

**NEW ISSUES**  
**BOOK ENTRY ONLY**

**RATINGS:**  
N4 Notes, B5 Bonds, T6 Notes and T7 Bonds: **S&P Global** "AA-" **Fitch** "AA-"  
(See "**Ratings**" herein.)

*In the opinion of Katten Muchin Rosenman LLP, and of Hurtado Zimmerman SC, Bond Counsel, in connection with the issuance of the General Obligation Promissory Notes, Series 2020 N4, and the General Obligation Corporate Purpose Bonds, Series 2020 B5 (collectively, the "Tax-Exempt Obligations") under existing law, if there is continuing compliance with certain requirements of the Internal Revenue Code of 1986, interest on the Tax-Exempt Obligations will not be includable in gross income for federal income tax purposes. The Tax-Exempt Obligations are not "private activity bonds" and the interest thereon is not required to be included as an item of tax preference for purposes of computing "alternative minimum taxable income." Interest on the Taxable General Obligation Promissory Notes, Series 2020 T6 and the Taxable General Obligation Corporate Purpose Bonds, Series 2020 T7 (the "Taxable Obligations") is includable in the gross income of the owners for federal income tax purposes. Interest on the Tax-Exempt Obligations and the Taxable Obligations (collectively, the "Offered Obligations") is not exempt from Wisconsin income taxes.*



## **CITY OF MILWAUKEE, WISCONSIN**

**\$122,135,000 General Obligation Promissory Notes, Series 2020 N4**  
**\$29,845,000 General Obligation Corporate Purpose Bonds, Series 2020 B5**  
**\$9,595,000 Taxable General Obligation Promissory Notes, Series 2020 T6**  
**\$5,440,000 Taxable General Obligation Corporate Purpose Bonds, Series 2020 T7**

**Dated:** April 20, 2020

**Due:** As shown herein

The \$122,135,000 General Obligation Promissory Notes, Series 2020 N4 (the "N4 Notes"), the \$29,845,000 General Obligation Corporate Purpose Bonds, Series 2020 B5 (the "B5 Bonds"), the \$9,595,000 Taxable General Obligation Promissory Notes, Series 2020 T6 (the "T6 Notes") and the \$5,440,000 Taxable General Obligation Corporate Purpose Bonds, Series 2020 T7 (the "T7 Bonds") are direct general obligations of the City, payable from taxes levied on all taxable property, subject to taxation by the City, without limitation as to rate or amount.

The N4 Notes, B5 Bonds, T6 Notes and the T7 Bonds will be dated the Dated Date, will bear interest payable semi-annually on April 1 and October 1 of each year, commencing October 1, 2020 at the rates, and will mature on April 1, in the years and amounts, as detailed herein. The N4 Notes, B5 Bonds, T6 Notes and T7 Bonds are being issued for the purpose of financing various public improvements and fiscal requirements of the City, and for the purpose of refunding outstanding lines of credit and other debt of the City. The N4 Notes and the T6 Notes are not subject to redemption prior to maturity. The B5 Bonds and the T7 Bonds are subject to optional redemption on any date on and after April 1, 2030 as described herein.

The N4 Notes, the B5 Bonds, the T6 Notes and the T7 Bonds (collectively, the "Offered Obligations") were offered for sale by competitive bid in accordance with the Official Notices of Sale dated March 25, 2020 and other conditions specified in the Official Notices of Sale. The Offered Obligations are being issued subject to the legal opinions of Katten Muchin Rosenman LLP, Chicago, Illinois and of Hurtado Zimmerman SC, Wauwatosa, Wisconsin, Bond Counsel to the City. It is expected that the Offered Obligations will be delivered through the facilities of The Depository Trust Company ("DTC"), New York, New York on or about April 20, 2020.

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

**For Further Information Contact:**

Martin Matson, Comptroller and Secretary to Public Debt Commission  
City Hall, Room 404, 200 East Wells Street - Milwaukee, WI 53202 - Phone (414) 286-3321  
[www.MilwaukeeBonds.com](http://www.MilwaukeeBonds.com)

April 2, 2020

## MATURITY SCHEDULES

### \$122,135,000 GENERAL OBLIGATION PROMISSORY NOTES, SERIES 2020 N4

The N4 Notes will be dated the Dated Date, will bear interest at the rates shown below, payable semi-annually on April 1 and October 1 of each year, commencing October 1, 2020 and will mature on April 1 in the years and in the amounts shown below. The N4 Notes are **not** subject to redemption prior to maturity.

Maturing (April 1)	Amount	Interest Rate	Yield	CUSIP (1) Base 602366
2021	\$14,015,000	5.00%	1.65%	B96
2022	14,045,000	5.00	1.68	C20
2023	14,080,000	5.00	1.72	C38
2024	14,120,000	5.00	1.75	C46
2025	14,190,000	5.00	1.79	C53
2026	10,285,000	5.00	1.90	C61
2027	10,320,000	5.00	2.05	C79
2028	10,375,000	5.00	2.20	C87
2029	10,425,000	5.00	2.33	C95
2030	10,280,000	5.00	2.43	D29

### \$29,845,000 GENERAL OBLIGATION CORPORATE PURPOSE BONDS, SERIES 2020 B5

The B5 Bonds will be dated the Dated Date, will bear interest at the rates shown below, payable semi-annually on April 1 and October 1 of each year, commencing October 1, 2020 and will mature on April 1 in the years and in the amounts shown below. The B5 Bonds are subject to optional redemption on any date on and after April 1, 2030, as provided herein.

Maturing (April 1)	Amount	Interest Rate	Yield	CUSIP (1) Base 602366
2031	\$6,195,000	5.00%	2.53%	D37
2032	6,230,000	5.00	2.63	D45
2033	6,165,000	4.00	2.98	D52
2034	5,675,000	4.00	3.03	D60
2035	5,580,000	4.00	3.08	D78

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

## MATURITY SCHEDULES-CONTINUED

### \$9,595,000 TAXABLE GENERAL OBLIGATION PROMISSORY NOTES, SERIES 2020 T6

The T6 Notes will be dated the Dated Date, will bear interest at the rates shown below, payable semi-annually on April 1 and October 1 of each year, commencing October 1, 2020 and will mature on April 1 in the years and in the amounts shown below. The T6 Notes are **not** subject to redemption prior to maturity.

Maturing (April 1)	Amount	Interest Rate	Yield	CUSIP (1) Base 602366
2021	\$ 830,000	3.00%	1.85%	D86
2022	835,000	3.00	1.90	D94
2023	845,000	3.00	1.95	E28
2024	850,000	3.00	2.05	E36
2025	1,105,000	3.00	2.20	E44
2026	1,000,000	3.00	2.30	E51
2027	1,010,000	3.00	2.40	E69
2028	1,025,000	3.00	2.50	E77
2029	1,040,000	3.00	2.60	E85
2030	1,055,000	3.00	2.70	E93

### \$5,440,000 TAXABLE GENERAL OBLIGATION CORPORATE PURPOSE BONDS, SERIES 2020 T7

The T7 Bonds will be dated the Dated Date, will bear interest at the rates shown below, payable semi-annually on April 1 and October 1 of each year, commencing October 1, 2020 and will mature on April 1 in the years and in the amounts shown below. The T7 Bonds are subject to optional redemption on any date on and after April 1, 2030, as provided herein.

Maturing (April 1)	Amount	Interest Rate	Yield	CUSIP (1) Base 602366
2031	\$745,000	3.00%	2.80%	F27
2032	755,000	3.00	2.90	F35
2033	770,000	3.00	3.00	F43
2034	770,000	3.10	3.10	F50
2035	690,000	3.15	3.15	F68
2036	340,000	3.20	3.20	F76
2037	325,000	3.25	3.25	F84
2038	335,000	3.30	3.30	F92
2039	350,000	3.35	3.35	G26
2040	360,000	3.40	3.40	G34

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

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## INTRODUCTION TO THE OFFICIAL STATEMENT

\$122,135,000 General Obligation Promissory Notes, Series 2020 N4 (the “N4 Notes”)  
\$29,845,000 General Obligation Corporate Purpose Bonds, Series 2020 B5 (the “B5 Bonds”)  
\$9,595,000 Taxable General Obligation Promissory Notes, Series 2020 T6 (the “T6 Notes”)  
\$5,440,000 Taxable General Obligation Corporate Purpose Bonds, Series 2020 T7 (the “T7 Bonds”)

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

### Summary Statement – N4 Notes

Issuer:	City of Milwaukee, Wisconsin
Issue:	\$122,135,000 General Obligation Promissory Notes, Series 2020 N4
Dated Date:	April 20, 2020.
Principal Due Date:	April 1 of the years 2021 through 2030.
Interest Payment Date:	Interest on the N4 Notes is due each April 1 and October 1 commencing October 1, 2020. Interest is calculated on the basis of 30-day months and a 360-day year.
Denominations:	\$5,000 or integral multiples thereof.
Purpose:	The N4 Notes are issued pursuant to Chapters 65 and 67 of the Wisconsin Statutes for the public purpose of financing various public improvement projects and fiscal requirements of the City.
Security:	Principal and interest on the N4 Notes will be payable out of receipts from an irrevocable ad-valorem tax levied on all taxable property within the City.
Authority for Issuance:	The Common Council of the City has authorized the issuance and sale of the N4 Notes in accordance with the provisions of Chapters 65 and 67 of the Wisconsin Statutes.
Form of Issuance:	The N4 Notes will be issued in Book-Entry-Only form, fully registered in the name of Cede & Co., as nominee of The Depository Trust Company of New York, New York, which will act as security depository for the N4 Notes. (See “ <b>BOOK-ENTRY-ONLY SYSTEM</b> ” herein).

Tax Status of Interest: Bond Counsel are of the opinion that under existing law, interest on the N4 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, as amended (the “Code”), Bond Counsel are of the opinion that interest on the N4 Notes will continue to be excluded from the gross income of the owners thereof for federal income tax purposes. Bond Counsel are further of the opinion that the interest on the N4 Notes is not an item of tax preference for purposes of computing alternative minimum taxable income. Interest on the N4 Notes is not exempt from Wisconsin income taxes. (See “**TAX MATTERS**” herein).

Redemption Feature: The N4 Notes are **not** subject to redemption prior to maturity.

Official Statement: The City will provide the original purchaser of the N4 Notes and B5 Bonds with an electronic copy and up to 10 copies of this Official Statement within seven business days following the award of the N4 Notes.

Professionals: Bond Counsel: Katten Muchin Rosenman LLP  
Chicago, Illinois  
Hurtado Zimmerman SC  
Wauwatosa, Wisconsin  
Financial Advisor: PFM Financial Advisors LLC  
Milwaukee, Wisconsin  
Paying Agent: City of Milwaukee, Comptroller’s Office  
Milwaukee, Wisconsin

Record Date: March 15 and September 15 (whether or not a business day).

Delivery: Delivery of the N4 Notes will be on or about April 20, 2020 at the expense of the City, through the facilities of The Depository Trust Company, New York, New York.

Reoffering: The public reoffering price or yield of the N4 Notes will be set forth on the inside front cover page of the Final Official Statement.

Continuing Disclosure Certificate: In order to assist bidders in complying with the continuing disclosure requirements of SEC Rule 15c2-12 and as part of the City’s contractual obligation arising from its acceptance of the successful bidder’s proposal, at the time of the delivery of the N4 Notes the City will provide an executed copy of its Continuing Disclosure Certificate. (See “**CONTINUING DISCLOSURE**” herein).

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## Summary Statement – B5 Bonds

Issuer:	City of Milwaukee, Wisconsin
Issue:	\$29,845,000 General Obligation Corporate Purpose Bonds, Series 2020 B5
Dated Date:	April 20, 2020.
Principal Due Dates:	April 1 of the years 2031 through 2035.
Interest Payment Dates:	Interest on the B5 Bonds is due each April 1 and October 1 commencing October 1, 2020. Interest is calculated on the basis of 30-day months and a 360-day year.
Denominations:	\$5,000 or integral multiples thereof.
Purpose:	The B5 Bonds are issued pursuant to Chapters 65 and 67 of the Wisconsin Statutes for the public purpose of financing various public improvement projects of the City.
Security:	Principal and interest on the B5 Bonds will be payable out of receipts from an irrevocable ad-valorem tax levied on all taxable property within the City.
Authority for Issuance:	The Common Council of the City has authorized the issuance and sale of the B5 Bonds in accordance with the provisions of Chapters 65 and 67 of the Wisconsin Statutes.
Form of Issuance:	The B5 Bonds will be issued in Book-Entry-Only form, fully registered in the name of Cede & Co., as nominee of The Depository Trust Company of New York, New York, which will act as security depository for the B5 Bonds. (See “ <b>BOOK-ENTRY-ONLY SYSTEM</b> ” herein).
Tax Status of Interest:	Bond Counsel are of the opinion that under existing law, interest on the B5 Bonds is not includable in the gross income of the owners thereof for federal income tax purposes. If there is continuing compliance with the applicable requirements of the Internal Revenue Code of 1986, as amended (the “ <i>Code</i> ”), Bond Counsel are of the opinion that interest on the B5 Bonds will continue to be excluded from the gross income of the owners thereof for federal income tax purposes. Bond Counsel are further of the opinion that the interest on the B5 Bonds is not an item of tax preference for purposes of computing alternative minimum taxable income. Interest on the B5 Bonds is not exempt from Wisconsin income taxes. (See “ <b>TAX MATTERS</b> ” herein).
Redemption Feature:	The B5 Bonds are subject to optional redemption on any date on and after April 1, 2030. (See “ <b>Redemption Provisions</b> ” herein.)
Official Statement:	The City will provide the original purchaser of the N4 Notes and B5 Bonds with an electronic copy and up to 10 copies of this Official Statement within seven business days following the award of the B5 Bonds.



## Summary Statement – T6 Notes

Issuer:	City of Milwaukee, Wisconsin
Issue:	\$9,595,000 Taxable General Obligation Promissory Notes, Series 2020 T6
Dated Date:	April 20, 2020.
Principal Due Dates:	April 1 of the years 2021 through 2030.
Interest Payment Dates:	Interest on the T6 Notes is due each April 1 and October 1 commencing October 1, 2020. Interest is calculated on the basis of 30-day months and a 360-day year.
Denominations:	\$5,000 or integral multiples thereof.
Purpose:	The T6 Notes are issued pursuant to Chapters 65 and 67 of the Wisconsin Statutes for the public purpose of financing various public improvement projects of the City.
Security:	Principal and interest on the T6 Notes will be payable out of receipts from an irrevocable ad-valorem tax levied on all taxable property within the City.
Authority for Issuance:	The Common Council of the City has authorized the issuance and sale of the T6 Notes in accordance with the provisions of Chapters 65 and 67 of the Wisconsin Statutes.
Form of Issuance:	The T6 Notes will be issued in Book-Entry-Only form, fully registered in the name of Cede & Co., as nominee of The Depository Trust Company of New York, New York, which will act as security depository for the T6 Notes. (See “ <b>BOOK-ENTRY-ONLY SYSTEM</b> ” herein).
Tax Status of Interest:	Interest on the T6 Notes <b>IS</b> includable in the gross income of the owners thereof for federal income tax purposes and is not exempt from State of Wisconsin income or franchise taxes. In addition, the Internal Revenue Code of 1986, as amended, contains a number of other provisions relating to the taxation of the T6 Notes (including, but not limited, to the treatment of and accounting for interest, premium, original issue discount and market discount thereon, gain from the disposition thereof and withholding tax on income therefrom) that may affect the taxation of certain owners, depending on their particular tax situations. PROSPECTIVE PURCHASERS SHOULD CONSULT THEIR TAX ADVISORS CONCERNING THE PARTICULAR FEDERAL INCOME TAX CONSEQUENCES OF THEIR OWNERSHIP OF THE T6 NOTES. (See “ <b>TAX MATTERS</b> ” herein).
Redemption Feature:	The T6 Notes are <b>not</b> subject to redemption prior to maturity.
Official Statement:	The City will provide the original purchaser of the T6 Notes and the T7 Bonds with an electronic copy and up to 10 copies of this Official Statement within seven business days following the award of the T6 Notes.



## Summary Statement – T7 Bonds

Issuer:	City of Milwaukee, Wisconsin
Issue:	\$5,440,000 Taxable General Obligation Corporate Purpose Bonds, Series 2020 T7
Dated Date:	April 20, 2020.
Principal Due Dates:	April 1 of the years 2031 through 2040.
Interest Payment Dates:	Interest on the T7 Bonds is due each April 1 and October 1 commencing October 1, 2020. Interest is calculated on the basis of 30-day months and a 360-day year.
Denominations:	\$5,000 or integral multiples thereof.
Purpose:	The T7 Bonds are issued pursuant to Chapters 65 and 67 of the Wisconsin Statutes for the public purpose of financing various public improvement projects of the City.
Security:	Principal and interest on the T7 Bonds will be payable out of receipts from an irrevocable ad-valorem tax levied on all taxable property within the City.
Authority for Issuance:	The Common Council of the City has authorized the issuance and sale of the T7 Bonds in accordance with the provisions of Chapters 65 and 67 of the Wisconsin Statutes.
Form of Issuance:	The T7 Bonds will be issued in Book-Entry-Only form, fully registered in the name of Cede & Co., as nominee of The Depository Trust Company of New York, New York, which will act as security depository for the T7 Bonds. (See “ <b>BOOK-ENTRY-ONLY SYSTEM</b> ” herein).
Tax Status of Interest:	Interest on the T7 Bonds <i>IS</i> includable in the gross income of the owners thereof for federal income tax purposes and is not exempt from State of Wisconsin income or franchise taxes. In addition, the Internal Revenue Code of 1986, as amended, contains a number of other provisions relating to the taxation of the T7 Bonds (including, but not limited, to the treatment of and accounting for interest, premium, original issue discount and market discount thereon, gain from the disposition thereof and withholding tax on income therefrom) that may affect the taxation of certain owners, depending on their particular tax situations. PROSPECTIVE PURCHASERS SHOULD CONSULT THEIR TAX ADVISORS CONCERNING THE PARTICULAR FEDERAL INCOME TAX CONSEQUENCES OF THEIR OWNERSHIP OF THE T7 BONDS. (See “ <b>TAX MATTERS</b> ” herein).
Redemption Feature:	The T7 Bonds are subject to optional redemption on any date on and after April 1, 2030. (See “ <b>Redemption Provisions</b> ” herein.).
Official Statement:	The City will provide the original purchaser of the T6 Notes and the T7 Bonds with an electronic copy and up to 10 copies of this Official Statement within seven business days following the award of the T7 Bonds.



