Paying Agent shall hold such accounts in trust in accordance herewith and with the Issuing and Paying Agent Agreement:

(1) “Commercial Paper Debt Service Account,” (including such sub-accounts as the Issuing and Paying Agent shall be directed to create by the written direction of the City) and herein called the “Debt Service Account”; and

(2) three “Commercial Paper Payment Accounts,” and herein called the “Payment Accounts” for the deposit of the proceeds of renewal Notes and are designated as

- (i) the “Series C6 Payment Account,”
- (ii) the “Series R7 Payment Account,” and
- (iii) the “Series T8 Payment Account.”

With respect to any investments made by the Trustee with respect to the funds and accounts established by the Trustee under this Indenture, the City acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the City the right to receive brokerage confirmations of security transactions as they occur, the City specifically waives receipt of such confirmations to the extent permitted by law. The Trustee will furnish the City periodic transaction statements which shall include detail for all investment transactions made by the Trustee hereunder. The Trustee may make any investments hereunder through its own bond or investment department or trust investment department, or those of its parent or any affiliate. The Trustee or any of its affiliates may act as sponsor, advisor or manager in connection with any investments made by the Trustee hereunder. The Trustee shall not be responsible for any loss or diminution in value of investments made by the Trustee in accordance with the provisions of this Indenture.

Section 4.02. Deposit of Proceeds of Commercial Paper Notes. The proceeds of the initial sale of any Notes (that is, any Note that is not issued to redeem or pay the principal of

another Note of the same Series) shall be deposited into the Proceeds Fund. Thereafter, immediately upon receipt of proceeds of Notes, the Issuing and Paying Agent shall, if instructed by an Authorized City Representative, deposit the proceeds of the sale of Commercial Paper Notes into the applicable Commercial Paper Payment Account of such Series. Proceeds so deposited shall be held separate and apart from all other funds and accounts and shall not commingled with any other moneys. With respect to each Issuance Request submitted by the City to the Issuing and Paying Agent relating to any Note that is not issued to redeem or pay the principal of another Note of the same Series, the City shall submit to the Trustee a Certificate in the form attached hereto as Exhibit C hereto.

Section 4.03. Application of Moneys in the Proceeds Fund. (a) Moneys in the Proceeds Fund attributable to each Series shall be applied to the payment of the costs of the Project for such Series, Costs of Issuance of such Series and administrative costs of the commercial paper program. An Authorized City Representative may from time to time amend the list of Projects in a Tax Certificate; provided, however, that the Authorized City Representative shall not amend the list of Projects in such a way as to change the tax status of the related Series of Commercial Paper Notes. An Authorized City Representative is hereby authorized to execute one or more supplemental Tax Certificates in connection with any Series of Notes.

(b) The Trustee shall make payments or disbursements from the Proceeds Fund upon receipt from the City of a written requisition, in substantially the form attached as Exhibit B to this Indenture, executed by an Authorized City Representative, which requisition shall state, with respect to each amount requested thereby, (i) the account, if any, within the Proceeds Fund from which such amount is to be paid, (ii) the number of the requisition from such account, (iii) the amount to be paid, the Payment Instructions, (iv) that the amount to be paid represents a cost of a qualifying Project as described in a Tax Certificate of the City, or is related to a Series T8 Project, as applicable, and (v) unless related to a Series T8 Project, that the amounts requisitioned will be expended only in accordance with and subject to the limitations set forth in the applicable Tax Certificate. The City may request disbursements in advance of actual expenditures, and need not provide the Trustee with evidence of expenditures.

(c) Moneys held in the Proceeds Fund shall be invested and reinvested by the Trustee in Permitted Investments as directed in writing by an Authorized City Representative.

Section 4.04. Deposits Into and Uses of the Commercial Paper Debt Service Account and the Payment Account. (a) At or before 2:00 p.m., New York, New York time, on an interest payment date as provided in Section 2.01(d) hereof, the Original Maturity Date or Extended Maturity Date of each Note, the City shall deposit or cause to be deposited into the Commercial Paper Debt Service Account, solely from Commercial Paper Note Proceeds or proceeds from the sale of the GO Refunding Notes, an amount sufficient, together with other available moneys including the moneys in the Payment Accounts, to pay principal of and interest due on all Notes maturing on such interest payment date, Original Maturity Date or the Extended Maturity Date, as applicable. The Issuing and Paying Agent shall notify the City on or before 5:00 p.m., New York, New York time, on the Business Day prior to such interest payment date, Original Maturity Date or Extended Maturity Date, of the total amount due on such date.

(b) The City may, but is not obligated to, deposit other funds of the City into the Commercial Paper Debt Service Account. The City may direct the deposit into accounts for principal and/or interest. City deposits directed to pay interest may only be used to pay interest, unless: 1) there are no outstanding Commercial Paper Notes after the payment; or 2) the City approves such other use.

(c) Moneys in the Debt Service Fund shall be invested and reinvested by the Issuing and Paying Agent in Permitted Investments, as directed in writing by an Authorized City Representative.

ARTICLE V

Redemption

Section 5.01. No Redemption Prior to Original Maturity Date. The Commercial Paper Notes shall not be subject to redemption prior to their Original Maturity Date except with respect to the City Note.

Section 5.02. Redemption following Original Maturity Date. In the event the City exercises its option to extend the maturity of a Note, that Note may be redeemed on any date after its Original Maturity Date, at the option of the City at a redemption price equal to par (100%), plus accrued and unpaid interest to the redemption date; provided that no Commercial Paper Note with an Extended Maturity Date shall be redeemed unless all Commercial Paper Notes then Outstanding with an Extended Maturity Date are redeemed simultaneously.

To exercise its redemption option, the City shall provide not less than 5 nor more than 25 calendar days' notice to the Issuing and Paying Agent. The Issuing and Paying Agent will notify DTC of the Notes to be redeemed within one Business Day of receipt of such notice.

ARTICLE VI

Tax Covenants

Section 6.01. Tax Covenants. In order to maintain the exclusion from gross income of the interest on the Series C6 Notes and the Series R7 Notes for Federal income tax purposes, the City covenants to comply with each applicable requirement of Section 103 and Sections 141 through 150 of the Code, and further agrees to comply with the covenants contained in, and the instructions given pursuant to, each Tax Certificate, which by this reference is incorporated herein, as a source of guidance for compliance with such provisions.

Section 6.02. Taxable Notes. Notwithstanding anything in this Indenture to the contrary, in the event an Authorized City Representative designates a Series as obligations not described in Section 103(a) of the Code, including the Series T8 Notes issued hereunder, the provisions of Section 6.01 shall not apply to such Series.