## **2019 NOVEL CORONAVIRUS**

### **Updated April 2, 2020**

As of March 15, 2020, the World Health Organization declared a pandemic, the Federal government declared a National Emergency, the State has declared a Public Health Emergency, and the City has declared a State of Emergency due to the Wuhan novel coronavirus officially known as SARS-CoV-2 (the “Virus”) and the COVID-19 disease it causes. As of 2:00 pm on April 2, 2020, it is estimated that there have been 727 confirmed cases of COVID-19 in the City, and 918 confirmed cases and 18 confirmed deaths in Milwaukee County. There is deemed community spread of COVID-19 in the County of Milwaukee, including the City. The Federal and State declarations could allow for reimbursement by the Federal Government of 75% or more of the City’s costs relating to the outbreak.

The City’s State of Emergency declaration allows for an immediate response for the health, safety, and protection of the City. At this time, the major expenditure is the City’s Health Department costs to identify, track, monitor, and treat persons infected by the Virus, and people exposed to it in the City. There will also be costs related to time off for City personnel infected with, and potentially exposed to, the Virus, and disruption of City operations, including a state wide election scheduled for April 7, 2020. Many City offices have been physically closed to the public, but are reachable by phone, drop boxes, and by other means. No estimate is available as to the City’s cost for COVID-19 related expenditures. A significant portion of the City’s COVID-19 related expenditures could be eligible for reimbursement under the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”). Under the CARES act, the City’s direct payment to units of local government is potentially \$100,000,000.

The Governor has directed all public schools in the State to be closed beginning March 18, 2020. Milwaukee Public Schools K-12 system and all secondary education schools in Milwaukee have complied with the order. On March 17, 2020, the Governor has directed bars and restaurants to close except for take-out or delivery service, and has prohibited mass gatherings of 10 people or more. On March 23, 2020 the City of Milwaukee’s Commissioner of Health ordered non-essential businesses to close. On March 24, 2020, the Wisconsin Department of Health Services issued Emergency Order #12 Safer At Home Order directing a state-wide closing of non-essential businesses through April 24, 2020. Discretionary economic activity throughout the area is likely to be reduced for a significant period of time. Many business may experience financial difficulties, as well as employees of all businesses that have reduced operations.

The spread of the Virus, number of confirmed cases of COVID-19, and mitigation efforts, is quickly evolving, and it is not possible to provide an up to date report of the status in this Official Statement. Some updated information can be found on the City’s website at: <https://city.milwaukee.gov/Coronavirus>.

The majority of the City’s revenue sources are fairly stable, and not materially affected by economic activity. Of the \$1 billion of budgeted 2020 revenues: \$47 million is for Parking (parking permits, parking meters, and fines), Miscellaneous Revenues is \$34 million, and \$17 million is for Licenses and Permits. Of the \$157 million in Charges for Service, \$72 million relates to residential garbage collection, street sweeping, and snow/ice removal charges, which are billed to all properties. About \$10-20 million of the \$157 million could be considered somewhat affected by a decline in the economy. The City does not receive sales tax revenue. On March 24, 2020 the City suspended all timed, metered and night parking restrictions to accommodate residents who are home due to COVID-19. This is estimated to reduce parking revenues by \$2 million per month.

## THE RANs

THE CITY TOOK BIDS FOR REVENUE ANTICIPATION NOTES, SERIES 2020 R3 AND REJECTED ALL BIDS. THE CITY IS IN THE PROCESS OF NEGOTIATING A DIRECT PLACEMENT OF GENERAL OBLIGATION PROMISSORY NOTES, SERIES 2020 R3 (THE “RANs”). THIS OFFICIAL STATEMENT ASSUMES THE ISSUANCE OF THE RANs.

### Authority and Purpose

The Common Council of the City has authorized the issuance and sale of RANs for the public purpose of financing the City’s operating budget on an interim basis in anticipation of the receipt of State shared revenue payments, by the adoption of an authorizing Resolution on January 21, 2020 in accordance with the provisions of Section 67.12(1) of the Wisconsin Statutes, which reads as follows:

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

The proceeds of the RANs will not be used to pay the debt service on the prior year revenue anticipation notes. Treasury Bills were deposited with the Fiscal Agent by December 31, 2019 in a maturing amount sufficient to pay the principal and interest at maturity of the prior year revenue anticipation notes.

### Maturity and Security for the RANs

The RANs are anticipated to mature on or before January 31, 2021 and be a general obligation of the City.

### Statutory Borrowing Limitation

Section 67.12(1)(a) of the Wisconsin Statutes limits issuance for the purpose of the RANs to sixty percent (60%) of the Estimated General Fund Revenues for fiscal year. The limitation is calculated as follows:

Total Amount of Estimated General Fund Revenues for 2020	\$752,648,375
Statutory Borrowing Limit (60% of Estimated Revenues)	451,589,025
Borrowing – GO Promissory Notes, Series 2020 R3	<u>120,000,000</u>
Unused Amount Following this Issue	<u>\$331,589,025</u>
Percentage of 2020 Borrowing Limit Used	27%
Percentage of Borrowing to Estimated Revenues	16%

## THE N4 NOTES, B5 BONDS, T6 NOTES AND T7 BONDS

### Authority and Purpose

The N4 Notes, B5 Bonds, T6 Notes and T7 Bonds are being issued pursuant to Chapters 65 and 67 of the Wisconsin Statutes to finance various public improvement projects, and fiscal requirements of the City, to refund outstanding lines of credit, and long-term debt of the City, and to pay the associated financing costs. The Common Council of the City adopted Resolutions on January 21, 2020 which authorize the issuance of the N4 Notes, B5 Bonds, T6 Notes and T7 Bonds. In addition, the Common Council of the City adopted various initial Resolutions on January 19, 2016, January 18, 2017, January 17, 2018, January 15, 2019 and January 21, 2020 authorizing purposes for the B5 Bonds and T7 Bonds that have been combined into the corporate purpose bond issues.

Proceeds of the sale of the N4 Notes, B5 Bonds, T6 Notes and T7 Bonds are anticipated to be used for various public improvements of the City as follows:

Estimated Purposes (including Lines of Credit to be refunded)	
Streets.....	\$38,519,000
Financing Receivables .....	25,000,000
Public Buildings.....	17,548,000
Damages & Claims .....	11,495,292
Bridges .....	9,546,000
Police.....	7,332,500
Sanitation .....	7,289,000
Library.....	5,966,500
Tax Incremental Districts.....	5,772,439
Parking .....	4,346,000
Renewal and Development .....	3,855,000
Fire .....	3,845,000
Harbor .....	870,000
Parks.....	465,000
Refunding GO Debt .....	35,961,249
Less: Premium applied to Purposes .....	<u>(10,796,480)</u>
Total .....	<u><u>\$167,015,000</u></u>

The purposes shown in the table reflect the refunding of \$56,696,217 of Lines of Credit.

### Plan of Refunding

In addition to providing long-term financing for \$50,460,000 of new-money Line of Credit draws, the City is also refunding the Bonds listed in the following table, some of which were temporarily refunded by \$6,236,217 of Line of Credit draws or paid with \$10,408,751 of cash:

#### City Bonds Refunded

Dated Date	Series	Amount	Maturities	Redemption Date
2/19/2010	2010 T3	\$ 7,970,000	2021-2027	2/3/2020
4/15/2010	2010 B5	38,400,000	2021-2027	5/4/2020

## **Security for the N4 Notes, B5 Bonds, T6 Notes and T7 Bonds**

The N4 Notes, B5 Bonds, T6 Notes and T7 Bonds will be general obligations of the City, and payment thereof is secured by a pledge of the full faith and credit of the City. The City is authorized and required to levy on all taxable property in the City such ad-valorem taxes, without limitation as to rate or amount, as may be necessary to meet the debt service requirements on the N4 Notes, B5 Bonds, T6 Notes and T7 Bonds.

Under and by virtue of Sections 67.05(10) and 67.12(12)(ee), Wisconsin Statutes, the City is obligated to levy a direct annual tax sufficient in amount to pay, and for the express purpose of paying, the interest on the N4 Notes, B5 Bonds, T6 Notes and T7 Bonds as it falls due, and also to pay and discharge the principal thereof at maturity. The City is, and shall be, without power to repeal such levy or obstruct the collection of such tax until all such payments have been made or provided for.

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

## **Maturity and Interest Rates**

The N4 Notes, B5 Bonds, T6 Notes and T7 Bonds are to be dated April 20, 2020, and will bear interest from that date at the rates, and shall mature each April 1 in the amounts and years set forth on the inside front cover pages of this Official Statement. Interest on the N4 Notes, B5 Bonds, T6 Notes and T7 Bonds will be payable commencing October 1, 2020 and thereafter semiannually on April 1 and October 1 of each year and is calculated on the basis of 30-day months and a 360-day year.

## **Redemption Provisions**

The N4 Notes and the T6 Notes are **not** subject to redemption prior to maturity. The B5 Bonds and the T7 Bonds will be subject to redemption prior to their maturity, at the option of the City, on any date on and after April 1, 2030 at a price of par plus accrued interest to the date fixed for their redemption.

If less than all outstanding B5 Bonds and T7 Bonds are called for redemption, the B5 Bonds or T7 Bonds, as the case may be, shall be called in such order of maturity as shall be determined by the City. If less than all of the B5 Bonds or T7 Bonds of the same maturity are called for redemption, the particular B5 Bonds or T7 Bonds of such maturity to be redeemed shall be selected by lot. Notice of redemption shall be mailed, postage prepaid, no earlier than 60 days and no later than 30 days prior to the redemption date, to the owners of any B5 Bonds or T7 Bonds, as the case may be, to be redeemed in whose name such B5 Bonds or T7 Bonds are registered as of the date of the notice. Any defect in the notice shall not invalidate the notice. The record date for receiving payment of the redemption price shall be the 15<sup>th</sup> calendar day (whether or not a business day) prior to the redemption date. While in Book Entry Form, as the Registered Owner, DTC will receive the Redemption Notice. The City is not responsible for DTC's notification of redemption to Participants and Beneficial Owners.

## **Statutory Borrowing Limitation**

Wisconsin Statutes limit direct general obligation debt the City may issue. The issuance of the N4 Notes, B5 Bonds, T6 Notes and T7 Bonds do not cause these limitations to be exceeded. (See "**DEBT STRUCTURE**" herein for further details).

## INVESTMENT POLICIES

The City may invest any of its funds not immediately needed in accordance with Section 66.0603 of the Wisconsin Statutes. The City, through Common Council Resolution 930358, adopted July 6, 1993, has instructed the City Treasurer to invest City funds, including Milwaukee Public Schools 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 S&P Global Ratings, 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, 2019, the City had approximately 73% (\$359 million) of its and Milwaukee Public Schools' investments deposited in the LGIP.

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

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

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

# THE CITY

## Location, Organization and Government

### General

The City is located on the western shore of Lake Michigan in southeastern Wisconsin. The City is the hub of the metropolitan area. The City is Wisconsin's largest city with a population of approximately 590,547 and is the principal trade, service and financial center of southeastern Wisconsin. The surrounding Metropolitan Statistical Area ("MSA") includes the principal cities of Milwaukee, Waukesha and West Allis; the counties of Milwaukee, Ozaukee, Waukesha and Washington; and has a population of nearly 1.6 million.

The Port of Milwaukee provides multimodal access to the region, including domestic markets via its access to the Great Lakes – St. Lawrence Seaway system and the Mississippi river. General Mitchell International Airport is served by domestic and international airlines. Two rail lines serve the City, including access to Port Milwaukee, providing 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.

On April 7, 2020, the City is scheduled to hold a regular election to elect new Officials and Alderpersons of the City. The newly elected persons will take office on April 21, 2020. Currently serving officials not running for reelection are: Martin Matson, Comptroller, and Alderpersons Robert Donovan, and T. Anthony Zielinski. The Governor has not yet announced a postponement of the state-wide elections due to COVID-19.

### City Officials

**As of April 2, 2020**  
(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)	Chantia Lewis	(2016)
Chevy Johnson	(2016)	Michael J. Murphy	(1989)
Nik Kovac	(2008)	Mark A. Borkowski	(2015)
Robert J. Bauman	(2004)	Jose G. Perez	(2012)
Nikiya Dodd	(2018)	Scott Spiker	(2019)
Milele A. Coggs	(2008)	T. Anthony Zielinski	(2004)
Khalif Rainey	(2016)	Russell W. Stamper, II	(2014)
Robert G. Donovan	(2000)		

\* The terms of all the above elected positions expire on April 20, 2020.

## Public Services and Facilities

The City 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 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 debt is expected to be fully escrowed or redeemed by May 2020, at which time the sales tax supporting repayment of the debt will be terminated.

The second special purpose governmental unit is the Wisconsin Center District, a public entity created by the City pursuant to Section 229.42, Wisconsin Statutes, which oversees construction and operation of the Wisconsin Center, the City’s major convention complex. This complex also includes the UW-Milwaukee Panther Arena, home of the University of Wisconsin–Milwaukee Panther’s men’s basketball team and the Milwaukee Admirals International Hockey League club, and the Miller High Life Theatre facilities. The Wisconsin Center was financed by \$185 million of revenue bonds issued by the Wisconsin Center District and secured by a pledge of dedicated sales tax revenues from lodging, restaurant, and vehicle rentals collected in the five county area served by the Wisconsin Center. Phase One of the Wisconsin Center was completed during 1998. Phase Two was completed in 1999. In 2001, the Wisconsin Center District issued \$30 million of bonds to renovate the Miller High Life Theatre.

In 2016, the Wisconsin Center District issued \$200 million of revenue bonds to construct the Fiserv Forum, a 714,000 square foot arena that seats 17,500 people. This facility serves the National Basketball Association Milwaukee Bucks, and the Marquette University Golden Eagles men’s basketball team.

The Wisconsin Center District has received approval from the State to issue up to \$200 million of revenue bonds to expand the Wisconsin Center (which does not include the Fiserv Forum). The debt will be issued on parity with their outstanding sales tax revenue bonds and are anticipated to carry the moral obligation pledge of the State. Pursuant to the enabling legislation, the City and Milwaukee County have provided certifications to the State regarding the state wide benefit of the project. No other approvals are required by the overlapping jurisdictions. It was anticipated that the Wisconsin Center District will issue the expansion debt in 2020, however, due to the Wuhan Novel Coronavirus, the issuance may be delayed. On April 2, 2020, the Wisconsin Center District Board tentatively authorized the issuance of up to \$690 million of bonds for the expansion.

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 University, Milwaukee Area Technical College and the Milwaukee School of Engineering.

## **Employee Relations**

The City has approximately 6,345 full-time employees. 2,479 employees are part of three public safety unions. The remaining employees do not have collective bargaining representation. The City is in negotiations with the unions. Contract expiration dates are as follows:

<u>Union</u>	<u>Contract Expiration Date</u>
Police Officers	December 31, 2019
Police Supervisors	December 31, 2020
Firefighters	December 31, 2020

## 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	
2018	590,547		\$43,034
2017	595,555		41,059
2016	594,667		39,885
2015	595,787		39,931
2014	595,993		37,340
2013	596,500		37,300
2012	595,425		35,770
2011	595,525		34,100
2010	580,500	594,833	32,774
2009	584,000		32,500
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.*

## Building Permits

Another indicator of economic growth is the activity in the building industry. The following table indicates building permit activity during the period 2015 through 2019.

### Value of Permits

<u>Year</u>	<u>Residential</u>	<u>Commercial</u>	<u>Public</u>	<u>Other</u>	<u>Total</u>
2019	\$16,124,147	\$506,302,061	*	*	\$522,426,208
2018	17,222,132	614,284,725	*	*	631,506,857
2017	33,624,270	778,690,826	*	*	812,315,096
2016	111,299,399	81,464,755	\$35,892,602	\$187,592,531	416,249,287
2015	82,597,322	58,724,198	21,178,391	141,262,948	303,762,859

### Permits Issued

<u>Year</u>	<u>Residential</u>	<u>Commercial</u>	<u>Public</u>	<u>Other</u>	<u>Total</u>
2019	1,060	1,347	*	*	2,407
2018	1,089	1,375	*	*	2,464
2017	2,180	1,364	*	*	3,544
2016	46	29	202	1,608	1,885
2015	39	31	252	2,003	2,325

\* In 2017, the City implemented a new computer system for the issuance and recording of permit data. The new system combines Public and Other into the Residential and Commercial categories.

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

## Leading Business and Industrial Firms Located Within Milwaukee County

The listing of large employers in the Milwaukee County area which follows reveals the diversity of Milwaukee County's economic base. The largest of these are shown in the following list which includes only employers with the majority or all of their employment in Milwaukee County. The employment estimates may include employees located in counties contiguous to Milwaukee County.

Company	Business Description	2019 Approximate Employment
Advocate Aurora Health	Health Care System	28,539
Froedtert Health	Health Care System	12,647
Ascension Wisconsin	Health Care System	10,600
Roundy's Supermarkets Inc.	Retail Supermarkets	8,601
Medical College of Wisconsin	Private Medical School	6,400
Children's Hospital and Health System	Health Care System	5,322
Northwestern Mutual	Insurance, Investment Products	5,000
Rockwell Automation Inc.	Industrial Automation Products	4,000
U.S. Bank	Banking Services	3,700
Goodwill Industries of SE Wisconsin Inc.	Training Programs, Retail, & Food Service	3,419
FIS	Banking and Payments Technology	3,230
WEC Energy Group Inc.	Electric & Natural Gas Utility	3,200
The Marcus Corp.	Theaters and Hotel Properties	3,160
Marquette University	University	2,926
Potawatomi Hotel & Casino	Hotel & Casino	2,669
Harley-Davidson Inc.	Motorcycles & Accessories	2,612
BMO Harris Bank	Bank Holding Company	2,519
Johnson Controls International	Control Systems, Batteries & Auto Interiors	2,100
Sendik's Food Market	Retail Supermarkets	1,800
Robert W. Baird & Co. Inc.	Asset Management and Capital Markets	1,552
Briggs & Stratton Corp.	Small Gasoline Engines	1,500
Rexnord Corp.	Power Transmission Equipment	1,500
Milwaukee Brewers Baseball Club	Professional Sports	1,449
MillerCoors LLC	Beer Brewery	1,355
Patrick Cudahy LLC	Manufacturer of Processed Meats	1,270
Direct Supply Inc.	Shipping & eCommerce	1,199
Cargill Meat Solutions	Food Distribution	1,118
Brady Corp.	Manufacturer of Identification Materials	1,000

Source: Milwaukee Business Journal, as of August 16, 2019.

## EMPLOYMENT AND INDUSTRY

During 2019, the City's unemployment rate averaged approximately 4.2%. Presented below are unemployment rates for the City, as compared to the State of Wisconsin and the United States for the period 2015 through 2019.

<b>Annual Unemployment Rates</b> (Not Seasonally Adjusted)				
Year	City of Milwaukee	Milwaukee – Waukesha – West Allis Metropolitan Statistical Area	State of Wisconsin	United States
2019*	4.2%	3.3%	3.3%	3.7%
2018	4.0	3.2	3.0	3.9
2017	4.5	3.5	3.3	4.4
2016	5.6	4.3	4.0	4.9
2015	6.6	4.9	4.5	5.3

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

\*Preliminary

<b>Recent Monthly Unemployment Rates</b> (Not Seasonally Adjusted)				
Month	City of Milwaukee	Milwaukee – Waukesha – West Allis Metropolitan Statistical Area	State of Wisconsin	United States
January, 2020	4.2%	3.4%	3.5%	4.4%

Source: U.S. Department of Labor, Bureau of Labor Statistics. Not Seasonally Adjusted

The City's economic structure reveals a diversified economy with strong service and manufacturing sectors. The area is not dominated by any large employers.

### Milwaukee Area Non-Farm Employment December, 2019

	<u>Employment</u>	<u>Percentage</u>
Natural Resources, Mining, & Construction	32,200	4%
Manufacturing	115,900	13
Trade, Transportation & Utilities	153,300	17
Information	13,300	1
Finance	51,300	6
Professional & Business Services	124,300	14
Education & Health Services	182,200	20
Leisure & Hospitality	81,300	9
Other Services	49,200	6
Government	87,100	10
Total Non-Farm	<u>890,100</u>	

Source: Bureau of Labor Statistics, Milwaukee Area Economic Study, updated March 5, 2020.

## Ten Largest Taxpayers With 2019 Estimated Equalized Valuations

Northwestern Mutual Life Ins.	\$478,987,311
Mandel Group	333,324,281
US Bank Corp.	216,486,459
Irgens	159,283,113
Juneau Village/Prospect Tower/Katz Properties	139,528,112
Weidner Investments	136,315,919
Aurora Health	133,505,565
Metropolitan Associates	130,990,206
Forest County Potawatomi Community	124,186,094
411 E Wisconsin – Middleton Milwaukee Investors LLC	120,523,517

Source: City of Milwaukee, Assessor's Office January 2020.

## DEBT STRUCTURE

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

### Legal Debt Limitations

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

### Debt Margin (Includes the Offered Obligations to be issued by the City)

Equalized Value of Taxable Property in the City .....		\$29,746,345,900
<b>Legal Debt Limitation for City Borrowing</b>		
5% of Equalized Value.....		\$1,487,317,295
General Obligation Debt Outstanding subject to 5% Limit as of 04/01/20 .....	\$963,831,217	
Plus: 2020 N4, B5, T6 and T7 .....	167,015,000	
Plus: GO RANs .....	120,000,000	
Less: Provision for current year maturities.....	(22,370,000)	
Less: General Obligation Debt to be Refunded .....	(95,096,217)	
Net General Obligation Debt Outstanding subject to the 5% Limit as of 04/01/20 .....		\$1,133,380,000
Total Debt Margin for City Borrowing (in Dollars) .....		353,937,295
As a percentage .....		23.8%
<b>Legal Debt Limitation for School Purpose Borrowing</b>		
2% of Equalized Value.....		\$594,926,918
General Obligation Debt Outstanding subject to 2% Limit as of 04/01/20 .....	\$4,585,914	
Less: Provision for current year maturities.....	--	
Net General Obligation Debt Outstanding subject to the 2% Limit as of 04/01/20 .....		\$4,585,914
Total Debt Margin for School Purpose Borrowing (in Dollars) .....		\$590,341,004
(As a percentage).....		99.2%

**Analysis of General Obligation Debt  
Outstanding as of April 1, 2020**

Streets.....	\$231,642,095
Tax Increment Districts.....	181,899,724
Public Buildings.....	131,216,149
Municipal Expenses.....	84,062,696
Schools (5% City Borrowing).....	53,719,546
Bridges.....	46,487,765
Police.....	42,473,482
Blight Elimination/Urban Renewal.....	40,508,751
Sewers.....	38,280,000
Finance Real & Personal Property Tax Receivables.....	37,925,217
Library.....	27,240,366
Fire.....	16,310,415
Parking.....	11,485,221
Water.....	10,650,000
Harbor.....	4,874,316
Playground/Recreational Facilities.....	3,379,153
	<hr/>
Total GO Debt subject to the 5% City Debt Limit.....	\$963,831,217
GO Debt subject to the 2% School Purpose Debt Limit	4,585,914
	<hr/>
Total Outstanding GO Debt.....	<u><u>\$968,417,131</u></u>

**Composition of General Obligation Debt  
Outstanding as of April 1, 2020**

Total GO Debt Outstanding	\$968,417,131
Less: Bond Anticipation Notes	(50,460,000)
Less: Revenue Bond Anticipation Notes	(39,000,000)
Less: Long-term Debt to be refunded	(44,636,217)
	<hr/>
Total Long-Term Fixed Rate GO Debt	\$834,320,914
Less: Amounts on Deposit in Sinking Funds	(21,150,000)
	<hr/>
Net Long-Term Fixed Rate GO Debt	\$813,170,914

## General Obligation Debt Service Requirements

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

	Total Fixed Rate G.O. Debt Service as of 04/02/20 (1)		Series 2020 N4, B5, T6 and T7		Total Requirements After Issuance
	Principal (2)	Interest	Principal	Interest	
2020	\$ 25,745,000	\$ 20,561,917		\$ 3,525,371	\$ 49,832,288
2021	95,793,148	35,682,267	\$ 14,845,000	7,519,993	153,840,408
2022	85,804,005	32,655,583	14,880,000	6,793,518	140,133,106
2023	143,143,761 (3)	27,395,154	14,925,000	6,065,193	191,529,108
2024	78,005,000	18,959,495	14,970,000	5,334,768	117,269,263
2025	70,155,000	15,816,775	15,295,000	4,597,693	105,864,467
2026	67,760,000	12,758,321	11,285,000	3,954,243	95,757,564
2027	61,935,000	9,142,760	11,330,000	3,408,968	85,816,728
2028	48,895,000	5,990,059	11,400,000	2,861,068	69,146,126
2029	38,885,000	4,263,127	11,465,000	2,310,093	56,923,219
2030	30,880,000	2,908,763	11,335,000	1,761,043	46,884,806
2031	25,535,000	1,836,532	6,940,000	1,322,168	35,633,700
2032	19,555,000	1,034,803	6,985,000	989,043	28,563,845
2033	15,105,000	444,631	6,935,000	687,118	23,171,748
2034	5,435,000	104,397	6,445,000	426,833	12,411,229
2035	100,000	19,600	6,270,000	178,930	6,568,530
2036	105,000	15,500	340,000	51,023	511,523
2037	110,000	11,200	325,000	40,301	486,501
2038	110,000	6,800	335,000	29,493	481,293
2039	115,000	2,300	350,000	18,103	485,403
2040	—	—	360,000	6,120	366,120
	<u>\$813,170,914 (4)</u>	<u>\$189,609,984</u>	<u>\$167,015,000</u>	<u>\$51,881,075</u>	<u>\$1,221,676,973</u>

(1) Excludes debt to be refunded and Revenue Anticipation Notes.

(2) Assumes Sinking Fund Deposits in year due.

(3) Includes \$61 million for Series 2018 N1 that were issued to permit prepayment of certain municipal expenses. If the program is not repeated, the amount will be repaid from the amount normally budgeted for said expenses, thus returning the expenses to payment made in arrears.

(4) Excludes \$21,150,000 on deposit in the sinking fund accounts.

### Trends of General Obligation Debt (Thousands of Dollars)

Year 12/31	Total GO Debt	Self-Sustaining GO Debt*	Levy Supported GO Debt
2015	\$ 892,221	\$263,175	\$629,046
2016	1,012,043	315,618	696,425
2017	990,473	285,135	705,337
2018	1,037,024	299,695	737,329
2019	1,067,402	318,285	749,117

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

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

Year 12/31	TID Program	Parking Program	Special Assessments	Delinquent Taxes (1)	Water (2)	Sewer (2)	Total Self-Sustaining
2015	\$167,898	\$11,768	\$561	\$54,648	\$10,158	\$18,142	\$263,175
2016	209,504	11,702	170	51,039	28,342	14,860	315,618
2017	201,316	11,418	69	44,988	7,486	19,858	285,135
2018	215,352	11,496	23	52,592	9,028	11,203	299,695
2019	199,440	12,476	0	50,651	16,695	39,023	318,285

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

- (1) Debt issued for Delinquent Tax Purposes is paid from collections of the delinquent taxes.  
(2) Includes Revenue Bond Anticipation Notes.

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

Year 12/31	Population (1)	Net Equalized Valuation	Assessed Valuation	Total GO Debt	GO Debt/Net EV	GO Debt/AV	GO Debt/capita
2015	595,993	\$26,138,108,100	\$25,024,542,439	\$ 892,221,179	3.41%	3.57%	\$1,497
2016	595,787	25,980,469,600	25,262,963,417	1,012,042,745	3.90	4.01	1,699
2017	591,076	26,903,884,900	26,937,359,310	990,472,506	3.68	3.68	1,676
2018	595,555	28,340,400,600	28,335,277,103	1,037,023,962	3.66	3.66	1,741
2019	590,547	29,746,345,900	28,489,846,212	1,067,402,736	3.59	3.62	1,807

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

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
2015	\$61,857,951	3.18%	\$1,393
2016	59,993,868	3.66	1,598
2017	54,613,324	3.48	1,583
2018	50,537,674	3.48	1,656
2019 (1)	46,537,674	3.43	1,729

- (1) 12/31/19 balance is unknown at this time. Assumes balance declines by \$4 million.

**Computation of Net Direct and Overlapping Debt  
April 1, 2020**

Governmental Unit	Debt Outstanding As of April 1, 2020	Percentage Applicable	Share of Debt As of April 1, 2020
City of Milwaukee (1).....	\$1,137,965,914	100.00%	\$1,137,965,914
Area Board of Vocational, Technical and Adult Education, District No. 9...	106,465,000	35.15	37,418,528
County of Milwaukee .....	532,465,597	43.78	233,135,306
Milwaukee Metropolitan Sewerage District .....	834,979,138	44.65	372,830,772
<b>Total Net Direct and Overlapping Debt.....</b>	<b>\$2,611,875,649</b>		<b>\$1,781,350,519</b>

(1) Includes \$60 million general obligation debt outstanding, which financed Milwaukee Public Schools improvements. Figure includes the new issue, RANs, and excludes debt to be refunded and provisions for current year maturities.

**Future Financing**

Prior to the issuance of the Offered Obligations, the City has \$825 million authorized unissued general obligation debt for various corporate and capital improvement purposes, which can be issued at any time. The City also has \$400 million of authorized unissued revenue anticipation borrowing for City and School cash flow purposes.

The City has \$95.7 million on Lines of Credit outstanding which can be refinanced with General Obligation Debt. \$50.5 million for new corporate and capital purposes, and \$6.2 million for refunding purposes will be refinanced with this issue. The remaining \$39 million is anticipated to be refinanced with \$34 million of sewer revenue bonds and \$5 million of water revenue bonds.

The authorized unissued general obligation debt includes \$107 million for sewer purposes and \$102 million for water purposes. The sewer purpose debt is anticipated to be financed on a revenue bond basis, including second lien revenue bonds sold to the State of Wisconsin Clean Water Fund Program. The water purpose debt is anticipated to be financed on a revenue bond basis, including second lien revenue bonds sold to the State of Wisconsin Safe Drinking Water Loan Program.

The April 7, 2020 regular election includes a referendum by Milwaukee Public Schools to increase its annual levy by up to \$87 million per year. No debt is authorized by the referendum.

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

## City Capital Improvement Plan

The City's 2020-2025 Draft Capital Improvement Plan ("CIP") outlines planned capital improvement projects and programs. Some school purpose improvements are financed by the City for Milwaukee Public Schools, but are not included in the CIP.

### 2020-2025 Draft Capital Improvement Plan (Amounts in Thousands of Dollars)

	2020	2021	2022	2023	2024	2025	Total
Transportation	\$78,382	\$109,121	\$100,214	\$111,526	\$104,618	\$121,051	\$624,912
Redevelopment and Blight Elimination	6,700	5,550	6,050	6,200	6,200	6,200	36,900
Public Safety	11,635	7,430	6,665	6,390	6,390	6,390	44,900
Miscellaneous	33,699	36,066	34,176	32,978	31,188	28,840	196,947
<b>Total General City</b>	<b>\$130,416</b>	<b>\$158,167</b>	<b>\$147,105</b>	<b>\$157,094</b>	<b>\$148,396</b>	<b>\$162,481</b>	<b>\$903,659</b>
Levy supported GO Borrowing	\$86,268	\$86,494	\$86,407	\$86,844	\$83,993	\$84,080	\$514,086
Grants	24,067	52,663	42,058	52,450	48,801	62,156	282,195
Cash Levy	566	1,000	1,000	1,000	1,000	1,000	5,566
Special Assessment	3,830	3,375	3,825	3,715	3,717	3,860	22,322
Cash Revenues	15,685	14,635	13,815	13,085	10,885	11,385	79,490
<b>Total Revenues for General City</b>	<b>\$130,416</b>	<b>\$158,167</b>	<b>\$147,105</b>	<b>\$157,094</b>	<b>\$148,396</b>	<b>\$162,481</b>	<b>\$903,659</b>
Tax Incremental Districts							
GO Debt repaid by TID Increment	\$44,000	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000	\$169,000
Developer Financed	8,000	8,000	8,000	8,000	8,000	8,000	48,000
<b>Total for Tax Incremental Districts</b>	<b>\$52,000</b>	<b>\$33,000</b>	<b>\$33,000</b>	<b>\$33,000</b>	<b>\$33,000</b>	<b>\$33,000</b>	<b>\$217,000</b>
Water (primarily funded by revenue bonds)	\$44,570	\$42,110	\$35,110	\$36,960	\$34,910	\$34,910	\$228,570
Sewer (primarily funded by revenue bonds)	\$34,150	\$39,883	\$39,183	\$39,183	\$39,183	\$39,183	\$230,765
<b>Total Capital Improvements</b>	<b>\$261,136</b>	<b>\$273,160</b>	<b>\$254,398</b>	<b>\$266,237</b>	<b>\$255,489</b>	<b>\$269,574</b>	<b>\$1,579,994</b>

## Lines of Credit and Other Liquidity

The City has \$130,000,000 of lines of credit with US Bank National Association (a "Line", or "Lines"). The Lines are secured by the general obligation pledge of the City, permit the City to draw and repay at any time, with interest rates based upon 1-month LIBOR. The Lines may be terminated upon specified events. If a Line's draw period is not extended, or if terminated, the City has 18 months, from the end of the draw period or termination date, to repay the Line (the "Term-out Period"). The Term-out Period gives the City at least six months to refund or payoff the Line before being required levy taxes for the payment of the outstanding amount of the Line. The draw periods on the Lines expire through June 1, 2021 and it is the City's intention to renew the Lines for various amounts and lengths of time based upon the cash flow needs of the City.

Draw on the Lines may be made at any time for any purpose, including the purposes described in Future Financing above. The primary purpose of the Lines is to provide interim financing for expenditures pending the City's next long-term financing and short-term cash flow needs. See Future Financing above for the amounts currently outstanding on the lines.

## Other Variable Rate Exposure

Other than the Lines of Credit, the City does not have any other form of variable rate debt outstanding. It is anticipated that, over time, when the use of variable rate debt is more advantageous, up to 15-25% of the tax levy supported long-term general obligation debt will be in the form of variable rate debt.

In 2003, the Redevelopment Authority of the City of Milwaukee, on behalf of the Milwaukee Public Schools, issued \$130,850,000 of Taxable Pension Funding Bonds, 2003 Series D in Auction Rate Mode and insured by MBIA. In 2005, the 2003 Series D bonds were converted to Index Bonds (“IB”) whose interest rate is reset monthly to 1-month LIBOR + 25 basis points. The IB bond owners do not have an option to put the bonds. The 2003 Series D bonds also have an interest rate swap that pays Milwaukee Public Schools 1-month LIBOR + 20 basis points in exchange for a fixed rate of 5.56% paid by Milwaukee Public Schools, effectively converting the IB to a fixed rate with no basis risk. The City and MPS are monitoring the scheduled discontinuation of LIBOR in 2021, and anticipate amending the financing documents in 2021 to change to a new index.

## 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 – In 2016, with the consent of the State, the City publically sold and issued \$10,000,000 of Water System Revenue Bonds on a senior lien basis to loans from the State of Wisconsin Safe Drinking Water Loan Program. Additional senior lien bonds may be issued without the consent of the State. As of April 1, 2020, total outstanding Water System Revenue Bonds was \$18.7 million with a final maturity in 2036.

Beginning in 1998, the City entered into loan agreements 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 April 1, 2020, the outstanding balance was \$51.5 million.

Sewerage System Revenue Bonds – In 2001, the City created the Sewerage System Revenue Bonds with the issuance of \$29,095,000 of Sewerage System Revenue Bonds, and has periodically issued debt under the Resolution. Additional senior lien bonds may be issued without the consent of the State. As of April 1, 2020, total outstanding Sewerage System Revenue Bonds was \$141.0 million with a final maturity in 2036.

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. Subsidized loans are available for certain projects, are secured by revenues of the Sewerage System, and are repayable over a period of 20 years. As of April 1, 2020, the outstanding balance was \$132.6 million. The City hopes to satisfy as much as possible of its Sewerage System capital needs with borrowings under the Program. (See “**Future Financing**”).

Industrial Revenue Bonding Program – The City has established guidelines relating to its Industrial Revenue Bonding Program. These guidelines establish criteria for IRB financing. The guidelines delineate that the primary goals of this program are to create additional tax base, additional jobs, or both. Industrial land, buildings, and machinery and equipment used in the manufacturing process and pollution abatement equipment of new or expanding industries are eligible projects. Since the first IRB issue in 1973, the City has closed 125 issues amounting to approximately \$265 million. The City has no responsibility to either secure or redeem IRB debt, and thus neither guarantees nor lends its own credit to these obligations.

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

As of December 31, 2019, the Housing Authority had outstanding \$16.1 million of Mortgage Revenue Bonds.