ARTICLE VII

Issuing and Paying Agent; Dealer

Section 7.01. Appointment of Issuing and Paying Agent. The City hereby appoints the Issuing and Paying Agent, Authenticating Agent and Registrar and agrees that, at or prior to the time of issuance of the initial Commercial Paper Notes, the City will enter into the Issuing and Paying Agent Agreement and will at all times, prior to the Termination Date, maintain in effect an Issuing and Paying Agent Agreement, pursuant to which the Issuing and Paying Agent will agree to hold funds and fulfill the duties and obligations of the Issuing and Paying Agent, as provided for in this Indenture.

The Issuing and Paying Agent and the Authenticating Agent and Registrar shall (i) designate to the Trustee its Principal Office, and (ii) signify its acceptance of the duties and obligations imposed upon it hereunder and under any Supplemental Indenture by written instrument of acceptance delivered to the City and the Trustee. The Paying Agent shall be entitled to the same protections, immunities and limitations from liability afforded the Trustee hereunder.

Section 7.02. Reports and Records. The Issuing and Paying Agent shall at all times keep or cause to be kept proper records in which accurate entries shall be made of all transactions made by it relating to the proceeds of the Notes and any funds and accounts established and maintained by the Issuing and Paying Agent pursuant to this Indenture and any Supplemental Indenture. Such records shall be available for inspection by the City on each Business Day upon regular notice during reasonable business hours, and by any Owner or its agent or representative duly authorized in writing at reasonable hours and under regular circumstances. The Issuing and Paying Agent shall not be required to maintain records with respect to transactions made by the Trustee or an Authorized City Representative, or with respect to funds established and maintained by the Trustee.

(a) The Issuing and Paying Agent shall provide to the Authorized City Representative each month a report or statement of the amounts deposited in each fund and account held by it under this Indenture, and the amount disbursed from such funds and accounts, the earnings thereon, the ending balance in each of such funds and accounts, the investments in each such fund and account, and the yield on each investment calculated in accordance with the directions of an Authorized City Representative. Such report or statement shall also include or be accompanied by such information regarding the issuance of Commercial Paper Notes during the subject month as the City shall request.

(b) The Issuing and Paying Agent shall maintain such books, records and accounts as may be necessary to evidence the obligations of the City resulting from the Commercial Paper Notes, the principal amounts owing thereunder, the maturity schedule therefor, the respective rates of interest thereon, and the principal and interest paid from time to time thereunder. As long as the Commercial Paper Notes are in book entry form, in any legal action or proceeding with respect to a master note, the entries made in such books, records or accounts shall be, absent manifest error, conclusive evidence of the existence and the amounts of the obligations of the City therein recorded.

Section 7.03. Resignation and Replacement of Issuing and Paying Agent. The Issuing and Paying Agent may at any time resign and be discharged of the duties and obligations created by this Indenture by giving at least 60 days' written notice to the Trustee, the Dealer and the City. The Issuing and Paying Agent may be removed, at any time by an instrument signed by an Authorized City Representative and filed with the Issuing and Paying Agent and the Trustee. No such resignation or removal shall become effective, however, until a successor Issuing and Paying Agent has been selected and assumed the duties of the Issuing and Paying Agent hereunder.

In the event of the resignation or removal of the Issuing and Paying Agent, the Issuing and Paying Agent shall pay over, assign and deliver any moneys held by it in such capacity to its successor. The Issuing and Paying Agent shall make any representations and warranties to the City as may be reasonably requested by the City in connection with any such assignment.

The Issuing and Paying Agent shall, at all times, be a bank, trust company or a national banking association organized and doing business under the laws of the United States of America or of any state with a combined capital and surplus of at least \$20,000,000 duly qualified and appointed as a fiscal agent of the City and authorized under such laws to exercise corporate trust powers and be subject to supervision or examination by Federal or state authority. If such corporation or national banking association publishes reports of condition at least annually pursuant to law or the requirements of such authority, then for the purposes of this Section, the combined capital and surplus of such corporation or national banking association shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

Any corporation or national banking association into which any Issuing and Paying Agent may be merged or converted or with which it may be consolidated, or any corporation or national banking association resulting from any merger, consolidation or conversion to which any Issuing and Paying Agent shall be a party, or any corporation or national banking association succeeding to the corporate trust business of any Issuing and Paying Agent shall be the successor of the Issuing and Paying Agent if such successor corporation or national banking association is otherwise eligible under this Section, without the execution or filing of any document or further act on the part of the Issuing and Paying Agent or such successor corporation or national banking association.

Section 7.04. Dealer. The City confirms the appointment of Merrill Lynch, Pierce, Fenner & Smith Incorporated, Morgan Stanley & Co., LLC and Loop Capital Markets, LLC, each as a Dealer, and agrees that, at or prior to the time of issuance of the initial Commercial Paper Notes, the City will enter into a Dealer Agreement with each Dealer. The City covenants that at all times while any Notes shall be outstanding, it will maintain in effect one or more Dealer Agreements, pursuant to which each Dealer will agree to fulfill the duties and obligations of the Dealer as set forth in this Indenture and its Dealer Agreement.

ARTICLE VIII

Trustee

Section 8.01. Acceptance of Trusts. The Trustee hereby accepts and agrees to execute the trusts specifically imposed upon it by this Indenture, but only upon the additional terms set forth in this Article, to all of which the City agrees and the respective holders agree by their acceptance of delivery of any of the Notes.

Section 8.02. Duties of Trustee. (a) If an Event of Default has occurred and is continuing, the Trustee shall exercise its rights and powers and use the same degree of care and skill in their exercise as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs.

(b) The Trustee shall perform the duties set forth in this Indenture; no implied duties or obligations shall be read into this Indenture against the Trustee.

(c) Except during the continuance of an Event of Default, in the absence of any negligence on its part, the Trustee may conclusively rely upon certificates or opinions furnished to the Trustee conforming to the requirements of this Indenture, as to the truth of the statements and the correctness of the opinions expressed. The Trustee shall examine the certificates and opinions, however, to determine whether they conform to the requirements of this Indenture.

(d) The Trustee may not be relieved from liability for its own negligent action, its own negligent failure to act or its own willful misconduct, except that: (1) the Trustee shall not be liable for any error of judgment made in good faith by a Responsible Officer unless the Trustee was negligent in ascertaining the pertinent facts; and (2) the Trustee shall not be liable with respect to any action it takes or omits to take in good faith in accordance with a direction received by it from holders of the Notes or the City in the manner provided in this Indenture.

(e) The Trustee shall not, by any provision of this Indenture, be required to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it. The Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Indenture at the request or direction of any of the holders of the Notes, unless such holders shall have offered to the Trustee reasonable security or indemnity satisfactory to the Trustee against the costs, expenses and liabilities which might be incurred by it to comply with such request or direction.

(f) Every provision of this Indenture that in any way relates to the Trustee is subject to this Section.

(g) The Trustee shall not be deemed to have knowledge of an Event of Default, other than Events of Default under Section 9.01(a) or (b) hereof, unless it has received actual knowledge at the corporate trust office of the Trustee located in New York, New York.