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 April 1, 2020, the Redevelopment Authority had outstanding \$307.4 million in 11 bond issues outstanding for Milwaukee Public Schools, seven secured by leases, and four secured by loan agreements, with the Milwaukee Board of School Directors (“MBSD”). These bonds do not constitute general obligations of the City, or of MBSD, and shall not constitute or give rise to a charge against the City’s, or MBSD’s, taxing powers. The loan agreements with MBSD includes a pledge of certain state aid payable to MBSD.

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

Milwaukee Economic Development Corporation – As of December 31, 2019, the Milwaukee Economic Development Corporation, itself, or through related entities, funded loans for 1,313 businesses and projects utilizing \$405 million to leverage a total of \$1.8 billion in investment. 1,538 loans have been enrolled in the Capital Access Program with covered loan amounts totaling \$90 million.

## **TAX INCREMENT DISTRICT FINANCING**

Five issues of the Redevelopment Authority and Housing Authority involving over \$61 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, 2019, \$199 million of general obligation debt 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 \$69 million of debt secured by tax increment revenues. The debt is owed to developers of projects within the TID, with no recourse to the City in the event that tax increment revenues are insufficient to repay the obligations. Pursuant to 2003 Wisconsin Acts 126, 127, 194 and 231 (enacted in February through April 2004), the allowable life of TIDs created between September 30, 1995 and October 1, 2004 for blight elimination and rehabilitation purposes is 27 years. The maximum lives for TIDs created after September 30, 2004 is 27 years for blighted and rehabilitation TIDs, and 20 years for mixed use TIDs and industrial TIDs, which, for industrial TIDs represents a reduction from 23 years, though the 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 28<sup>th</sup> 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 30<sup>th</sup> 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 14<sup>th</sup> of November. The City is under no State or local levy limits with respect to General Obligation Debt Service. Under Section 65.06(18), Wisconsin Statutes, the omission from the budget of the payment of interest on or the principal of any bonded debt of the City when due shall not prevent the placing of the same on the tax roll for the levy and the collection of the tax and the payment of the money therefor.

**Adopted Budget – Combined Revenues – 2020**

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Enterprise</u>	<u>Total</u>
<b>Taxes</b>						
Property Tax – General .....	\$115,229,998		\$73,512,200	\$566,000		\$189,308,198
Provision for Employee Retirement (1).....	96,710,343					96,710,343
Contingent Fund.....	5,000,000					5,000,000
<b>Total Taxes.....</b>	<b>\$216,940,341</b>	<b>–</b>	<b>\$73,512,200</b>	<b>\$566,000</b>	<b>–</b>	<b>\$291,018,541</b>
<b>Revenues</b>						
Taxes and PILOT .....	\$18,031,200					\$18,031,200
Licenses and Permits.....	17,165,350					17,165,350
Intergovernmental Revenues.....	274,514,000	\$94,946,990				369,460,990
Charges for Service.....	157,073,984					157,073,984
Fines and Forfeitures.....	3,276,000					3,276,000
Miscellaneous Revenues.....	25,537,500	8,000,000				33,537,500
Fringe benefits (2).....	24,000,000					24,000,000
Parking .....	16,110,000		\$ 4,029,030		\$ 24,498,906	44,637,936
Water Works .....			2,377,475	\$ 4,468,228	95,745,297	102,591,000
Sewer Maintenance Fund....			2,988,575	1,200,000	67,193,512	71,382,087
Retained Earnings .....					16,605,759	16,605,759
Delinquent Taxes .....			15,397,768			23,594,845
Tax Incremental Districts....			31,130,337			30,956,804
Other Self Supporting Debt			37,133,815			27,377,590
Cash Flow borrowings .....			110,000,000			110,000,000
Special Assessments .....		11,484,600		3,830,000		15,314,600
Capital Revenue .....				23,685,000		23,685,000
<b>Total Revenues .....</b>	<b>\$535,708,034</b>	<b>\$114,431,590</b>	<b>\$203,057,000</b>	<b>\$33,183,228</b>	<b>\$204,043,474</b>	<b>\$1,090,423,326</b>
<b>Tax Stabilization Fund</b>						
Transfer from Reserves .....	\$10,000,000					\$10,000,000
<b>Sale of Bonds and Notes</b>						
General City .....				\$127,543,000		127,543,000
Enterprise Funds .....				75,776,772		75,776,772
<b>Grand Total.....</b>	<b>\$762,648,375</b>	<b>\$114,431,590</b>	<b>\$276,569,200</b>	<b>\$237,069,000</b>	<b>\$204,043,474</b>	<b>\$1,594,761,639</b>

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

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

## Adopted Budget – Combined Appropriations – 2020

	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Total
<b>Expenditures</b>						
Administration, Dept of .....	\$ 12,735,064			\$ 1,533,000		\$ 14,268,064
Assessor's Office .....	4,301,630					4,301,630
City Attorney.....	6,970,897					6,970,897
City Treasurer .....	3,817,595					3,817,595
Common Council – Clerk....	9,065,868			25,000		9,090,868
Municipal Court .....	2,904,191					2,904,191
Comptroller .....	4,555,508					4,555,508
Dept. of City Development..	4,816,171			55,400,000		60,216,171
Election Commission .....	3,162,037					3,162,037
Employee Relations, Dept of	4,095,114					4,095,114
Fire and Police Commission	2,727,999			5,000,000		7,727,999
Fire Department .....	114,496,084			1,950,000		116,446,084
Health Department .....	14,743,321			690,000		15,433,321
Library Board.....	23,559,805			1,290,000		24,849,805
Mayor's Office.....	1,364,487					1,364,487
Neighborhood Services.....	19,045,478			3,000,000		22,045,478
Police Department.....	297,366,419			3,995,000		301,361,419
Port of Milwaukee.....	6,483,900			475,000		6,958,900
DPW–Administration .....	2,962,516					2,962,516
DPW–Infrastructure .....	38,198,572			63,665,000		101,863,572
DPW–Operations .....	79,865,139			9,585,000		89,450,139
Water Works .....			\$2,377,475	44,570,000	\$105,513,525	152,461,000
Sewer Maintenance Fund....			2,988,575	34,150,000	70,356,603	107,495,178
Special Purpose Accounts....	143,761,604					143,761,604
Pension Funds .....	120,023,177					120,023,177
Debt Service – City.....			145,918,883			143,464,443
Debt Service – Schools.....			11,255,237			11,976,996
Debt Service – Cash Flow ...			110,000,000			110,000,000
Contingency .....	5,000,000					5,000,000
Delinquent Tax Fund .....		\$ 8,000,000				8,000,000
Parking .....			4,029,030	2,725,000	28,173,346	34,927,376
Grant & Aid Fund .....		94,946,990				94,946,990
Special Capital Projects .....				9,016,000		9,016,000
Economic Development.....		11,484,600				11,484,600
Fringe Benefit Offset .....	(163,374,201)					(163,374,201)
<b>Grand Total.....</b>	<b>\$762,648,375</b>	<b>\$114,431,590</b>	<b>\$276,569,200</b>	<b>\$237,069,000</b>	<b>\$204,043,474</b>	<b>\$1,594,761,639</b>

**Budgetary Comparison Schedule – General Fund**  
**For The Years Ending December 31, 2014 Through 2018**  
(Thousands of Dollars)

	2014	2015	2016	2017	2018
<b>Revenues:</b>					
Property Taxes.....	179,269	190,318	187,739	190,775	198,951
Other Taxes .....	6,091	2,765	3,979	3,795	2,831
Licenses and Permits .....	16,063	16,629	16,767	15,597	17,232
Intergovernmental.....	260,886	263,350	265,190	265,701	268,792
Charges for Services.....	114,743	120,908	118,166	117,873	119,579
Fines and Forfeitures .....	4,577	4,110	3,534	3,356	3,297
Other.....	32,284	28,486	20,000	19,384	26,764
<b>Total General Fund Revenues .....</b>	<b>613,913</b>	<b>626,566</b>	<b>615,375</b>	<b>616,481</b>	<b>637,446</b>
Tax Stabilization Fund Withdrawals .....	20,000	16,700	21,087	27,579	19,000
Other Financing Sources and Equity .....					
Transfers (Net).....	49,492	50,906	46,788	49,549	59,927
<b>Total General Fund Revenues Tax Stabilization Fund Withdrawals and Other Financing Sources ....</b>	<b>683,405</b>	<b>694,172</b>	<b>683,250</b>	<b>693,609</b>	<b>716,373</b>
<b>Expenditures:</b>					
General Government.....	254,418	239,232	225,418	228,607	274,345
Public Safety.....	267,344	293,085	320,389	314,648	317,095
Public Works .....	103,244	101,007	103,740	100,482	103,588
Health .....	9,028	9,459	10,207	10,245	9,867
Culture and Recreation .....	16,342	16,669	17,296	17,925	18,416
Conservation and Development.....	3,519	3,816	4,429	4,579	4,544
<b>Total Expenditures .....</b>	<b>653,895</b>	<b>663,268</b>	<b>681,479</b>	<b>676,486</b>	<b>727,855</b>
Sources Over (Under) Expenditures .....	29,510	30,904	1,771	17,123	(11,482)
Fund Balance - January 1 (excludes reserved for use during the year) .....	83,534	96,344	106,161	80,353	78,476
Fund Balance - December 31.....	113,044	127,248	107,932	97,476	66,994
<b>Fund Balance Components:</b>					
Nonspendable .....	17,301	17,094	16,127	18,401	19,476
Restricted.....	0	0	0	0	0
Committed.....	1,587	2,035	2,266	3,444	3,066
Assigned.....	44,150	46,404	38,802	37,281	26,450
Unassigned .....	50,006	61,715	50,737	38,350	18,002
<b>Total Fund Balance .....</b>	<b>113,044</b>	<b>127,248</b>	<b>107,932</b>	<b>97,476</b>	<b>66,994</b>
Tax Stabilization Fund (free fund balance)					
Reserved for Next Year's Budget.....	16,700	21,087	27,579	19,000	16,000
Reserved for Subsequent Years' Budget .....	56,599	68,095	50,737	44,182	24,327

**CITY OF MILWAUKEE**  
**General Fund - Estimated 2020 Cashflow Summary**  
**(Millions of Dollars)**

	January	February	March	April	May	June	July	August	September	October	November	December	Total
<b>BALANCE</b>	<b>65.231</b>	<b>48.765</b>	<b>(3.717)</b>	<b>(24.188)</b>	<b>(53.397)</b>	<b>46.260</b>	<b>3.133</b>	<b>74.667</b>	<b>62.356</b>	<b>36.504</b>	<b>3.509</b>	<b>156.383</b>	
<b>RECEIPTS</b>													
Property Taxes	4.796	6.224	18.218	9.429	11.135	16.034	60.478	21.752	16.880	12.827	4.641	84.535	266.949
State Aids													
Shared Revenue	-	-	-	-	-	-	42.631	-	-	-	186.286	-	228.917
Highway Aids	6.945	-	-	6.945	-	-	7.815	-	-	6.946	-	-	28.651
Payment Muni. Services	-	2.564	-	-	-	-	-	-	-	-	-	-	2.564
Computer Exemption Aid	-	-	-	-	-	-	6.610	-	-	-	-	-	6.610
Other	22.890	8.185	5.729	7.710	13.254	13.706	8.417	10.844	7.142	9.198	7.821	29.136	144.032
Pension Fees	1.934	1.263	-	0.513	2.228	1.242	0.899	-	1.142	2.854	2.514	0.948	15.537
City Services Fees	4.613	3.312	2.796	2.864	3.272	2.079	3.188	3.335	2.631	4.281	5.435	4.627	42.433
City PILOTS (Major)	-	-	-	-	-	-	-	-	-	-	-	15.677	15.677
Parking Transfers	-	-	-	-	-	8.000	-	-	-	-	-	8.000	16.000
Summerfest Lease	-	-	-	-	-	-	-	-	-	-	-	1.549	1.549
Street Sweeping	-	-	-	-	-	11.166	-	-	-	-	-	11.166	22.332
Vehicle Registration Fee	0.381	0.892	0.674	0.619	0.573	0.551	0.590	0.550	0.515	0.526	0.408	0.425	6.704
Potawatomi PILOT	-	-	-	-	-	-	-	6.097	-	-	-	-	6.097
Year End Transfers	73.957	-	-	-	-	-	-	-	-	-	-	-	73.957
Delinquent Taxes Transfer	-	-	-	-	20.114	-	-	-	-	-	-	-	20.114
Note Proceeds (1)	-	-	-	-	122.000	2.050	-	3.500	-	4.300	-	-	131.850
<b>TOTAL RECEIPTS</b>	<b>115.516</b>	<b>22.440</b>	<b>27.417</b>	<b>28.080</b>	<b>172.576</b>	<b>54.828</b>	<b>130.628</b>	<b>46.078</b>	<b>28.310</b>	<b>40.932</b>	<b>207.105</b>	<b>156.063</b>	<b>1,029.973</b>
<b>DISBURSEMENTS</b>													
Salaries & Benefits	41.321	42.233	42.553	48.818	59.611	43.699	47.813	44.299	43.184	63.152	45.894	56.497	579.074
Services & Supplies	20.661	11.334	5.335	8.471	13.308	10.543	11.281	14.090	10.978	10.775	8.337	2.616	127.729
Employer Pension Contribution	70.000	-	-	-	-	-	-	-	-	-	-	-	70.000
Purchase Tax Delinquents	-	21.355	-	-	-	-	-	-	-	-	-	-	21.355
Contractual Tax Payment	-	-	-	-	-	43.713	-	-	-	-	-	-	43.713
Year End Transfers	-	-	-	-	-	-	-	-	-	-	-	70.000	70.000
Note Principal Repayment	-	-	-	-	-	-	-	-	-	-	-	123.450	123.450
<b>TOTAL DISBURSEMENTS</b>	<b>131.982</b>	<b>74.922</b>	<b>47.888</b>	<b>57.289</b>	<b>72.919</b>	<b>97.955</b>	<b>59.094</b>	<b>58.389</b>	<b>54.162</b>	<b>73.927</b>	<b>54.231</b>	<b>252.563</b>	<b>1,035.321</b>
<b>BALANCE</b>	<b>48.765</b>	<b>(3.717)</b>	<b>(24.188)</b>	<b>(53.397)</b>	<b>46.260</b>	<b>3.133</b>	<b>74.667</b>	<b>62.356</b>	<b>36.504</b>	<b>3.509</b>	<b>156.383</b>	<b>59.883</b>	

**CITY OF MILWAUKEE**  
**General Fund - Projected 2020 Cashflow Summary**  
**(Millions of Dollars)**

	January	February	March	April	May	June	July	August	September	October	November	December	TOTAL
BALANCE	59.883	36.339	(17.101)	(36.834)	84.854	41.871	(7.707)	69.745	55.381	29.400	(4.808)	149.716	
<b>RECEIPTS</b>													
Property Taxes	4.910	6.372	18.654	9.654	11.401	16.417	61.923	22.271	17.283	13.133	4.752	86.554	273.324
State Aids													
Shared Revenue	-	-	-	-	-	-	42.964	-	-	-	186.232	-	229.196
Highway Aids	7.629	-	-	7.629	-	-	8.443	-	-	7.629	-	-	31.330
Payment Muni. Services	-	2.450	-	-	-	-	-	-	-	-	-	-	2.450
Computer Exemption Aid	-	-	-	-	-	-	6.738	-	-	-	-	-	6.738
Other	23.459	8.388	5.872	7.902	13.584	14.047	8.627	11.114	7.320	9.427	8.016	29.861	147.617
Pension Fees	1.744	1.387	-	0.519	2.256	1.258	0.911	-	1.157	2.890	2.546	0.960	15.628
City Services Fees	4.844	3.478	2.936	3.008	3.436	2.184	3.348	3.503	2.764	4.496	5.708	4.859	44.564
City PILOTS (Major)	-	-	-	-	-	-	-	-	-	-	-	15.727	15.727
Parking Transfers	-	-	-	-	-	8.055	-	-	-	-	-	8.055	16.110
Summerfest Lease	-	-	-	-	-	-	-	-	-	-	-	2.520	2.520
Street Sweeping	-	-	-	-	-	11.717	-	-	-	-	-	11.717	23.434
Vehicle Registration Fee	0.364	0.851	0.644	0.591	0.547	0.526	0.564	0.525	0.492	0.502	0.390	0.406	6.402
Potawatomi PILOT	-	-	-	-	-	-	-	6.280	-	-	-	-	6.280
Year End Transfers	70.000	-	-	-	-	-	-	-	-	-	-	-	70.000
Delinquent Taxes Transfer	-	-	-	25.000	-	-	-	-	-	-	-	-	25.000
Note Proceeds (1)	-	-	-	120.000	-	-	-	-	-	-	-	-	120.000
<b>TOTAL RECEIPTS</b>	<b>112.950</b>	<b>22.926</b>	<b>28.106</b>	<b>174.303</b>	<b>31.224</b>	<b>54.204</b>	<b>133.518</b>	<b>43.693</b>	<b>29.016</b>	<b>38.077</b>	<b>207.644</b>	<b>160.659</b>	<b>1,036.320</b>
<b>DISBURSEMENTS</b>													
Salaries & Benefits	39.851	42.545	42.504	44.144	60.899	43.478	44.785	43.967	44.019	61.510	44.783	51.726	564.211
Services & Supplies	22.768	11.334	5.335	8.471	13.308	10.543	11.281	14.090	10.978	10.775	8.337	2.616	129.836
Employer Pension Contribution	73.875	-	-	-	-	-	-	-	-	-	-	-	73.875
Purchase Tax Delinquents	-	22.487	-	-	-	-	-	-	-	-	-	-	22.487
Contractual Tax Payment	-	-	-	-	-	49.761	-	-	-	-	-	-	49.761
Year End Transfers	-	-	-	-	-	-	-	-	-	-	-	70.000	70.000
Note Principal Repayment	-	-	-	-	-	-	-	-	-	-	-	120.000	120.000
<b>TOTAL DISBURSEMENTS</b>	<b>136.494</b>	<b>76.366</b>	<b>47.839</b>	<b>52.615</b>	<b>74.207</b>	<b>103.782</b>	<b>56.066</b>	<b>58.057</b>	<b>54.997</b>	<b>72.285</b>	<b>53.120</b>	<b>244.342</b>	<b>1,030.170</b>
<b>BALANCE</b>	<b>36.339</b>	<b>(17.101)</b>	<b>(36.834)</b>	<b>84.854</b>	<b>41.871</b>	<b>(7.707)</b>	<b>69.745</b>	<b>55.381</b>	<b>29.400</b>	<b>(4.808)</b>	<b>149.716</b>	<b>66.033</b>	

**City of Milwaukee**  
**Schedule of Cash Receipts and Disbursements**  
**for the Year Ended December 31, 2019**  
(Millions of Dollars)

	General Fund Cash Balance				Other City Funds	Total Cash
	Beginning	Receipts	Disbursements	Ending		
January	\$65.231	\$115.516	\$131.982	\$48.765	\$361.398	\$410.163
February	48.765	22.440	74.922	(3.717)	290.455	286.738
March	(3.717)	27.417	47.888	(24.188)	182.308	158.120
April	(24.188)	28.080	57.289	(53.397)	336.878	283.481
May	(53.397)	172.576(1)	72.919	46.260	363.114	409.374
June	46.260	54.828	97.955	3.133	482.287	485.420
July	3.133	130.628	59.094	74.667	368.993	443.660
August	74.667	46.078	58.389	62.356	361.303	423.659
September	62.356	28.310	54.162	36.504	231.532	268.036
October	36.504	40.932	73.927	3.509	349.335	352.844
November	3.509	207.105	54.231	156.383	175.824	332.207
December (3)	156.383	156.063	252.563(2)	59.883	293.824	353.707
		<u>\$1,029.973</u>	<u>\$1,035.321</u>			

- (1) Amount includes RAN principal receipts.  
(2) Amount includes RAN principal repayments.  
(3) Estimated.

**City of Milwaukee**  
**Projected Schedule of Cash Receipts and Disbursements**  
**for the Year Ended December 31, 2020**  
(Millions of Dollars)

	General Fund Cash Balance				Other City Funds	Total Cash
	Beginning	Receipts	Disbursements	Ending		
January	\$59.883	\$112.950	\$136.494	\$36.339	\$487.544	\$523.883
February	36.339	22.926	76.366	(17.101)	447.828	430.727
March	(17.101)	28.106	47.839	(36.834)	408.157	371.323
April	(36.834)	174.303(1)	52.615	84.854	413.541	498.395
May	84.854	31.224	74.207	41.871	240.790	282.661
June	41.871	54.204	103.782	(7.707)	279.221	271.514
July	(7.707)	133.518	56.066	69.745	347.334	417.079
August	69.745	43.693	58.057	55.381	286.698	342.079
September	55.381	29.016	54.997	29.400	207.759	237.159
October	29.400	38.077	72.285	(4.808)	205.716	200.908
November	(4.808)	207.644	53.120	149.716	338.556	488.272
December	149.716	160.659	244.342 (2)	66.033	574.775	640.808
		<u>\$1,036.320</u>	<u>\$1,030.170</u>			

- (1) Amount includes RAN principal receipts.  
(2) Amount includes RAN principal repayments.

**City of Milwaukee  
Assessed and Equalized Valuations**

	Year 2015 For 2016 Purposes	Year 2016 For 2017 Purposes	Year 2017 for 2018 Purposes	Year 2018 for 2019 Purposes	Year 2019 for 2020 Purposes
<b>Real Property</b>					
Residential .....	\$14,254,964,300	\$14,438,034,368	\$14,854,223,750	\$15,647,625,900	\$16,098,608,880
Industrial (Manufacturing) .....	726,810,200	728,863,500	765,075,100	763,522,500	790,548,200
Mercantile (Commercial) .....	9,430,293,399	9,964,809,169	10,496,050,788	11,255,216,460	11,915,465,884
<b>Total Real Property.....</b>	<b>\$24,412,067,899</b>	<b>\$25,131,707,037</b>	<b>\$26,115,349,638</b>	<b>\$27,666,364,860</b>	<b>\$28,804,622,964</b>
Personal Property.....	850,895,518	842,551,928	822,009,672	682,203,143	685,223,248
<b>Total Assessed Valuations.....</b>	<b>\$25,262,963,417</b>	<b>\$25,974,258,965</b>	<b>\$26,937,359,310</b>	<b>\$28,348,568,003</b>	<b>\$29,489,846,212</b>
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.....					
	\$25,980,469,600	\$27,042,046,500	\$26,903,884,900	\$28,340,400,600	\$29,746,345,900
Ratio of Assessed to Equalized Valuation .....	97.24%	96.05%	100.12%	99.98%	99.14%

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

	2016	2017	2018	2019	2020
Unit of Government					
City Government .....	\$10.61	\$10.75	\$10.75	\$10.59	\$10.58
Milwaukee Public Schools .....	12.43	11.46	10.71	9.44	9.57
Milwaukee County .....	5.46	5.49	5.05	4.90	4.83
Milwaukee Area Technical College .....	1.79	1.82	1.72	1.69	1.66
Milwaukee Metropolitan Sewerage District	1.29	1.31	1.26	1.23	1.19
Gross Tax Rate Per \$1,000 .....	\$31.58	\$30.83	\$29.49	\$27.85	\$27.83
Less: State Tax Credit .....	(2.23)	(2.13)	(2.19)	(1.97)	(1.76)
<b>Net Tax Rate.....</b>	<b>\$29.35</b>	<b>\$28.70</b>	<b>\$27.30</b>	<b>\$25.88</b>	<b>\$26.07</b>

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

Budget Year	Taxes Levied for the Fiscal Year			Cumulative Collected in Subsequent Years	
	Levy	Collections	% of Levy	Amount	% Collected
2014	\$307,246	\$296,107	96.37	\$9,860	99.58
2015	312,216	302,084	96.75	8,097	99.35
2016	312,091	302,628	96.97	6,669	99.10
2017	318,887	309,038	96.91	5,289	98.57
2018	325,152	315,977	97.18	0	97.18

## **Collection Procedures**

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

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

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

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

## **Insurance**

The City has property insurance coverage in the amount of \$1 billion with AIG, subject to a \$250,000 deductible. The City also maintains insurance for theft, environmental matters, and its role as a wharfinger. The City is self-insured for liability. Under Wisconsin law, the City's tort liability is limited to \$50,000 in non-automobile cases and \$250,000 in automobile cases. The City follows a policy of requiring contract service providers to provide the City with indemnification and insurance as the City deems appropriate.

# **PENSION SYSTEM SUMMARY**

## **Employes' Retirement System**

The Employes' Retirement System ("ERS") of the City, established pursuant to Section 36 of the Milwaukee City Charter, provides retirement, disability and survivor benefits to the City and other agency employees and their beneficiaries. Membership in the ERS includes some classes of part-time employees, all full-time employees, and elected officials.

**Active Members by Employee Groups**  
As of December 31, 2018

	Active Members	Covered Compensation
General City.....	3,303	\$179,514,533
Policemen .....	1,915	159,862,101
Firemen.....	707	60,941,958
Water Department.....	333	18,379,775
Total for City of Milwaukee.	<u>5,925</u>	<u>\$400,318,592</u>
School Board .....	4,054	\$125,365,372
Milwaukee Sewerage District....	225	19,343,005
Housing Authority .....	147	8,996,069
Wisconsin Center District.....	81	4,775,345
Veolia .....	24	1,925,764
Milwaukee Technical College ...	-	-
Grand Total .....	<u>10,456</u>	<u>\$560,724,147</u>

**Benefit Recipients**  
As of December 31, 2018

Class	Vested	Non-Vested	Inactive	Retired
General & Elected....	5,306	2,922		9,589
Policeman .....	1,488	428		5,411
Firemen.....	603	104		1,355
Certain pre-1996 .....				15
Total.....	<u>7,397</u>	<u>3,454</u>	<u>4,360</u>	<u>13,370</u>

Source: Tables 1c and 5 of the Actuarial Valuation Report as of January 1, 2019.

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

**Basic Benefit Accrual Rates and Member Contributions**

Class	Retirement Allowance	Maximum Allowance	Member Contribution
General and Mayor hired prior to 1/1/2014 .....	2.0%	70%	5.5%
General hired after 12/31/2013 .....	1.6%	70%	4.0%
Other Elected Officials enrolled prior to 1/1/2014..	2.5%	70%	7.0%
Elected Officials first enrolled after 12/13/2013.....	2.0%	70%	4.0%
Police .....	2.5%	90%	7.0%
Firefighters.....	2.5%	90%	7.0%

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

Valuation As of Dec 31	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
2018*	\$5,219,184	\$6,400,901	\$1,181,717	81.5%	\$581,663	203.2%
2017**	5,233,486	5,819,762	586,276	89.9	577,118	101.6
2016	5,055,700	5,259,300	203,600	96.1	583,950	34.9
2015	4,899,155	5,064,141	165,986	96.3	535,802	31.0
2014	4,797,437	4,935,482	138,045	97.2	529,939	26.0
2013	4,580,729	4,831,689	250,960	94.8	521,651	48.1
2012	4,259,889	4,689,814	429,925	90.8	523,738	81.1
2011	4,404,635	4,587,915	183,280	96.0	525,181	34.9
2010	4,641,425	4,447,548	-	104.4	538,218	0.0
2009	4,814,402	4,269,324	-	112.8	553,846	0.0

\* Assumptions and methods were updated based on the recommendations of a new actuary. This increased the actuarial accrued liability by \$449.6 million.

\*\* Assumptions and methods were updated according to an experience study completed in 2017. This increased the actuarial accrued liability by \$296.5 million.

Source: Tables 14 and 16 of the Actuarial Valuation Report as of January 1, 2018 (and each prior year).

The increases in UAAL is anticipated to require significant increases in annual contributions. The city is exploring various options to fund the UAAL. Additional changes to assumptions and methods are also possible, which may further increase the UAAL.

For more information about the ERS, details on plan benefits, and for copies of their financial and actuarial reports, see <http://www.cmers.com>. The Employees' Retirement System Actuarial Valuation Report as of January 1, 2019 is available from EMMA and is hereby incorporated by reference. (See "CONTINUING DISCLOSURE" herein).

### **Policemen's Annuity and Benefit Fund**

The City also administers the Policemen's Annuity and Benefit Fund ("PABF"). The PABF has no assets and is funded on a pay-as-you-go basis by the City. Membership is limited to surviving beneficiaries of Police Department employees whose service commenced prior to July 29, 1947. The unfunded accrued actuarial liability for the PABF is under \$1 million.

### **Other Post-Employment Benefits**

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

Until age 65, for retirees with at least 15 years of creditable service, the majority of the cost of the health benefit plan is paid by the City. After attaining the age of 65, and having completed a minimum of 15 years of creditable service, the City pays 25% of the base rate of the City's Basic Plan and 100% of the major medical rate.

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 2018, the City paid approximately \$33.5 million and \$2.4 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. In 2018, the City implemented GASB 75, which requires recording the entire net OPEB liability. The implementation of GASB 75 caused a total increase to the 2017 OPEB amount of \$755.1 million.

**Schedule of Changes in Total OPEB Liability**  
(\$ amounts in thousands)

Total OPEB Liability	
Service cost	\$ 49,969
Interest	40,888
Differences between expected and actual experience	(182)
Changes of assumptions	(70,237)
Benefit payments	(35,916)
	(15,478)
Increase in net change in total OPEB Liability	(15,478)
Total OPEB Liability – beginning of year (restated)	1,228,405
	\$1,212,927
Total OPEB Liability – end of year	\$1,212,927

*Source: City’s 2018 CAFR.*

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

Year Ended Dec. 31	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2018	\$80,742	44.5%	\$1,212,927
2017	84,172	40.5	473,309
2016	81,231	39.2	423,258
2015	77,566	37.3	373,866
2014	74,790	49.9	325,503
2013	71,489	52.5	287,460
2012	76,156	46.6	253,523
2011	73,071	47.3	212,886

\* In 2018, the City implemented GASB 75, which requires recording the entire net OPEB liability.

*Source: City’s 2018 and prior years CAFRs.*

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

Valuation As of Jan. 1	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
2018	\$0	\$1,212,927	\$1,212,927	0.0%	\$422,509	287%
2017	0	1,061,772	1,061,772	0.0	409,521	260
2016	0	1,020,383	1,020,383	0.0	377,788	270
2015	0	975,696	975,696	0.0	366,785	266
2014	0	928,496	928,496	0.0	381,100	227
2013	0	888,983	888,983	0.0	382,795	218
2012	0	946,857	946,857	0.0	409,572	231
2011	0	916,383	916,383	0.0	407,840	225

Source: City's 2018 and prior years CAFRs.

Actuarial Assumptions and Methods for the most recent valuation include:

The retiree healthcare valuation was based on the entry age normal cost method. Since the City operates a pay-as-you-go plan, the OPEB liability is calculated using discount rates based on Fidelity's "20-Year Municipal GO AA Index" as of each measurement date under GASB 75. The discount rate used for the December 31, 2018 valuation was 3.71%. The healthcare cost trends rate is 8.0% initially, and reduced by decrements to the ultimate rate of 4.5% after 7 years. The actuarial assumption for wage inflation is 3%.

## 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 15, 2020

***Estate of Sylville Smith v. Heaggan-Brown.*** Mr. Smith was fatally shot by Officer Dominique Heaggan-Brown on August 13, 2016 in the Sherman Park neighborhood. In October, 2016, Heaggan-Brown's employment was terminated due to unrelated criminal charges and on December 15, 2016, former officer Heaggan-Brown was charged with first degree reckless homicide in connection with the Smith shooting. Heaggan-Brown was found not guilty of the homicide charge. The Smith estate then filed this federal civil rights action. Discovery was completed and the defendants filed a dispositive motion. The trial court denied the motion, but the portion of the decision denying qualified immunity to the officer has been appealed and is in the course of briefing before the Seventh Circuit Court of Appeals

***Jimmy Harris v. City of Milwaukee, et al.*** This civil rights action arose from a November 2010 traffic stop of Mr. Harris. In events following the traffic stop, matters escalated so that Harris had to be

handcuffed through the efforts of three defendant police officers. The struggle resulted in a nerve injury to Harris' left shoulder, requiring surgery. Mediation in this matter was unsuccessful. The matter was tried by a jury in March, 2020, and the jury returned a verdict of \$1,675,188. Steps are now being taken to resolve the plaintiff's claims for reasonable attorneys' fees and costs.

***Daryl Holloway v. City of Milwaukee, et al.*** This civil rights action arose from the allegedly wrongful conviction of the plaintiff for sexual assault. The plaintiff claims that the officers fabricated evidence and committed other misconduct resulting in the conviction and 23 years of incarceration. The case is in the early pleading stages because certain of the defendant officers passed away and there are legal challenges as to whether the plaintiff can even sue such individuals. The city intends to defend the case.

***The Dragonwood Conservancy, Inc., et al. v. Felician, et al.*** This civil rights lawsuit arose out of a police search and seizure at certain properties which resulted in the confiscation of hundreds of reptiles and other creatures and alleged damages to property in the course of the removal of the animals. Discovery in the suit is ongoing. The city is contesting the claim. Trial has been scheduled in this matter in September, 2020.

***Sam Hadaway v. City of Milwaukee, et al.*** This civil rights lawsuit arose out of a homicide investigation in 1995. The investigation included statements from the plaintiff Hadaway who implicated another individual, Chaunte Ott, as the perpetrator. Decades later, Ott was excluded by DNA as having physical contact with the victim, while another individual connected to other homicides was connected to the victim through DNA testing. In this lawsuit, Hadaway claims that the officers coerced him into a confession. Hadaway served seven years in prison as a result of a plea agreement based on the now-repudiated confession. Discovery in this suit is in the early stages. The city is contesting the claim.

***Section 74.37 Litigation.*** Various lawsuits are pending against the City for property tax refunds under Section 74.37 of the Wisconsin Statutes. As the tax collector, the City would pay any refund owed, and recover approximately 2/3 of the payment from overlapping jurisdictions.

- ***Wisconsin and Milwaukee Hotel, LLC v. City of Milwaukee.*** This excessive assessment action involves the 2017 and 2018 assessments of the downtown Marriott Hotel. Wisconsin and Milwaukee Hotel ("WMH") has requested a refund in the amount of approximately \$1.53 million plus interest and costs. Discovery is ongoing. WMH also filed a claim in regard to its 2019 assessment, and requested a refund of \$440,000.
- ***Metropolitan Associates v. City of Milwaukee.*** This excessive assessment action involves the 2015-2018 assessments of seven apartment complexes located on the south side of the City of Milwaukee. Metropolitan has requested a tax refund of approximately \$1,505,000 plus interest. Trial was completed in March, 2020. The circuit court's decision is forthcoming. Metropolitan has also filed claims against the City in regard to its 2019 assessments of these properties and requested a refund of approximately \$285,000.
- ***CP-South Howell LLC et al. v. City of Milwaukee.*** This excessive assessment action involves the 2016-2017 assessment of an off-airport parking lot. CP-South Howell has requested a tax refund in the amount of \$610,000 plus interest and costs. CP-South Howell has another lawsuit against the City in regard to its 2018 assessment, requesting approximately \$268,000, and a claim filed against the City in regard to its 2019 assessment, requesting approximately \$270,000.
- ***Citgo Petroleum v. City of Milwaukee.*** This excessive assessment action involves the 2015-2018 assessments of oil terminal property (Milwaukee County Case. No. 2016CV5638). Citgo has requested a refund in the amount of approximately \$1,201,000 plus interest. Citgo has also filed a claim in regard to its 2019 assessment, requesting approximately \$290,000 plus interest.

- *U.S. Venture v. City of Milwaukee.* This excessive assessment action involves the 2015-2018 assessments of oil terminal property. U.S. Venture has requested a refund in the amount of approximately \$3,552,000 plus interest. U.S. Ventures has also filed a claim in regard to its 2019 assessment, requesting approximately \$850,000 plus interest.

## LEGAL OPINIONS

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

## RATINGS

The City has requested ratings on the Offered Obligations from Fitch Ratings and S&P Global Ratings.

Fitch Ratings has assigned a rating of “AA- (Negative Outlook)” on the N4 Notes, B5 Bonds, T6 Notes and T7 Bonds. S&P Global Ratings has assigned a rating of “AA- (Negative Outlook)” on the N4 Notes, B5 Bonds, T6 Notes and T7 Bonds.

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

## TAX MATTERS

### TAX-EXEMPT OBLIGATIONS

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

Bond Counsel are of the opinion that, under existing law, interest on the Tax-Exempt Obligations is not includable in the gross income of the owners thereof for federal income tax purposes. If there is continuing compliance with the applicable requirements of the Internal Revenue Code of 1986, as amended (the “Code”), Bond Counsel are of the opinion that interest on the Tax-Exempt Obligations will continue to be excluded from the gross income of the owners thereof for federal income tax purposes. Bond Counsel are further of the opinion that interest on the Tax-Exempt Obligations is not an item of tax preference for purposes of computing alternative minimum taxable income. Interest on the Tax-Exempt Obligations is not exempt from Wisconsin income taxes.