Section 8.03. Rights of Trustee. Subject to the foregoing Section, the Trustee shall be protected and shall incur no liability in acting or proceeding in good faith upon any resolution, notice, telegram, request, consent, waiver, certificate, statement, affidavit, voucher, bond, requisition or other paper or document which it shall in good faith believe to be genuine and to have been passed or signed by the proper person or to have been prepared and furnished pursuant to any of the provisions of this Indenture, and the Trustee shall be under no duty to make investigation or inquiry as to any statements contained or matters referred to in any such instrument, but may accept and rely upon the same as conclusive evidence of the truth and accuracy of such statements.

The Trustee may consult with counsel with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by the Trustee hereunder in good faith in accordance therewith.

The Trustee shall not be responsible for any recital in this Indenture, or for the sufficiency or validity of this Indenture.

The Trustee shall have no responsibility for, and makes no representations with respect to, any information, statement, or recital in any official statement, offering memorandum or any other disclosure material prepared or distributed with respect to the Notes.

The immunities extended to the Trustee also extend to its directors, officers, employees and agents.

The Trustee shall not be liable for any action taken or not taken by it in accordance with the direction or request of a majority (or other percentage provided for herein) in aggregate principal amount of Notes outstanding relating to the exercise of any right, power or remedy available to the Trustee.

The permissive right of the Trustee to do things enumerated in this Indenture shall not be construed as a duty.

Section 8.04. Individual Rights of Trustee. The Trustee in its individual or any other capacity may become the owner or pledgee of Notes, and may otherwise deal with the City with the same rights it would have if it were not Trustee. The Issuing and Paying Agent or any other agent may do the same with like rights.

Section 8.05. Trustee's Disclaimer. The Trustee shall not be accountable for the City's use of the proceeds from the Notes paid to the City and it shall not be responsible for any statement in the Notes.

Section 8.06. Notice of Defaults. If (i) an Event of Default has occurred, or (ii) an event has occurred which with the giving of notice and/or the lapse of time would be an Event of Default, and, with respect to such events for which notice to the City is required before such events will become Events of Default, such notice has been given, then the Trustee shall promptly, after obtaining actual notice of such Event of Default or event described in clause (ii) above, give notice thereof to each holder, EMMA and to the Issuing and Paying Agent. Except in the case of a default in payment on any Notes, the Trustee may withhold the notice if and as

long as a committee of its Responsible Officers in good faith determines that withholding the notice is in the interests of the holders.

Section 8.07. Compensation of Trustee. For acting under this Indenture, the Trustee shall be entitled to payment of fees for its services and reimbursement of advances, counsel fees and other expenses reasonably and necessarily made or incurred by the Trustee in connection with its services under this Indenture and the City agrees to pay such amounts to the Trustee. The City agrees to indemnify and hold the Trustee harmless against costs, claims, expenses and liabilities not arising from the Trustee's own negligence, misconduct or breach of duty, which the Trustee may incur in the exercise and performance of its rights and obligations hereunder. Such obligation shall survive the discharge of this Indenture or the resignation or removal of the Trustee.

Section 8.08. Eligibility of Trustee. This Indenture shall always have a Trustee that is a trust company or a bank having the powers of a trust company and is organized and doing business under the laws of the United States or any state or the District of Columbia, is authorized to conduct trust business under the laws of such jurisdiction, is subject to supervision or examination by United States, state or District of Columbia authority, and has a combined capital and surplus of at least \$20,000,000 as set forth in its most recent published annual report of condition.

Section 8.09. Replacement of Trustee. The Trustee may resign by notifying the City in writing at least 60 days prior to the proposed effective date of the resignation. The holders of a majority in Outstanding principal amount of the Notes may remove the Trustee by notifying the removed Trustee and may appoint a successor Trustee with the City's consent. The City may remove the Trustee, by notice in writing delivered to the Trustee 60 days prior to the proposed removal date; provided, however, that the City shall have no right to remove the Trustee during any time when an Event of Default has occurred and is continuing, or when an event has occurred and is continuing, or condition exists, which with the giving of notice or the passage of time or both would be an Event of Default.

No resignation or removal of the Trustee under this Section shall be effective until a new Trustee has taken office and delivered a written acceptance of its appointment to the retiring Trustee and to the City. Immediately thereafter, the retiring Trustee shall transfer all property held by it as Trustee to the successor Trustee, the resignation or removal of the retiring Trustee shall then (but only then) become effective and the successor Trustee shall have all the rights, powers and duties of the Trustee under this Indenture.

If the Trustee resigns or is removed, or for any reason is unable or unwilling to perform its duties under this Indenture, the City shall promptly appoint a successor Trustee.

If a Trustee is not performing its duties hereunder and a successor Trustee does not take office within 60 days after the retiring Trustee delivers notice of resignation or the City delivers notice of removal, the retiring Trustee, the City or the holders of a majority in aggregate principal amount of the outstanding Notes may petition any court of competent jurisdiction for the appointment of a successor Trustee.

Section 8.10. Successor Trustee or Agent by Merger. If the Trustee consolidates with, merges or converts into, or transfers all or substantially all its assets (or, in the case of a bank or trust company, its corporate trust assets) to another corporation which meets the qualifications set forth in this Indenture, the resulting, surviving or transferee corporation, without any further act, shall be the successor Trustee.

Section 8.11. Other Agents. The City, or the Trustee with the consent of the City, may from time to time appoint other agents as may be appropriate at the time to perform duties and obligations under this Indenture or under a Supplemental Indenture all as provided by Supplemental Indenture or resolution or ordinance of the City.

Section 8.12. Several Capacities. Anything in this Indenture to the contrary notwithstanding, with the written consent of the City, the same entity may serve hereunder as the Trustee and any other agent as appointed to perform duties or obligations under this Indenture, under a Supplemental Indenture or an escrow agreement, or in any combination of such capacities, to the extent permitted by law.

Section 8.13. Accounting Records and Reports of the Trustee. The Trustee shall at all times keep, or cause to be kept, proper records in which complete and accurate entries shall be made of all transactions made by it relating to the Note Proceeds and all funds and accounts established by the Trustee pursuant to this Indenture. Such records shall be available for inspection by the City on each Business Day during regular business hours and by any holder, or his agent or representative duly authorized in writing, at reasonable hours and under reasonable circumstances.

(a) The Trustee shall provide to the City each month a report or statement of any Note Proceeds received during that month, if any, and the amounts deposited into each fund and account held by it under this Indenture and the amount disbursed from such funds and accounts, the earnings thereon, the ending balance in each of such funds and accounts and the investments of each such fund and account.