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

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

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

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

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

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

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

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

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

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

## **Covenants to Comply**

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

## **Risks of Non-Compliance**

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

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

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

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

***Corporate Owners.*** Interest on the Tax Exempt Obligations is taken into account in computing earnings and profits of a corporation and consequently may be subject to federal income taxes based thereon. Thus, for example, interest on the Tax Exempt Obligations is taken into account in computing the branch profits tax imposed on certain foreign corporations, the passive investment income tax imposed on certain S corporations, and the accumulated earnings tax.

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

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

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

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

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

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

## TAXABLE OBLIGATIONS

The following is a summary of the principal United States federal income tax consequences of ownership of the Taxable Obligations. This summary deals only with the Taxable Obligations held as capital assets by initial purchasers, and not with special classes of holders, such as dealers in securities or currencies, banks, tax-exempt organizations, life insurance companies, persons that hold the Taxable Obligations as a hedge or as hedged against currency risks or that are part of a straddle or conversion transaction, or persons whose functional currency is not the United States dollar.

The Code contains a number of provisions relating to the taxation of the Taxable Obligations (including but not limited to the treatment of and accounting for interest, premium, and market discount thereon, gain from the disposition thereof and withholding tax on income therefrom) that may affect the taxation of certain owners, depending on their particular tax situations. Prospective purchasers of the Taxable Obligations should consult their own tax advisors concerning the consequences, in their particular circumstances, under the Code and the laws of any other taxing jurisdiction, of ownership of the Taxable Obligations.

### United States Federal Income Tax Considerations for United States Holders

*Payments of Interest to United States Holders.* Interest on the Taxable Obligations will be taxable to a United States Holder (as defined below) as ordinary income at the time it is received or accrued, depending on the holder's method of accounting for tax purposes in accordance with generally applicable principles.

The term "*United States Holder*" refers to a beneficial owner of a Taxable Obligation for United States federal income tax law purposes and that is:

- a citizen or resident of the United States;
- a corporation or partnership which is created or organized in or under the laws of the United States or of any political subdivision thereof;
- an estate the income of which is subject to United States federal income taxation regardless of its source; or
- a trust if (1) a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United States persons have the authority to control all substantial decisions of the trust or (2) the trust was in existence on August 10, 1996 and properly elected to continue to be treated as a United States person.

The term “*Non-U.S. Holder*” refers to any beneficial owner of a Taxable Obligation who or which is not a United States Holder.

*Sale and Retirement of the Taxable Obligations.* United States Holders of any Taxable Obligations must recognize any gain or loss on the sale, redemption, retirement or other disposition of their Taxable Obligations. The gain or loss is measured by the difference between the amount realized on the disposition of a Taxable Obligation and the United States Holder’s adjusted tax basis in the Taxable Obligation. Such gain or loss is capital gain or loss, except to the extent of accrued market discount not previously included in income, and is long term capital gain or loss if at the time of disposition such Taxable Obligation has been held for more than one year.

*Unearned Income Medicare Contribution Tax.* A 3.8% Medicare contribution tax is imposed on the “net investment income” of certain United States individuals and on the undistributed “net investment income” of certain estates and trusts. Among other items, “net investment income” generally includes interest and certain net gain from the disposition of property (such as the Taxable Obligations), less certain deductions.

#### United States Federal Income Tax Considerations for Non-U.S. Holders

*Withholding Tax on Payments of Principal and Interest on Bonds.* Generally, subject to the discussion of FATCA below, payments of principal and interest on a Taxable Obligation will not be subject to United States federal withholding tax, provided that in the case of an interest payment:

- the beneficial owner of the Taxable Obligation is not a bank to which the Taxable Obligations constitute an extension of credit made pursuant to a loan agreement entered into in the ordinary course of its trade or business; and
- either (A) the beneficial owner of the Taxable Obligation certifies to the applicable payor or its agent, under penalties of perjury on an IRS Form W-8BEN (or a suitable substitute form), that such owner is not a United States person and provides such owner’s name and address or (B) a securities clearing organization, bank or other financial institution, that holds customers’ securities in the ordinary course of its trade or business (a “financial institution”) and holds the Taxable Obligation, certifies under penalties of perjury that such an IRS Form W-8BEN (or suitable substitute form) has been received from the beneficial owner by it or by a financial institution between it and the beneficial owner and furnishes the payor with a copy thereof.

Except to the extent otherwise provided under an applicable tax treaty, a beneficial owner of a Taxable Obligation generally will be taxed in the same manner as a United States Holder with respect to interest and original issue discount payments on a Taxable Obligation if such interest and original issue discount is effectively connected with such owner’s conduct of a trade or business in the United States. Effectively connected interest received by a corporate Non-U.S. Holder may also, under certain circumstances, be subject to an additional “branch profits tax” at a 30% rate (or, if applicable, a lower treaty rate), subject to certain adjustments. Such effectively connected interest will not be subject to withholding tax if the holder delivers an IRS Form W-8ECI to the payor.

*Gain on Disposition of the Taxable Obligations.* A beneficial owner of a Taxable Obligation generally will not be subject to United States federal income tax on gain realized on the sale, exchange or redemption of a Taxable Obligation unless:

- such owner is an individual present in the United States for 183 days or more in the year of such sale, exchange or redemption and either (A) such owner has a “tax home” in the

United States and certain other requirements are met, or (B) the gain from the disposition is attributable to such owner's office or other fixed place of business in the United States; or

- the gain is effectively connected with such owner's conduct of a trade or business in the United States.

*Taxation of Payments under FATCA to Foreign Financial Institutions and Certain Other Non-U.S. Holders that are Foreign Entities.* A 30% withholding tax generally will apply to payments of interest on, and after December 31, 2016, on gross proceeds from the disposition of, the Taxable Obligations that are made to Non-U.S. Holders that are financial institutions and certain non-financial entities. Such withholding tax, imposed under sections 1471 through 1474 of the Code, or FATCA, generally will not apply where such payments are made to (i) a Non-U.S. Holder that is a financial institution that enters into an agreement with the IRS to, among other requirements, undertake to identify accounts held by certain United States persons or U.S.-owned foreign entities, report annually certain information about such accounts and withhold tax as may be required by such agreement (or otherwise complies with an applicable intergovernmental agreement with respect to FATCA), or (ii) a Non-U.S. Holder that is a non-financial entity that certifies it does not have any substantial United States owners or furnishes identifying information regarding each substantial United States owner. A Non-U.S. Holder generally will be required to provide information with respect to its status for FATCA purposes, generally on the appropriate IRS Form W-8 or any successor form, to avoid withholding taxes under FATCA. Prospective investors should consult their own tax advisors regarding the application and requirements of these information reporting and withholding provisions under FATCA.

*U.S. Federal Estate Tax.* A Taxable Obligation held by an individual who at the time of death is not a citizen or resident of the United States (as specially defined for United States federal estate tax purposes) is not subject to United States federal estate tax if at the time of the individual's death, payments with respect to such Taxable Obligation are not effectively connected with the conduct by such individual of a trade or business in the United States.

#### Backup Withholding and Information Reporting

*United States Holders.* Information reporting applies to payments of interest on the Taxable Obligations, or the proceeds of the sale or other disposition of the Taxable Obligations with respect to certain non-corporate United States holders, and backup withholding may apply unless the recipient of such payment supplies a taxpayer identification number, certified under penalties of perjury, as well as certain other information or otherwise establishes an exemption from backup withholding. Any amounts withheld under the backup withholding rules may be allowed as a refund or a credit against that holder's United States federal income tax liability provided the required information is furnished to the IRS.

*Non-U.S. Holders.* Backup withholding and information reporting on Form 1099 does not apply to payments of principal and interest on the Taxable Obligations to a Non-U.S. Holder provided the Non-U.S. Holder provides the certification described above under "United States Federal Income Tax Considerations for Non-U.S. Holders-Withholding Tax on Payments of Principal and Interest on Bonds" or otherwise establishes an exemption (provided that neither the Authority nor its agent has actual knowledge that the holder is a United States person or that the conditions of any other exemptions are not in fact satisfied). Interest payments made to a Non-U.S. Holder may, however, be reported to the IRS and to such Non-U.S. Holder on Form 1042-S.

Information reporting and backup withholding generally do not apply to a payment of the proceeds of a sale of Taxable Obligations effected outside the United States by a foreign office of a foreign broker. However, information reporting requirements (but not backup withholding) will apply to a payment of the

proceeds of a sale of Taxable Obligations effected outside the United States by a foreign office of a broker if the broker (i) is a United States person, (ii) derives 50 percent or more of its gross income for certain periods from the conduct of a trade or business in the United States, (iii) is a “controlled foreign corporation” as to the United States, or (iv) is a foreign partnership that, at any time during its taxable year is 50 percent or more (by income or capital interest) owned by United States persons or is engaged in the conduct of a United States trade or business, unless in any such case the broker has documentary evidence in its records that the holder is a Non-U.S. Holder (and such broker has no actual knowledge to the contrary) and certain conditions are met, or the holder otherwise establishes an exemption. Payment by a United States office of a broker of the proceeds of a sale of Taxable Obligations will be subject to both backup withholding and information reporting unless the holder certifies its non-United States status under penalties of perjury or otherwise establishes an exemption.

Any amounts withheld under the backup withholding rules may be allowed as a refund or a credit against that holder’s United States federal income tax liability provided the required information is furnished to the IRS.

## STATE TAX MATTERS

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

## NO DESIGNATION AS QUALIFIED TAX-EXEMPT OBLIGATIONS

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

## CONTINUING DISCLOSURE

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

On February 1, 2019, the City updated the Continuing Disclosure Certificate to include the two new enumerated events required by the Commission for agreements entering into after February 26, 2019. The City has revised its policies and procedures to recognize the two new enumerated events and is able to comply with the updated Undertaking going forward.

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

Prior to August of 2003 the City entered into continuing disclosure undertakings (the “*Pre-2003 Undertakings*”) which contained a six-month filing requirement for Annual Financial Information. Due to the complexity and size of the City’s operations, through June 30, 2017, the City failed to strictly comply with the 6-month time period for filing its Annual Financial Information and updating certain information on the sewerage system that does not significantly change from year to year. The last issue with a Pre-2003 Undertaking matured on June 15, 2019.

The City has endeavored to report rating changes which would impact any of its outstanding debt due to bond insurer downgrades. However, since the Nationally Recognized Statistical Rating Organizations (“NRSRO”) and bond insurers do not notify the City of any such rating changes, no assurance can be provided that notices of all rating changes were reported.

The City has contracted with Lumesis to utilize its DIVER Issuer Disclosure Management service to verify the City’s compliance with its Undertakings and proper filing of the notices. DIVER provides the City with a semi-annual analysis of disclosure filings made by the City compared to the City’s disclosure obligations. Potential Bidders may request a complimentary copy of the CD Lookback analysis from the City by calling 414-286-2319, or by e-mailing [pdcmilwaukee.gov](mailto:pdcmilwaukee.gov).

## **FINANCIAL ADVISOR**

PFM Financial Advisors LLC has been retained as Financial Advisor to the City in connection with the issuance of the Offered Obligations.

## **UNDERWRITING**

The Offered Obligations were purchased at competitive bidding conducted on April 2, 2020.

The award of the N4 Notes and B5 Bonds was made to Citigroup Global Markets Inc., its co-managers and associates.

The award of the T6 Notes and T7 Bonds was made to Robert W. Baird & Co., Inc. its co-managers and associates.

The public reoffering yields of the Offered Obligations are detailed on the inside front cover of this Official Statement.

## **CLOSING DOCUMENTS AND CERTIFICATES**

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

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

## **REPRESENTATIONS OF THE CITY**

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

## **ADDITIONAL INFORMATION**

Periodically, the City updates its investor relations websites ([www.MPSBonds.com](http://www.MPSBonds.com) and [www.MilwaukeeBonds.com](http://www.MilwaukeeBonds.com)) with information regarding prospective financings and financial information. Requests for additional information and inquiries may also be directed to:

Martin Matson, City Comptroller  
City of Milwaukee, Public Debt Commission  
City Hall, Room 404  
200 East Wells Street  
Milwaukee, Wisconsin 53202  
(414) 286-3321  
[PDC@Milwaukee.gov](mailto:PDC@Milwaukee.gov)

/s/ Martin Matson

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Martin Matson  
City Comptroller and Secretary  
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, 2018**

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

The City's Comprehensive Annual Financial Report for the year ended December 31, 2018, is available from EMMA and is hereby incorporated by reference.

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

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**INTRODUCTORY SECTION**

Pages 2-14 Omitted

## INDEPENDENT AUDITORS' REPORT

The Honorable Members  
Common Council  
City of Milwaukee, Wisconsin

### **Report on the Financial Statements**

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, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the City of Milwaukee's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Redevelopment Authority of the City of Milwaukee, the Neighborhood Improvement Development Corporation, and the Century City Redevelopment Corporation, which represents one-hundred percent of the assets, net position and revenues of the aggregate discretely presented component units. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Redevelopment Authority of the City of Milwaukee, the Neighborhood Improvement Development Corporation, and the Century City Redevelopment Corporation, is based solely 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control over financial reporting relevant to the City of Milwaukee's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the City of Milwaukee's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***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, Wisconsin, as of December 31, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As discussed in Note 1, the City of Milwaukee adopted the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, effective January 1, 2018. Our opinions are not modified with respect to this matter.

As discussed in Note 15 to the financial statements, net position as of December 31, 2017 has been restated to correct misstatements related to termination leave and capital expenditures. Our opinions are not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison information, schedules of funding progress, and notes to required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Milwaukee's basic financial statements. The combining and individual fund financial statements and schedules and miscellaneous financial data as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules and miscellaneous financial data are fairly stated in all material respects, in relation to the basic financial statements as a whole.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Milwaukee's basic financial statements. The "Introductory Section" and "Statistical Section" are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we will issue a report on our consideration of the City of Milwaukee's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the City of Milwaukee's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Milwaukee's internal control over financial reporting and compliance.

*Baker Tilly Virchow Krause, LLP*

Milwaukee, Wisconsin  
July 24, 2019

CITY OF MILWAUKEE  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
 FOR THE YEAR ENDED DECEMBER 31, 2018  
 (Unaudited)

The Management's Discussion and Analysis (MD&A) section of the City of Milwaukee's (the "City") Comprehensive Annual Financial Report (CAFR) provides narrative discussion and analysis of the financial activities of the City for the fiscal year ended December 31, 2018. The MD&A is an integral portion of the CAFR and information reported herein should be read in conjunction with the information presented in the letter of transmittal and the accompanying financial statements and disclosures, which follow this section. This section focuses on the City's primary government and, unless otherwise noted, component units reported separately from the primary government are not included.

**FINANCIAL HIGHLIGHTS**

**Statement of Net Position**

- Total net position (assets and deferred outflows of resources less liabilities and deferred inflows of resources) at the close of fiscal year 2018 was (\$92) million, a 113% decrease compared to the previous year's total of \$718 million. This decrease was caused mainly by the adoption of GASB 75, resulting in a \$755 million increase in the January 1, 2018 total OPEB liability. Of the (\$92) million net position, a (\$870) million deficit was related to governmental activities and \$778 million was related to business-type activities. The unrestricted portion of net position, related to governmental activities, totaled (\$1.9) billion. This deficit is caused in part, by the City's significant investments in private-purpose developments, which do not produce any direct financial return to the City. The City is also required to record long-term liabilities for certain future costs rather than recording them when they are payable.
- The vast majority of the City's net position is capital assets, most of which do not generate revenues by their use. Total net position is comprised of the following:
  - Capital assets, including property and equipment, net of related debt and accumulated depreciation: \$1.613 billion.
  - Restricted net position, limited by constraints imposed externally such as debt covenants, grantors, laws, or regulations: \$213 million.
  - Unrestricted net deficit: (\$1.918) billion.
- In 2018, the City implemented GASB 75, which requires recording the entire net other post-employment benefits (OPEB) liability. This pronouncement required the restatement of the January 1, 2018 fund balance and liability balances. Total OPEB liabilities, as previously reported in the 2017 CAFR (per GASB 45), along with the restated balances per GASB 75 are as follows.

**Restatement of Total OPEB Liability**  
*(Millions of Dollars)*

	Prior GASB 45 Balance 12/31/2017	Restated GASB 75 Bal. 1/1/2018	Increase
Governmental Activities.....	\$ 459.4	\$ 1,148.8	\$ 689.4
Water Works.....	8.0	47.6	39.6
Sewer Maintenance.....	3.1	16.1	13.0
Parking.....	2.2	12.7	10.5
Port of Milwaukee.....	0.6	3.2	2.6
Total.....	<u>\$ 473.3</u>	<u>\$ 1,228.4</u>	<u>\$ 755.1</u>

Due to the requirements of this pronouncement, the beginning 1-1-18 (OPEB) liability increased \$755 million to \$1.228 billion. The 12-31-18 OPEB balance decreased \$15 million to \$1.213 billion. These obligations are based on an actuarial valuation as of January 1, 2017, projected to measurement dates of December 31, 2017 and December 31, 2018. See Note 15 for additional detail on 2018 restatements.

- The 2018 year-end, net pension liability is \$304 million compared to the 2017 total of \$353 million. This \$49 million decrease is due to a realized 2017 net investment return of 16.41% compared to the actuarial assumption of 8.00%. The 2018 liability is based on an actuarial valuation performed on January 1, 2017, rolled forward to December 31, 2017. See Note 8 in the financial statements for more disclosures regarding pension liability reporting.
- Total 2018 liabilities were \$3.373 billion (\$3.049 billion long-term and \$324 thousand short-term) nearly the same as the 2017 total of \$3.374 billion (\$3.036 billion long-term and \$338 thousand short-term). The long-term portion of total liabilities, including amounts due within one year, is shown below.

CITY OF MILWAUKEE  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
 FOR THE YEAR ENDED DECEMBER 31, 2018  
 (Unaudited)

**Total Long-term Liabilities**

*(Millions of Dollars)*

	<u>2018</u>	<u>2017</u>
Outstanding debt.....	\$ 1,441	\$ 1,373
OPEB.....	1,213	1,228
Pension.....	304	353
Compensated absences.....	50	50
Claims and judgments.....	41	32
Total.....	<u>\$ 3,049</u>	<u>\$ 3,036</u>

2017 OPEB restated from prior year.

**Statement of Activities**

- Governmental expenses were \$1.058 billion while combined program revenues were \$204 million, a difference of \$854 million. However, general revenues and transfers were \$739 million, resulting in a \$116 million decrease to net position for the year. Business-type activity expenses were \$221 million while combined program and general revenues were \$307 million, resulting in a surplus of \$87 million. Transfers out reduced this excess by \$38 million, resulting in a \$49 million increase of net position.
- Governmental revenues and transfers of \$943 million, which supported 89% of the total 2018 governmental expenses of \$1.058 billion, were comprised of the following.