(b) The Trustee shall annually, within a reasonable period after the end of the Fiscal Year, furnish to the City a statement (which need not be audited) covering receipts, disbursements, allocation and application of Note Proceeds, and any other moneys in any of the funds and accounts held by it established pursuant to this Indenture or any Supplemental Indenture for the preceding year.

ARTICLE IX

Events of Default and Remedies of Noteholders

Section 9.01. Events of Default. Each of the following events shall constitute and is referred to in this Indenture as an “Event of Default”:

(a) a failure by the City to pay the principal of any Commercial Paper Note on the applicable Extended Maturity Date;

(b) a failure by the City to pay any installment of interest on any Commercial Paper Note on the date such interest shall have become due and payable on an Extended Maturity Date or in accordance with Section 2.01(d) hereof;

(c) a failure by the City to offer the GO Refunding Notes; a failure by the City if the GO Refunding Notes are sold, to issue the GO Refunding Notes, or to apply the proceeds therefrom in accordance with Section 3.02 hereof;

(d) a failure by the City to observe and perform any covenant, condition, agreement or provision (other than as specified in paragraphs (a), (b) or (c) of this Section) contained in the Commercial Paper Notes or in this Indenture on the part of the City to be observed or performed, which failure shall continue for a period of 60 days after written notice, specifying such failure and requesting that it be remedied, shall have been given to the City by the Trustee, which notice may be given at the discretion of the Trustee and shall be given at the written request of holders of 25% or more in aggregate principal amount of the Commercial Paper Notes then Outstanding, unless the Trustee, or the Trustee and holders of Commercial Paper Notes in an amount not less than the Outstanding principal amount of Commercial Paper Notes the holders of which requested such notice, shall agree in writing to an extension of such period prior to its expiration; provided, however, that the Trustee, or the Trustee and the holders of such principal amount of Commercial Paper Notes, shall be deemed to have agreed to an extension of such period if such failure can be remedied, and corrective action is initiated by the City within such period and is being diligently pursued;

(e) bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings, including, without limitation, proceedings under the United States Bankruptcy Code (as the same may from time to time be hereafter amended), or other proceedings for relief under any Federal or state bankruptcy law or similar law for the relief of debtors are instituted by or against the City, and, if instituted against the City, said proceedings are consented to or are not dismissed within 60 days after such institution; or

(f) the occurrence of any other Event of Default as is provided in a Supplemental Indenture.

If any Event of Default has occurred, but is subsequently cured or waived, then such Event of Default shall no longer constitute an Event of Default hereunder.

Section 9.02. Remedies. (a) Upon the occurrence and continuance of any Event of Default, the Trustee in its discretion may, and upon the written direction of the holders of 25% or more in aggregate principal amount of the Commercial Paper Notes then Outstanding and receipt of indemnity to its satisfaction, shall, in its own name and as the Trustee of an express trust: (i) by mandamus, or other suit, action or proceeding at law or in equity, enforce all rights of the Commercial Paper Noteholders, and require the City to carry out any agreements with or for the benefit of the Commercial Paper Noteholders and to perform its or their duties under any law to which it is subject and this Indenture, provided that any such remedy may be taken only to the extent permitted under the applicable provisions of this Indenture; (ii) bring suit upon the Commercial Paper Notes; (iii) commence an action or suit in equity to require the City to account as if it were the trustee of an express trust for the Commercial Paper Noteholders; or

(iv) by action or suit in equity enjoin any acts or things which may be unlawful or in violation of the rights of the Commercial Paper Noteholders.

(b) The Trustee shall be under no obligation to take any action with respect to any Event of Default unless the Trustee has actual knowledge of the occurrence of such Event of Default.

Section 9.03. Restoration to Former Position. In the event that any proceeding taken by the Trustee to enforce any right under this Indenture shall have been discontinued or abandoned for any reason, or shall have been determined adversely to the Trustee, then the City, the Trustee, and the Commercial Paper Noteholders shall be restored to their former positions and rights hereunder, respectively, and all rights, remedies and powers of the Trustee shall continue as though no such proceeding had been taken.

Section 9.04. Noteholders' Right To Direct Proceedings. Subject to Section 9.05 hereof, anything else in this Indenture to the contrary notwithstanding, the holders of a majority in aggregate principal amount of the Commercial Paper Notes then Outstanding shall have the right, at any time, by an instrument in writing executed and delivered to the Trustee, to direct the time, method and place of conducting all remedial proceedings available to the Trustee under this Indenture to be taken in connection with the enforcement of the terms of this Indenture or exercising any trust or power conferred on the Trustee by this Indenture; provided that such direction shall not be otherwise than in accordance with the provisions of the law and this Indenture; and provided, further, that with respect to any such direction by the holders of Commercial Paper Notes there shall have been provided to the Trustee security and indemnity satisfactory to the Trustee against the costs, expenses and liabilities to be incurred as a result thereof by the Trustee.

Section 9.05. Limitation on Right To Institute Proceedings. No Noteholder shall have any right to institute any suit, action or proceeding in equity or at law for the execution of any trust or power hereunder, or any other remedy hereunder or on such Commercial Paper Note, unless such Commercial Paper Noteholder or Commercial Paper Noteholders previously shall have given to the Trustee written notice of an Event of Default as hereinabove provided, and unless also holders of 25% or more in aggregate principal amount of the Commercial Paper Notes then Outstanding shall have made written request of the Trustee so to do, after the right to institute such suit, action or proceeding under Section 9.02 hereof shall have accrued, and shall have afforded the Trustee a reasonable opportunity to proceed to institute the same in either its or their name, and unless there also shall have been offered to the Trustee security and indemnity satisfactory to it against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee shall not have complied with such request within a reasonable time; and such notification, request and offer of indemnity are hereby declared in every such case, at the option of the Trustee, to be conditions precedent to the institution of such suit, action or proceeding; it being understood and intended that no one or more of the Commercial Paper Noteholders shall have any right in any manner whatever by his, her or their action to affect, disturb or prejudice the security of this Indenture, or to enforce any right hereunder or under the Commercial Paper Notes, except in the manner herein provided, and that all suits, actions and proceedings at law or in equity shall be instituted, had and maintained in the manner herein provided and for the equal benefit of all Commercial Paper Noteholders.

Section 9.06. No Impairment of Right To Enforce Payment. The right of any Commercial Paper Noteholder to receive payment of the principal of and interest on such Noteholder's Commercial Paper Notes, on or after the respective due dates expressed therein, or to institute suit for the enforcement of any such payment on or after such respective date, shall not be impaired or affected without the consent of such Commercial Paper Noteholder.

Section 9.07. Proceedings by Trustee Without Possession of Commercial Paper Notes. All rights of action under this Indenture or under any of the Commercial Paper Notes secured hereby which are enforceable by the Trustee may be enforced by it without the possession of any of the Commercial Paper Notes, or the production thereof at the trial or other proceedings relative thereto, and any such suit, action or proceeding instituted by the Trustee shall be brought in its name for the equal and ratable benefit of the Commercial Paper Noteholders, subject to the provisions of this Indenture.

Section 9.08. No Remedy Exclusive. No remedy herein conferred upon or reserved to the Trustee or to Commercial Paper Noteholders is intended to be exclusive of any other remedy or remedies, and each and every such remedy shall be cumulative, and shall be in addition to every other remedy given hereunder, or now or hereafter existing at law or in equity or by statute; provided, however, that any conditions set forth herein to the taking of any remedy to enforce the provisions of this Indenture or the Commercial Paper Notes shall also be conditions to seeking any remedies under any of the foregoing pursuant to this Section.

Section 9.09. No Waiver of Remedies. No delay or omission of the Trustee or of any Commercial Paper Noteholder to exercise any right or power accruing upon any default shall impair any such right or power, or shall be construed to be a waiver of any such default, or an acquiescence therein; and every power and remedy given by this Article to the Trustee and to the Commercial Paper Noteholders, respectively, may be exercised from time to time and as often as may be deemed expedient.

Section 9.10. Application of Moneys. Any moneys received by the Trustee, by any receiver or by any Commercial Paper Noteholder pursuant to any right given or action taken under the provisions of this Article after payment of the costs and expenses of the proceedings resulting in the collection of such moneys and of the expenses, liabilities and advances incurred or made by the Trustee (including attorneys' fees and expenses), shall be applied as follows:

(a) first, to the payment to the persons entitled thereto of all installments of interest then due on the Commercial Paper Notes, with interest on overdue installments, if lawful, at the rate per annum borne by the Commercial Paper Notes in the order of maturity of the installments of such interest, and, if the amount available shall not be sufficient to pay in full any particular installment of interest, then to the payment ratably, according to the amounts due on such installment, and

(b) second, to the payment to the Persons entitled thereto of the unpaid principal amount of any of the Commercial Paper Notes which shall have become due with interest on such Commercial Paper Notes at their respective rate from the respective

dates upon which they became due, and, if the amount available shall not be sufficient to pay in full Commercial Paper Notes due on any particular date, together with such interest, then to the payment ratably, according to the amount of principal and interest due on such date, in each case to the Persons entitled thereto, without any discrimination or privilege.

Whenever moneys are to be applied pursuant to the provisions of this Section, such moneys shall be applied at such times, and from time to time, as the Trustee shall determine, having due regard for the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. Whenever the Trustee shall apply such funds, it shall fix the date upon which such application is to be made and upon such date interest on the amounts of principal and interest to be paid on such date shall cease to accrue. The Trustee shall give notice of the deposit with it of any such moneys and of the fixing of any such date by first class United States mail, postage prepaid, to all Commercial Paper Noteholders, and shall not be required to make payment to any Commercial Paper Noteholder until such Commercial Paper Notes shall be presented to the Trustee for appropriate endorsement, or for cancellation if fully paid.

Section 9.11. Severability of Remedies. It is the purpose and intention of this Article to provide rights and remedies to the Trustee and the Commercial Paper Noteholders, which may be lawfully granted under the provisions of applicable law, but should any right or remedy herein granted be held to be unlawful, the Trustee and the Noteholders shall be entitled, as above set forth, to every other right and remedy provided in this Indenture or by applicable law.

Section 9.12. Additional Events of Default and Remedies. As long as any particular Series of Commercial Paper Notes is Outstanding, the remedies as set forth in this Article may be supplemented with additional remedies as set forth in a Supplemental Indenture.

ARTICLE X

Miscellaneous

Section 10.01. Timeliness of Deposits. Funds shall be deemed transferred for purposes of timeliness of receipt under this Indenture when transfer instructions for transfer by Federal reserve wire have been given and a Federal wire number confirmation has been received; provided that the party to receive such funds shall not be required to take any action required to be taken hereunder with respect to such funds until it has confirmation of actual receipt of such funds.

Section 10.02. Defeasance of Commercial Paper Notes. Commercial Paper Notes shall not be deemed to have been paid in full unless payment of the principal of and interest on the Commercial Paper Notes either (a) shall have been made or caused to be made in accordance with the terms of the Commercial Paper Notes and this Indenture, or (b) shall have been provided for by irrevocably depositing with the Trustee in trust and irrevocably setting aside exclusively for such payment (i) moneys sufficient to make such payment, and/or (ii) noncallable Government Obligations purchased with moneys, maturing as to principal and interest in such

amounts and at such times as will insure the availability of sufficient moneys to make such payment.

Section 10.03. Eligible Accounts. All moneys held under the Indenture shall be deposited in an account that is either (a) maintained with a federal or state-chartered depository institution or trust company that has a Standard & Poor's short-term debt rating of at least 'A-2' (or, if no short-term debt rating, a long-term debt rating of 'BBB+'); or (b) maintained with the corporate trust department of a federal depository institution or state-chartered depository institution subject to regulations regarding fiduciary funds on deposit similar to Title 12 of the Code of Federal Regulations Section 9.10(b), which, in either case, has corporate trust powers and is acting in its fiduciary capacity.

Section 10.04. Payments or Actions Occurring on Non Business Days. If a payment date is not a Business Day at the place of payment, or if any action required hereunder is required on a date that is not a Business Day, then payment may be made at that place on the next Business Day, or such action may be taken on the next Business Day, with the same effect as if payment were made, or the action taken, on the stated date, and no interest shall accrue for the intervening period.

Section 10.05. Notices to Rating Agencies. (a) The Authorized City Representative shall provide the Rating Agencies with written notice of the occurrence of the following events: (i) changes in the Dealer or the Trustee, (ii) the appointment of a successor Issuing and Paying Agent, (iii) amendments or supplements to the Indenture or the Issuing and Paying Agent Agreement, (iv) the defeasance of all Outstanding Commercial Paper Notes and (v) the termination of the commercial paper program.

(b) Any notice under paragraph (a) shall be sent to the Rating Agencies at the following addresses, as applicable:

Standard & Poor's:	Attention: Muni Structured Finance 55 Water Street, 38 th Floor New York, New York 10041 phone: 212-438-2000 fax: 212-438-2157 email: pubfin_structured@sandp.com
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Moody's:	Attention: Public Finance Department – Rating Desk/CP Moody's Investors Service, Inc. 99 Church Street New York, New York 10007 phone: 212-553-0300 fax: 212-964-5082
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Section 10.06. Parties in Interest. Except as herein otherwise specifically provided, nothing in this Indenture expressed or implied is intended or shall be construed to confer upon any Person other than the City, the Trustee, the Paying Agent, other agents from time to time hereunder and the holders of the Notes, any right, remedy or claim under or by reason of this

Indenture, this Indenture being intended to be for the sole and exclusive benefit of the City, the Trustee, the Issuing and Paying Agent, such other agents and the holders of the Notes.