**Government type revenues**

*(Millions of Dollars)*

	<u>Amount</u>	<u>Percentage of Total</u>	
		<u>Revenue</u>	<u>Expense</u>
Program revenues.....	\$ 204	22%	19%
Property and other taxes.....	317	34%	31%
State aids for the general fund.....	269	29%	25%
Miscellaneous revenues and transfers.....	153	15%	14%
Total.....	<u>\$ 943</u>	<u>100%</u>	<u>89%</u>

- Business-type activity program revenue of \$306 million, which supported 139% of the total 2018 business-type expenses of \$221 million, was comprised of the following.

**Business type program revenues**

*(Millions of Dollars)*

	<u>Amount</u>	<u>Percentage of Total</u>	
		<u>Revenue</u>	<u>Expense</u>
Water.....	\$ 102	33%	46%
Sewer.....	68	22%	31%
Parking.....	77	25%	35%
Port.....	8	3%	4%
MMSD sewer user charges.....	51	17%	23%
Total.....	<u>\$ 306</u>	<u>100%</u>	<u>139%</u>

**Fund Financial Statements**

- Total governmental fund, year-end 2018 fund balance was \$245 million, compared to the 2017 ending fund balance of \$255 million, a decrease of \$10 million or 4%.
- The 2018 General Fund, year-end fund balance totaled \$67 million, a \$30 million decrease compared to the 2017 balance of \$97 million. The 2018 ending Fund Balance is approximately 8% of the \$813 million combined General Fund expenditures and transfers for the year.

CITY OF MILWAUKEE  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
 FOR THE YEAR ENDED DECEMBER 31, 2018  
 (Unaudited)

**Notes**

- Outstanding General Obligation bonds and notes payable were \$1.029 billion at year-end 2018, an increase of \$48 million compared to the 2017 total of \$981 million. In addition, revenue bonds of \$158 million and state loans of \$166 million were outstanding at year-end. Total outstanding debt at the end of 2018, including unamortized premium, totaled \$1.440 billion, a \$67 million increase over the 2017 total of \$1.373 billion.

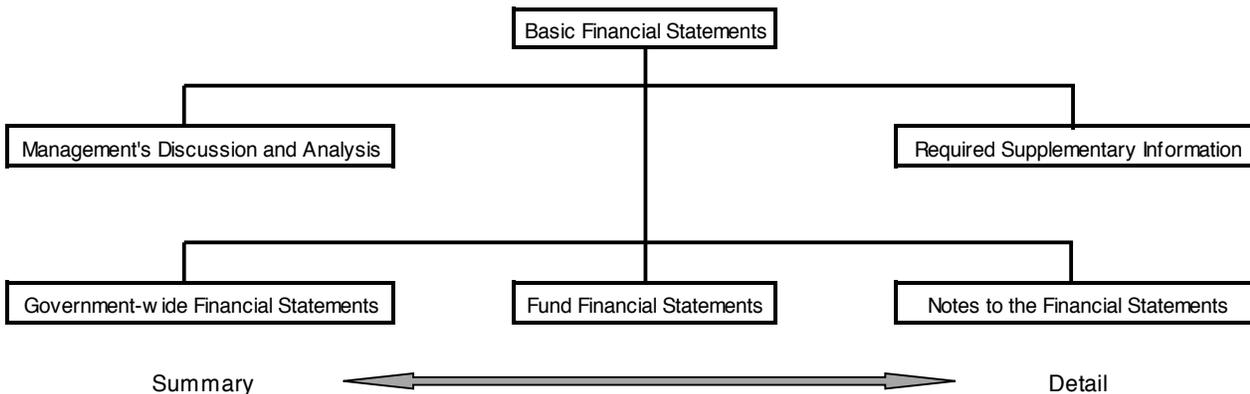
**Required Supplementary Information**

- General Fund operating revenues were \$13.3 million lower than budgeted while operating expenditures were \$3.8 million less than budgeted in 2018. Property taxes were \$7.7 million lower than budget while revenues other than property taxes were \$5.6 million less than budget. General government and public safety expenditures were \$2.0 million and \$1.5 million lower than budget, respectively, causing most of the expense variance.
- Total OPEB liability decreased \$15 million to \$1.213 billion as of December 31, 2018, compared to \$1.228 billion as of January 1, 2018. The \$15 million decrease was due to an increase in the discount rate to 3.71% from 3.31%.
- Due to a higher-than-expected net investment return, the 2018 pension liability decreased \$49 million to \$304 million compared to the 2017 pension liability of \$353 million.

**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.

**Figure A-1**  
**Components of the Financial Section**



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.

CITY OF MILWAUKEE  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
 FOR THE YEAR ENDED DECEMBER 31, 2018  
 (Unaudited)

A summary of the major features of the City's financial statements, including the portion of the City government covered and the types of information contained are depicted in table Figure A-2. The remainder of this overview section of the MD&A explains the structure and contents of each of the statements.

<b>Figure A-2</b>				
<b>Major Features of Government-wide and Fund Financial Statements</b>				
	<b>Government-Wide Statements</b>	<b>Fund Financial Statements</b>		
		<b>Governmental Funds</b>	<b>Proprietary Funds</b>	<b>Fiduciary Funds</b>
<b>Scope</b>	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
<b>Required financial statements</b>	* Statement of net position * Statement of activities	* Balance Sheet * Statement of revenues, expenditures and changes in fund balances	* Statement of net position * Statement of revenues, expenses, and changes in net position * Statement of cash flows	* Statement of fiduciary net position * Statement of changes in fiduciary net position
<b>Accounting basis and measurement focus</b>	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
<b>Type of asset and liability information</b>	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
<b>Type of inflow and outflow information</b>	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 an overview of the City's finances, 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 position 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 position and how they have changed. Net position—the difference between the City's assets and liabilities—is one measure of the City's financial health. Increases or decreases in the City's net position are one measure of its financial health. 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 divided into three categories on these statements—governmental activities, business-type activities, and component units. A total 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 three other entities in its report: Redevelopment Authority of the City of Milwaukee, Neighborhood Improvement Development Corporation, and Century City Redevelopment 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.

CITY OF MILWAUKEE  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
FOR THE YEAR ENDED DECEMBER 31, 2018  
(Unaudited)

## 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. 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 Position and the Statement of Activities) and governmental funds is described in the reconciliations in Exhibits A-2 and A-4.
- **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 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 Position and Changes in Fiduciary Net Position in Exhibits C-1 and C-2. 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 and pension is depicted in Exhibit E-2.

## Combining Schedules, Individual Fund Statements and Schedules of Miscellaneous Financial Data

Combining schedules provide detail in connection with non-major governmental funds and non-major proprietary funds. Individual fund statements provide greater detail, presented as compared with the final amended budget for the General Fund, and each non-major 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

### Summary of Statement of Net Position

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

CITY OF MILWAUKEE  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
 FOR THE YEAR ENDED DECEMBER 31, 2018  
 (Unaudited)

**Table 1**  
**Summary of Statement of Net Position**  
*(Thousands of Dollars)*

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Primary Government</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
Current and other assets .....	\$ 948,339	\$ 957,235	\$ 124,304	\$ 129,409	\$ 1,072,643	\$ 1,086,644
Capital assets .....	1,333,203	1,259,140	1,172,080	1,100,637	2,505,283	2,359,777
<b>Total assets .....</b>	<b>2,281,542</b>	<b>2,216,375</b>	<b>1,296,384</b>	<b>1,230,046</b>	<b>3,577,926</b>	<b>3,446,421</b>
Loss on refunding.....	-	-	31	112	31	112
Deferred outflow s for pensions.....	219,744	219,484	9,400	11,365	229,144	230,849
Long-term obligations .....	2,586,087	1,886,007	463,081	395,688	3,049,168	2,281,695
Other liabilities .....	268,943	289,912	55,132	48,189	324,075	338,101
<b>Total liabilities .....</b>	<b>2,855,030</b>	<b>2,175,919</b>	<b>518,213</b>	<b>443,877</b>	<b>3,373,243</b>	<b>2,619,796</b>
Deferred Inflow s of Resources:						
Gain on Refunding.....	649	904	-	-	649	904
Deferred inflow s for grants.....	-	-	699	579	699	579
Subsequent years property taxes.....	331,334	315,462	-	-	331,334	315,462
Pension and OPEB related.....	184,234	22,254	8,859	873	193,093	23,127
<b>Total deferred inflow s.....</b>	<b>516,217</b>	<b>338,620</b>	<b>9,558</b>	<b>1,452</b>	<b>525,775</b>	<b>340,072</b>
Net position:						
Net investment in capital assets.....	812,090	836,422	801,685	734,161	1,613,775	1,570,583
Restricted .....	202,334	161,592	10,461	2,209	212,795	163,801
Unrestricted .....	(1,884,385)	(1,076,694)	(34,102)	59,824	(1,918,487)	(1,016,870)
<b>Total net position .....</b>	<b>\$ (869,961)</b>	<b>\$ (78,680)</b>	<b>\$ 778,044</b>	<b>\$ 796,194</b>	<b>\$ (91,917)</b>	<b>\$ 717,514</b>

January 1, 2018 net position restated - see Note 15.

Net position of the City's governmental activities decreased to (\$870) million for 2018. The portion of net position restricted as to use totaled \$202 million. Net position invested in capital facilities (buildings, roads, bridges, etc.) totaled \$812 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 position deficit of \$1.884 billion at year-end does not imply that the City has inadequate financial resources to meet its current obligations. Rather, the deficit is caused, in part, by the full accrual of future expenses (expenditures) in the current year. The City's annual budgets, however, only include funding (revenue) for one year of multi-year liabilities such as property-casualty claims, employee leave balances and post-employment benefits. This difference between future expenditures and current year revenue is partly responsible for the deficit.

The net position of business-type activities was \$778 million in 2018. The City, generally, can use the net position of business-type activities only to finance the continuing operations of those specific proprietary activities.

Year-end 2018 long-term obligations for governmental activities were \$2.586 billion, an increase of 37% over the 2017 amount of \$1.886 billion. Most of this increase is attributable to the adoption of GASB 75. Year-end long-term obligations related to business-type activities were \$463 million, an increase of 17% over the 2017 amount of \$396 million. This \$67 million increase is also due mainly to GASB 75.

Total 2018 primary government assets, including capital assets, were \$3.578 billion, an increase of \$132 million or 3.8% from the 2017 amount of \$3.446 billion. At year-end 2018, Water Works and Sewer Maintenance Fund net capital assets comprised 92% of the City's total net capital assets for business-type activities. These two funds are the City's largest proprietary (business-type) funds. The Water Works capital assets consist primarily of water mains and related water facilities and plants; and the Sewer Maintenance Fund includes local sewer mains and connections.

CITY OF MILWAUKEE  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
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**Changes in Net Position**

Revenues less expenses yield the change in net position. Governmental Activity program and general revenues for 2018 totaled \$905 million. This composition of this revenue, by category, is reported on Table 2a while the percentage of each revenue category to the total is shown on Chart 4.

Governmental Activity expenses include a wide range of services. Governmental Activity 2018 expenditures were \$1.058 billion. The composition of these expenditures, by category, is reported on Table 2a while the percentage of each expense category to the total is shown on Chart 3.

Program-specific revenues (charges for services) generated about 15% (see Table 2b) of total governmental activity revenue. General revenues (taxes, State aids, grants, and miscellaneous) account for the remaining 85%.

Governmental Activity revenue for 2018 was \$153 million below expenditures, \$115 million below after a \$38 million transfer from business-type activities. Business-type activity revenue exceeded expenditures and transfers by \$49 million, net of the \$38 million transfer to governmental funds. Chart 1, *Expenses and Program Revenues – Governmental Activities*, and Chart 2, *Expenses and Program Revenues – Business-type Activities* depict the comparison of revenues vs. expenditures, by major function. Table 2a and the narrative that follows, report the operations of governmental and business-type activities separately.

**Table 2a**  
**Changes in Net Position**  
 (Thousands of Dollars)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program revenues:						
Charges for services .....	\$ 137,580	\$ 136,216	\$ 263,809	\$ 256,489	\$ 401,389	\$ 392,705
Operating grants and contributions .....	65,545	44,328	-	-	65,545	44,328
Capital grants and contributions .....	569	240	41,788	26,066	42,357	26,306
General revenues:						
Property taxes and other taxes .....	316,655	307,828	-	-	316,655	307,828
State aids for General Fund .....	268,792	265,700	-	-	268,792	265,700
Miscellaneous .....	115,735	97,757	1,638	211	117,373	97,968
Total revenues .....	<u>904,876</u>	<u>852,069</u>	<u>307,235</u>	<u>282,766</u>	<u>1,212,111</u>	<u>1,134,835</u>
Expenses						
General government .....	309,828	274,652	-	-	309,828	274,652
Public safety .....	437,746	485,016	-	-	437,746	485,016
Public Works .....	192,613	206,205	-	-	192,613	206,205
Health .....	21,789	23,655	-	-	21,789	23,655
Culture and recreation .....	26,866	28,193	-	-	26,866	28,193
Conservation and development .....	47,904	65,175	-	-	47,904	65,175
Interest on long-term debt .....	21,451	22,097	-	-	21,451	22,097
Water .....	-	-	78,310	70,219	78,310	70,219
Sewer Maintenance .....	-	-	58,550	59,823	58,550	59,823
Parking .....	-	-	25,031	25,287	25,031	25,287
Port of Milwaukee .....	-	-	4,840	4,570	4,840	4,570
Metropolitan Sewerage District User Charges.....	-	-	53,772	49,853	53,772	49,853
Total expenses .....	<u>1,058,197</u>	<u>1,104,993</u>	<u>220,503</u>	<u>209,752</u>	<u>1,278,700</u>	<u>1,314,745</u>
Increase in net position before transfers .....	(153,321)	(252,924)	86,732	73,014	(66,589)	(179,910)
Transfers .....	37,801	36,854	(37,801)	(36,854)	-	-
Increase in net position .....	(115,520)	(216,070)	48,931	36,160	(66,589)	(179,910)
Net position – Beginning.....	(754,441)	137,390	729,113	760,034	(25,328)	897,424
Net position – Ending .....	<u>\$ (869,961)</u>	<u>\$ (78,680)</u>	<u>\$ 778,044</u>	<u>\$ 796,194</u>	<u>\$ (91,917)</u>	<u>\$ 717,514</u>

January 1, 2018 net position restated - see Note 15.

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**Governmental Activities**

Revenues for the City's governmental activities totaled \$905 million, while total expenses totaled \$1.058 billion for 2018, resulting in a deficit of \$153 million. Total revenues, excluding transfers, supported 85% of total expenses; 89% including transfers. Comparable data for 2017 indicates total revenues, excluding transfers supported 77% of expenses; 80% including transfers.

Revenue amounts for the current and prior year, by category, are summarized in Table 2b, below.

**Table 2b**  
**Governmental Activities Revenues**  
*(Thousands of Dollars)*

Category	2018		2017	
	Amount	% of Total	Amount	% of Total
Property taxes.....	\$ 316,655	35%	\$ 307,828	36%
State aids.....	268,792	30%	265,700	31%
Charges for services.....	137,580	15%	136,216	16%
Grants and contributions.....	66,114	7%	44,568	5%
Miscellaneous.....	115,735	13%	97,757	12%
Total.....	<u>\$ 904,876</u>	<u>100%</u>	<u>\$ 852,069</u>	<u>100%</u>

Total 2018 governmental activity expenditures decreased \$47 million or 4% compared to 2017. See the Notes to the Financial Statements and Table 2c for further detail.

**Chart 1**  
**2018 Expenses and Program Revenues – Governmental Activities**

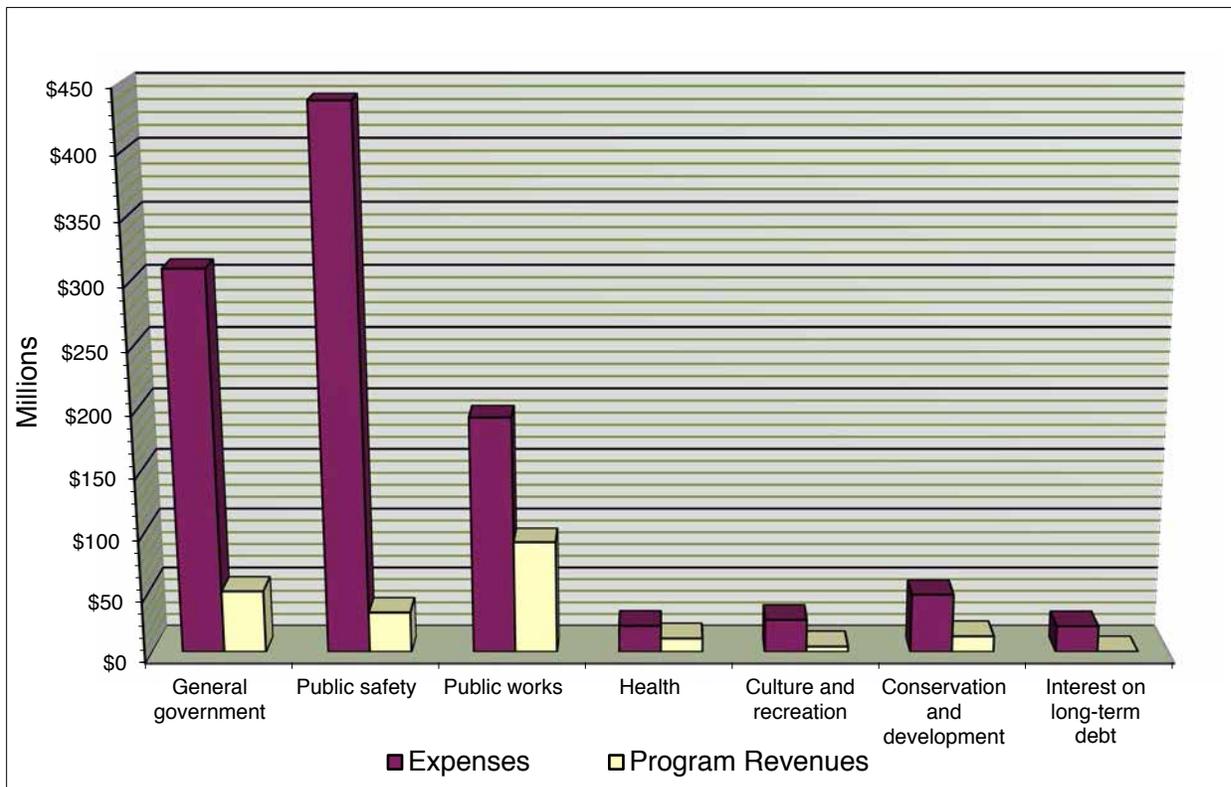


Table 2c presents the gross and net costs (total costs less the revenues generated by the activities) of each of the City's largest programs. Chart 1 above depicts total revenues and expenses for each activity. General government includes most City

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departments, such as: Mayor, Common Council, Administration, Employee Relations, Municipal Court, City Attorney, Comptroller and Treasurer. Public safety includes Fire, Police and Neighborhood Services. "Net cost" shows the remaining costs, by function that are funded by non-program revenues such as City taxes and State aids. The cost of services not funded with direct program revenue for governmental activities decreased in 2018 to \$855 million from \$924 million in 2017, a 7% decrease.