ARTICLE XI

Supplemental Indentures

Section 11.01. Limitations. This Indenture shall not be modified or amended in any respect subsequent to the first delivery of fully executed and authenticated Notes except as provided in, and in accordance with and subject to the provisions of, this Article.

Section 11.02. Supplemental Indentures Not Requiring Consent of Noteholders. The City may from time to time and at any time, without the consent of or notice to the Noteholders, execute and deliver Supplemental Indentures supplementing and/or amending this Indenture or any Supplemental Indenture as follows:

(a) to cure any formal defect, omission, inconsistency or ambiguity in, or answer any questions arising under, this Indenture or any Supplemental Indenture, provided that such supplement or amendment is not materially adverse to the Noteholders;

(b) to add to the covenants and agreements of the City in this Indenture or any Supplemental Indenture other covenants and agreements, or to surrender any right or power reserved or conferred upon the City, provided that such supplement or amendment is not materially adverse to the Noteholders;

(c) to confirm, as further assurance, any interest of the Issuing and Paying Agent in and to the funds and accounts held by the Trustee or the Issuing and Paying Agent, or in and to any other moneys, securities or funds of the City provided pursuant to this Indenture, or to otherwise add additional security for the Noteholders;

(d) to evidence any change made in the terms of any Series of Notes if such changes are authorized by the Supplemental Indenture at the time the Series of Notes is issued and such change is made in accordance with the terms of such Supplemental Indenture;

(e) to comply with the requirements of the Trust Indenture Act of 1939, as from time to time amended;

(f) to modify, alter, amend or supplement this Indenture or any Supplemental Indenture in any other respect which is not materially adverse to the Noteholders;

(g) to qualify the Notes or a Series of Notes for a rating or ratings by Moody's, S&P and/or Fitch;

(h) to accommodate the technical, operational and structural features of Notes which are issued or are proposed to be issued, including, but not limited to, changes needed to accommodate other forms of commercial paper, or other forms of indebtedness which the City from time to time deems appropriate to incur;

(i) to comply with the requirements of the Code as are necessary, in the opinion of Bond Counsel, to preserve the exclusion from gross income for Federal income taxation of the interest on Notes issued as tax exempt Notes, as appropriate;

(j) to take effect only with respect to Notes issued on or after the effective date of the Supplemental Indenture accompanied by appropriate disclosure of the amendment or supplement; or

(k) to change the Maximum Rate, the Reset Rate variables E and F, the Maximum Original Maturity Days or the Extended Maturity Days, with respect to Notes issued on or after the effective date of the Supplemental Indenture accompanied by appropriate disclosure of the amendment or supplement, provided however, that the Maximum Original Maturity Days and the Extended Maturity Days may not exceed 270 days and that any change to the Reset Rate variables E and F or the Maximum Rate will be made so as to ensure that the Notes will bear the lowest overall interest rate at which a par priced Note may be sold;

Before the City shall, pursuant to this Section, execute any Supplemental Indenture, other than a Supplemental Indenture entered into pursuant to Section 11.02(k) hereof, there shall have been delivered to the City an opinion of Bond Counsel to the effect that such Supplemental Indenture is authorized or permitted by this Indenture and applicable law, complies with their respective terms, will, upon the execution and delivery thereof, be valid and binding upon the City in accordance with its terms, and will not cause interest on any of the Notes which is then excluded from gross income of the recipient thereof for Federal income tax purposes to be included in gross income for Federal income tax purposes.

Section 11.03. Supplemental Indentures Requiring Consent of Noteholders. (a) Except for any Supplemental Indenture entered into pursuant to Section 11.02 hereof and any Supplemental Indenture entered into pursuant to subsection (b) below, subject to the terms and provisions contained in this Section and not otherwise, the holders of not less than a majority in aggregate principal amount of the Notes then Outstanding shall have the right from time to time, to consent to and approve the execution by the City of any Supplemental Indenture deemed necessary or desirable by the City for the purposes of modifying, altering, amending, supplementing or rescinding, in any particular, any of the terms or provisions contained in this Indenture or in any Supplemental Indenture; provided, however, that, unless approved in writing by the holders of all the Notes then Outstanding, or unless such change affects less than all Series of Notes and subsection (b) below is applicable, nothing herein contained shall permit, or be construed as permitting, (i) an extension in the stated maturity (whether the Original Maturity Date or the Extended Maturity Date) of any Outstanding Notes, or a change in the amounts or currency of payment of the principal of or interest on any Outstanding Notes, or (ii) a reduction in the principal amount or redemption price of any Outstanding Notes, or the rate of interest thereon; or (iii) except with respect to additional security which may be provided for a particular

Series of Notes, a preference or priority of any Note or Notes over any other Note or Notes with respect to the security granted therefor under this Indenture, or (iv) a reduction in the aggregate principal amount of Notes the consent of the Noteholders of which is required for any such Supplemental Indenture.

(b) Subject to the provisions of Section 11.02 and 11.03(a) hereof, the City may, from time to time and at any time, execute a Supplemental Indenture which amends the provisions of an earlier Supplemental Indenture. If such Supplemental Indenture is executed for one of the purposes set forth in Section 11.02 hereof, no notice to or consent of the Noteholders shall be required. If such Supplemental Indenture contains provisions which affect the rights and interests of less than all Series of Notes Outstanding and Section 11.02 hereof is not applicable, then this subsection (b) rather than subsection (a) above shall control, and, subject to the terms and provisions contained in this Section and not otherwise, the holders of not less than a majority in aggregate principal amount of the Notes of all Series which are affected by such changes shall have the right from time to time to consent to any Supplemental Indenture deemed necessary or desirable by the City for the purposes of modifying, altering, amending, supplementing or rescinding, in any particular, any of the terms or provisions contained in such Supplemental Indenture and affecting only the Notes of such Series; provided, however, that, unless approved in writing by the holders of all the Notes of all the affected Series then Outstanding, nothing herein contained shall permit, or be construed as permitting, (i) an extension in the stated maturity (whether the Original Maturity Date or the Extended Maturity Date) of any Outstanding Notes of such Series, or a change in the amounts or currency of payment of the principal or interest thereon, or (ii) a reduction in the principal amount or redemption price of any Outstanding Notes of such Series or the rate of interest thereon, or (iii) except with respect to additional security which may be provided for a particular Series of Notes, a preference or priority of any Note or Notes over any other Note or Notes with respect to the security granted therefor under this Indenture, or (iv) a reduction in the aggregate principal amount of Notes of such Series, the consent of the Noteholders of which is required for any such Supplemental Indenture. Nothing herein contained, however, shall be construed as making necessary the approval by Noteholders of the adoption of any Supplemental Indenture as authorized in Section 11.02 hereof.

(c) If at any time the City shall desire to enter into any Supplemental Indenture for any of the purposes of this Section, the City shall cause notice of the proposed execution of the Supplemental Indenture to be given by first class United States mail to all Noteholders or, under subsection (b) above, all Noteholders of the Series. Such notice shall briefly set forth the nature of the proposed Supplemental Indenture and shall state that a copy thereof is on file at the office of the City for inspection by all Noteholders, and it shall not be required that the Noteholders approve the final form of such Supplemental Indenture but it shall be sufficient if such Noteholders approve the substance thereof.

(d) The City may execute and deliver such Supplemental Indenture in substantially the form described in such notice, but only if there shall have first been delivered to the City (i) any required consents, in writing, of the Noteholders, and (ii) the opinion of Bond Counsel required by the last paragraph of Section 11.02 hereof.

(e) If Noteholders of not less than the percentage of Notes required by this Section shall have consented to and approved the execution and delivery thereof as herein provided, no Noteholders shall have any right to object to the adoption of such Supplemental Indenture, or to object to any of the terms and provisions contained therein or the operation thereof, or in any manner to question the propriety of the execution and delivery thereof, or to enjoin or restrain the City from executing the same or from taking any action pursuant to the provisions thereof.

Section 11.04. Effect of Supplemental Indenture. Upon execution and delivery of any Supplemental Indenture pursuant to the provisions of this Article, this Indenture or the Supplemental Indenture shall be, and shall be deemed to be, modified and amended in accordance therewith, and the respective rights, duties and obligations under this Indenture and the Supplemental Indenture of the City, the Trustee, the Issuing and Paying Agent and all Noteholders shall thereafter be determined, exercised and enforced under this Indenture and the Supplemental Indenture, if applicable, subject in all respects to such modifications and amendments.

Section 11.05. Supplemental Indentures to be Part of this Indenture. Any Supplemental Indenture adopted in accordance with the provisions of this Article shall thereafter form a part of this Indenture or the Supplemental Indenture which they supplement or amend, and all of the terms and conditions contained in any such Supplemental Indenture as to any provision authorized to be contained therein shall be and shall be deemed to be part of the terms and conditions of this Indenture or the Supplemental Indenture which they supplement or amend for any and all purposes.

[Signatures Appear on Following Page]

IN WITNESS WHEREOF, the parties hereto have caused this Indenture to be duly executed, all as of the date first above written.

CITY OF MILWAUKEE

Mayor

Approved as to
form, content, and execution this
_____ day of _____, 2012

City Clerk

Countersigned:

City Attorney

Martin Matson, Comptroller

U.S. BANK NATIONAL ASSOCIATION,
as Trustee

By: _____
Its: _____

EXHIBIT A

(Form of Master Note)

United States of America
State of Wisconsin
County of Milwaukee

**CITY OF MILWAUKEE
EXTENDABLE MUNICIPAL
COMMERCIAL PAPER PROMISSORY NOTE
2012 PROGRAM SERIES __**

Registered Owner: CEDE & CO.

Principal Sum: Not to Exceed the Authorized Amount set forth below.

The City of Milwaukee (the “City”), a municipal corporation of the State of Wisconsin, for value received, hereby promises to pay to the registered owner hereinabove named or registered assigns, the principal amount, together with unpaid accrued interest thereon, if any, on the maturity date or interest payment date of each obligation identified on the records of the City (the “Underlying Records”) as being evidenced by this Master Note, which Underlying Records are maintained by U.S. Bank National Association, (the “Trustee”) as Issuing and Paying Agent (the “Issuing and Paying Agent”) under that certain Issuing and Paying Agent Agreement, dated as of April 1, 2012, between the City and the Issuing and Paying Agent (the “Issuing and Paying Agent Agreement”) at the principal office of the Issuing and Paying Agent, in the manner and subject to the terms of the hereinafter defined Indenture. Interest on Series C6 Notes and Series R7 Notes shall be calculated on the basis of actual days elapsed in a 365 or 366 day year, as the case may be, at the rate specified on the Underlying Records. Interest on Series T8 Notes shall be calculated on the basis of a 360 day year and actual number of days elapsed, at the rate or yield specified on the Underlying Records. Payments of this Note may also be made by wire transfer to the registered owner stated hereinabove from the Issuing and Paying Agent without the necessity of presentation and surrender of this Master Note.

This Master Note is one of a duly authorized issue of Commercial Paper Notes of the City (hereinafter called the “Notes”) of the series and designation indicated on the face hereof. Said authorized issue of Notes consists of multiple series of varying denominations, dates, maturities, interest rates and other provisions, as in the Indenture hereinafter mentioned provided, all issued and to be issued pursuant to the provisions of the Constitution and Statutes of the State of Wisconsin, including particularly Chapters 65 and 67 of the Wisconsin Statutes and resolutions duly adopted by the Common Council of the City [for the purpose of paying various capital improvement projects of the City] [for the purpose of funding certain fiscal requirements of the City]. This Master Note evidences a series of Notes designated as the “City of Milwaukee, Extendable Municipal Commercial Paper Promissory Note, 2012 Program Series __” (hereinafter called the “Series Notes”). This Note is issued pursuant to a Trust Indenture, dated as of April 1, 2012 (the “Indenture”), between the City and the Trustee, providing for the

issuance of the Series C6 Notes, the Series R7 Notes and the Series T8 Notes in the aggregate principal amount Outstanding at any time not to exceed \$200,000,000. The authorized issue of this Series Note is limited to the principal amount of Two Hundred Million Dollars (\$200,000,000) reduced by the aggregate principal amount of Notes of the other series then outstanding under the Indenture.

Reference is hereby made to the Indenture for a description of the terms on which the Notes are issued and to be issued, and the rights of the registered owners of the Notes; and all the terms of the Indenture are hereby incorporated herein and made a contract between the City and the registered owner from time to time of this Master Note, and to all the provisions thereof the registered owner of this Note, by its acceptance hereof, consents and agrees. Additional series of Notes may be issued on a parity with the Notes of this authorized series.

The Notes are limited obligations of the City, shall be payable as to both principal and interest solely from proceeds of the sale of Commercial Paper Notes or GO Refunding Notes (as defined in the hereinafter defined Indenture) which the City has covenanted to issue to refinance the maturing Notes and any funds held under the Indenture, including earnings on such amounts, subject only to the provisions of the Indenture and the Issuing and Paying Agent Agreement permitting the application thereof for the purposes, and on the terms and conditions, set forth therein.

At the request of the registered owner, the City shall promptly issue and deliver one or more separate note certificates evidencing each obligation evidenced by this Master Note. As of the date any such note certificate or certificates are issued, the obligations which are evidenced thereby shall no longer be evidenced by this Master Note. This Master Note is transferrable by the registered owner hereof, in person or by attorney duly authorized in writing, at the principal office of the Issuing and Paying Agent in Chicago, Illinois, but only in the manner, subject to the limitations and upon payment of the charges provided in the Indenture, and upon surrender and cancellation of this Note. Upon such transfer a new fully registered Note or Notes of the same Series designation, without coupons, of authorized denomination or denominations, for the same aggregate principal amount will be issued to the transferee in exchange herefor.

The City, the Trustee and the Issuing and Paying Agent may deem and treat the registered owner hereof as the absolute owner hereof for all purposes, and the City, the Trustee and the Issuing and Paying Agent shall not be affected by any notice to the contrary.

The rights and obligations of the City and of the registered owners of the Notes may be modified or amended at any time in the manner, to the extent, and upon the terms provided in the Indenture and, under certain circumstances as described in the Indenture, without the consent of the holders of the Notes.

It is hereby certified and recited that any and all acts, conditions and things required to exist, to happen and to be performed, precedent to and in the incurring of the indebtedness evidenced by this Master Note, and in the issuing of this Master Note, do exist, have happened and have been performed in due time, form and manner, and that this Master Note is not in excess of the amount of Notes permitted to be issued under the CP Note Resolution.

This Master Note shall not be entitled to any benefit under the Indenture, or become valid or obligatory for any purpose, until the certificate of authentication hereon endorsed shall have been signed by the Issuing and Paying Agent. This Master Note is a valid and binding obligation of City.

[Signatures Appear on Following Page]

IN WITNESS WHEREOF, the City of Milwaukee, has caused this Master Note to be signed by the facsimile signature of the Mayor, countersigned by the manual signature of the Comptroller and attested by the facsimile signatures of the Commissioners of the Public Debt, and sealed with the printed facsimile of the City's seal, attested by the facsimile signature of the City Clerk, all as of the _____ day of _____, 2012.

CITY OF MILWAUKEE

[Signatures and Seal]



Commissioner of the Public Debt

Mayor

Commissioner of the Public Debt

City Clerk

Commissioner of the Public Debt

Comptroller

CERTIFICATE OF AUTHENTICATION

This Master Note is the Master Note described in the within Master Note and the within mentioned Indenture.

Date of Authentication: _____

U.S. BANK NATIONAL ASSOCIATION, as
Issuing and Paying Agent

Authorized Signature

(Form of Assignment)

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto _____

(Please Print or Typewrite Name and Address)

(Please Insert Social Security or other Taxpayer Identification Number of Assignee:
_____) the within Master Note and all rights and title
therein, and hereby irrevocably constitutes and appoints _____

_____,
attorney, to transfer the within Master Note on the books kept for registration thereof, with full
power of substitution in the premises.

(Registered Owner)

Dated: _____

NOTICE: The signature(s) to this assignment must correspond with the name as it appears upon
the face of the within Master Note in every particular, without alteration or
enlargement or any change whatever.

Signature Guaranteed:

NOTICE: Unless this certificate is presented by an authorized representative of The Depository
Trust Company, a New York corporation ("DTC"), to the City or its agent for
registration of transfer, exchange or payment, and any certificate issued is registered
in the name of Cede & Co. or in such other name as is requested by an authorized
representative of DTC (and any payment is made to Cede & Co. or to such other
entity as is requested by an authorized representative of DTC), ANY TRANSFER,
PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO
ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede &
Co., has an interest herein.

EXHIBIT B

PROCEEDS FUND REQUISITION

Requisition No. _____

Dated: _____

To: U.S. Bank National Association, as Trustee

Re: Requisition of Funds from City of Milwaukee
Extendable Municipal Commercial Paper Notes, 2012 Program

The amount requisitioned: \$_____ from Series ____ Proceeds Fund

Payment Instructions:

The undersigned, an Authorized City Representative within the meaning of the Trust Indenture, dated as of April 1, 2012 (the "Indenture"), between the City of Milwaukee (the "City") and U.S. Bank National Association, as trustee (the "Trustee"), hereby requisitions the amount set forth above and directs that such amount be paid to the party set forth above from funds held in the Proceeds Fund specified above held under the Indenture, and directs that payment be made in the manner described above.

For Series C6 and Series R7 Projects only: The amount to be paid represents a cost of Projects, and the amounts requisitioned hereby will be expended only in accordance with and subject to the limitations set forth in the Tax Certificate, dated May 22, 2012, and relating to the Series C6 Notes or the Tax Certificate dated May 22, 2012 and relating to the Series R7 Notes issued under the Indenture.

For Series T8 Project only: The amount to be paid represents a cost of a Series T8 Project.

CITY OF MILWAUKEE

By: _____
Authorized City Representative

EXHIBIT C

**CERTIFICATE REGARDING
SPENDING OF COMMERCIAL PAPER NOTE PROCEEDS**

Pursuant to the Trust Indenture dated as of April 1, 2012 (the “Indenture”), between the City of Milwaukee (the “City”) and U.S. Bank National Association, as trustee (the “Trustee”), securing City of Milwaukee Extendable Municipal Commercial Paper Notes 2012 Program, Series C6, Series R7 and Series T8, the undersigned, an Authorized City Representative under the Indenture, hereby certifies to the Trustee as follows:

1. Capitalized terms used herein and not otherwise defined shall have the same meanings as such terms are given in the Indenture, in the Series C6 Notes Tax Compliance Certificate dated May 22, 2012 or the Series R7 Notes Tax Compliance Certificate dated May 22, 2012 (collectively, the “Tax Certificates”).

2. This certificate is being submitted in connection with Issuance Request No. _____ for the issuance of Series C6 Notes or Series R7 Notes, the proceeds of which will be used either (a) to make a deposit to the Proceeds Fund, or (b) pay interest on Series C6 Notes or Series R7 Notes.

3. The Series C6 Notes described in the above-referenced Issuance Request will be used for the purpose of financing the Financed Capital Projects or interest, as described below, and the Proceeds of such Notes will be deposited to the Series C6 Proceeds Fund as set forth below [or on the attached schedule]:

<u>Project Description</u>	<u>Amount</u>
----------------------------	---------------

TOTAL

4. The Series R7 Notes described in the above-referenced Issuance Request will be used for the purpose of financing the cash flow requirements of the City or interest, as described below, and the Proceeds of such Notes will be deposited to the Series R7 Proceeds Fund.

5. The City hereby certifies that after issuance of the above described Notes and application of the Proceeds thereof as set forth above, all certifications, representations, and covenants in the applicable Tax Certificate will remain true and correct.

6. Based on the City's familiarity with the Financed Capital Projects, the average reasonably expected economic life of the Financed Capital Projects financed by the Series C6 Notes (including Financed Capital Projects funded with this Issuance Request and previous Issuance Requests for the Series C6 Notes), as determined under Section 147(b)(1) of the Code, is not less than 5 years.

Dated: _____

CITY OF MILWAUKEE

By: _____
Authorized City Representative