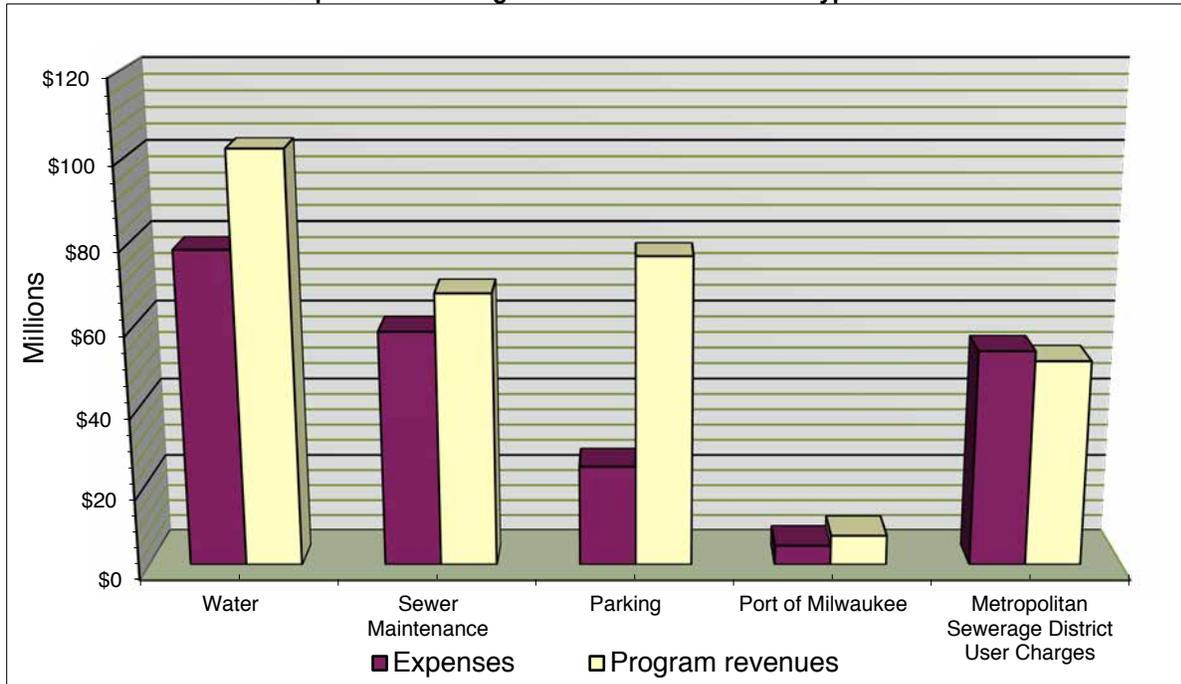
**Table 2c**  
**Governmental Activities - Cost of Services**  
 (Thousand of Dollars)

	Total Cost of Services				Net Cost of Services	
	2018	% of Total	2017	% of Total	2018	2017
General government .....	\$ 309,828	29%	\$ 274,652	25%	\$ 259,131	\$ 245,446
Public safety .....	437,746	41%	485,016	44%	404,752	449,320
Public works .....	192,613	18%	206,205	19%	101,179	119,779
Health .....	21,789	2%	23,655	2%	10,626	12,451
Culture and recreation .....	26,866	3%	28,193	2%	22,485	23,926
Conservation and development ..	47,904	5%	65,175	6%	34,879	51,190
Interest on long-term debt .....	21,451	2%	22,097	2%	21,451	22,097
<b>Total Governmental Activities ..</b>	<b>\$ 1,058,197</b>	<b>100%</b>	<b>\$ 1,104,993</b>	<b>100%</b>	<b>\$ 854,503</b>	<b>\$ 924,209</b>

**Business-type Activities**

Revenues for the City's business-type activities totaled \$307 million, while expenses and transfers out totaled \$258 million for 2018, resulting in a surplus of \$49 million (see Table 3b). Total revenues supported 139% of total expenses excluding transfers out and 119% including transfers out. Comparable data for 2017 indicates total revenues supported 135% of expenses excluding transfers out; 115% including transfers out. Chart 2 below depicts total revenues and expenses for each business-type activity.

**Chart 2**  
**2018 Expenses and Program Revenues – Business-type Activities**



The two major proprietary or business-type activities for the City are water services (Water Works) and sewer maintenance. Operating revenues, expenses and income for Water Works and Sewer Maintenance are shown in Table 3a below.

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**Table 3a**  
**Major Enterprise Fund - Revenues and Expenses**  
*(Thousands of Dollars)*

	<u>Water Works</u>	<u>Sewer Maintenance</u>
Revenues.....	\$ 102,212	\$ 67,846
Expenses.....	78,310	58,550
Net operating income.....	\$ 23,902	\$ 9,296

Business-type revenues, expenses and net position for the current year compared to the previous year are outlined in Table 3b below.

**Table 3b**  
**Business-type Revenues, Expenses and Net Position**  
*(Thousands of Dollars)*

	<u>2018</u>	<u>2017</u>	<u>Increase (Decrease)</u>	
			<u>Amount</u>	<u>Percentage</u>
Revenues.....	\$ 307,235	\$ 282,766	\$ 24,469	9%
Expenses/Transfers.....	258,304	246,606	11,698	5%
Net position prior to restatement.....	778,044	796,194	(18,150)	-2%
Restatement.....	-	(67,081)		
Net position.....	\$ 778,044	\$ 729,113	\$ 48,931	7%

See Note 15 for restatement details.

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

The City uses fund accounting consistent with finance-related legal requirements and external governmental 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. Types of Governmental Funds reported by the City include the General Fund, Special Revenue Funds, Debt Service Funds and Capital Project Funds.

At year-end 2018, the Governmental Funds (as presented in the balance sheet on Exhibit A-1) reported a combined fund balance of \$245 million, a decrease of \$10 million or 4% from the 2017 balance of \$255 million. Current and prior year fund balances of the funds that comprise the Governmental Funds are shown in Table 4a.

**Table 4a**  
**Governmental Funds Change in Fund Balances**  
*(Thousands of Dollars)*

	<u>General</u>							<u>Total</u>
	<u>General</u>	<u>Obligation Debt Service</u>	<u>Public Debt Amortization</u>	<u>Economic Development</u>	<u>Capital Projects</u>	<u>Nonmajor</u>		
2018 ending balance.....	\$ 66,994	\$ 47,421	\$ 50,537	\$ 74,728	\$ 18,144	\$ (12,854)	\$ 244,970	
2017 ending balance.....	97,476	43,441	54,613	62,710	7,958	(11,326)	254,872	
Increase (decrease).....	\$ (30,482)	\$ 3,980	\$ (4,076)	\$ 12,018	\$ 10,186	\$ (1,528)	\$ (9,902)	
% increase/(decrease).....	-31%	9%	-7%	19%	128%	13%	-4%	

The City of Milwaukee typically borrows to fund authorized capital projects only after expenditures for these projects has occurred. This practice minimizes City borrowing costs and complies with Internal Revenue Service (IRS) regulations. Debt issued for capital projects totaled \$133 million in 2018 compared to \$99 million in 2017.

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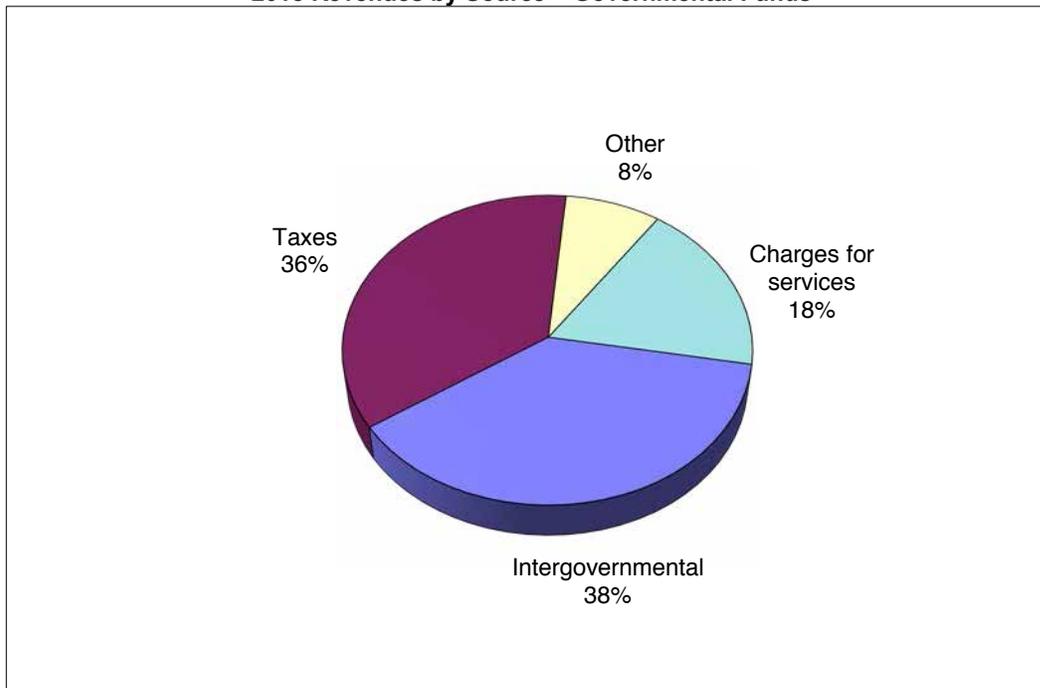
Revenues for governmental functions overall totaled \$880 million in the fiscal year ended December 31, 2018, an increase of \$18 million compared to the 2017 total of \$862 million. Other financing sources were \$555 million, a \$49 million increase from the 2017 total of \$506 million. Other financing sources include, proceeds from issuance of debt, refunding payment and issuance premiums; transfers from proprietary funds; and transfers of loan repayments received by the Neighborhood Improvement Development Corporation component unit. Governmental revenues, by source, are shown on Table 4b below.

**Table 4b**  
**Governmental Fund Revenues by Source**  
*(Thousands of Dollars)*

	General						Nonmajor	Total
	General	Obligation Debt Service	Public Debt Amortization	Economic Development	Capital Projects			
Intergovernmental.....	\$ 268,792	\$ -	\$ -	\$ -	\$ 22,722	\$ 41,118	\$ 332,632	
Taxes.....	201,782	66,215	2,262	36,833	8,934	-	316,026	
Charges for services.....	137,580	12,236	-	9,657	-	-	159,473	
Other.....	50,495	3,938	3,367	-	11,206	2,726	71,732	
Total revenues.....	658,649	82,389	5,629	46,490	42,862	43,844	879,863	
Other sources.....	123,941	262,824	-	5,314	139,735	22,695	554,509	
Total revenues & sources.....	<u>\$ 782,590</u>	<u>\$ 345,213</u>	<u>\$ 5,629</u>	<u>\$ 51,804</u>	<u>\$ 182,597</u>	<u>\$ 66,539</u>	<u>\$ 1,434,372</u>	

Chart 3 below depicts revenue, by source, for all governmental funds.

**Chart 3**  
**2018 Revenues by Source – Governmental Funds**



Expenditures for governmental funds totaled \$1.282 billion. Other financing uses totaled \$163 million, a \$31 million decrease compared to the 2017 total of \$194 million. Expenditures exceeded revenues in 2018, causing a gap of \$402 million. The excess of other financing sources over other financing uses of \$392 million helped to close the gap. However, the net change in fund

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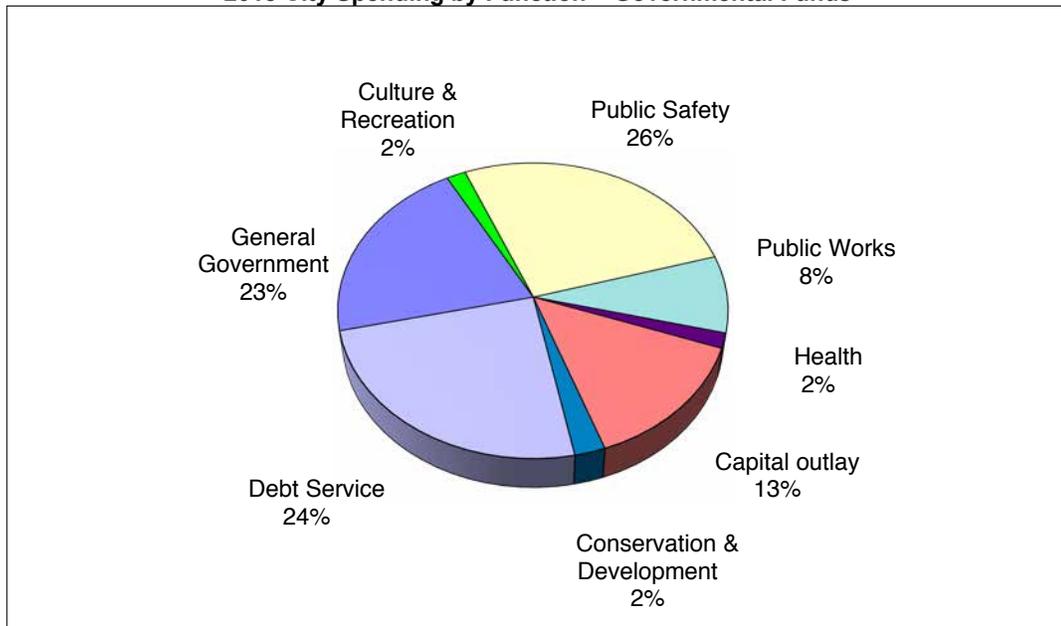
balances was a decrease of \$10 million for the year compared to a decrease of \$53 million in 2017. Governmental expenditures, by function, are shown on Table 4c below.

**Table 4c**  
**Governmental Fund Expenditures by Source**  
*(Thousands of Dollars)*

	<b>General</b>						
	<b>General</b>	<b>Obligation</b>	<b>Public Debt</b>	<b>Economic</b>	<b>Capital</b>	<b>Nonmajor</b>	<b>Total</b>
	<u>General</u>	<u>Debt Service</u>	<u>Amortization</u>	<u>Development</u>	<u>Projects</u>		
General government.....	\$ 292,790	\$ 1,124	\$ 5	\$ -	\$ -	\$ 3,310	\$ 297,229
Public safety.....	317,801	-	-	-	-	12,426	330,227
Public works.....	104,070	-	-	-	-	2,566	106,636
Health.....	9,872	-	-	-	-	9,826	19,698
Culture & recreation.....	19,668	-	-	-	-	2,106	21,774
Conservation & development..	4,862	-	-	10,147	-	12,699	27,708
Capital outlay.....	-	-	-	-	165,877	-	165,877
Debt service.....	-	312,433	-	-	-	-	312,433
<b>Total expenditures.....</b>	<b>749,063</b>	<b>313,557</b>	<b>5</b>	<b>10,147</b>	<b>165,877</b>	<b>42,933</b>	<b>1,281,582</b>
Other uses.....	64,009	27,676	9,700	29,639	6,534	25,134	162,692
<b>Total expenditures &amp; uses....</b>	<b>\$ 813,072</b>	<b>\$ 341,233</b>	<b>\$ 9,705</b>	<b>\$ 39,786</b>	<b>\$ 172,411</b>	<b>\$ 68,067</b>	<b>\$ 1,444,274</b>

Chart 4 below depicts spending by function for all governmental funds.

**Chart 4**  
**2018 City Spending by Function – Governmental Funds**



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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 \$30.5 million or 31%. Revenues and other financing sources totaled approximately \$782.6 million and expenditures and other financing uses totaled approximately \$813.1 million - detailed in Table 5 below. General Fund revenues increased \$21.0 million due mostly to increases of \$9 million in property taxes, \$1.6 million in licenses and permits, \$3.1 million in intergovernmental, \$1.4 million in charges for services and \$7.3 million in other combined with a decrease of \$1.4 million in other taxes.

Expenditures increased \$52 million to \$749 million, compared to the 2017 total of \$697 million. This \$52 million is comprised of increases in general government, public safety, public works and culture & recreation expenditures of \$45 million, \$3 million, \$3 million and \$1 million, respectively. The increase in expenditures is due mainly to increases in fringe benefit costs such as pension (up \$28 million), health insurance (up \$10 million) and workers compensation (up \$1 million). Total expenditures exceeded total revenues by \$90 million or 14%.

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 \$41 million not including the \$19 million transfer out of fund balance to fund expenditures. This \$19 million fund balance withdrawal was a \$8.6 million decrease from the 2017 transfer out of \$27.6 million.

Total General Fund revenues for 2018 were \$659 million. The largest revenue category is intergovernmental at \$269 million, representing 41% of the total. The second largest revenue source is Property Taxes with \$199 million or 30%. The Charges for Services category, which includes revenues for services provided by City departments, comprises 21% or \$138 million. These three categories comprise 92% of the total 2018 revenues.

Table 5 below presents a summary of revenues and expenditures of the General Fund compared to prior year:

**Table 5**  
**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:	2018	2017	Percent Change	Expenditures:	2018	2017	Percent Change
Property taxes .....	\$ 198,951	\$ 190,337	4.5%	General government.....	\$ 292,790	\$ 247,401	18.3%
Other taxes .....	2,831	4,234	-33.1%	Public safety.....	317,801	315,139	0.8%
Licenses and permits .....	17,232	15,597	10.5%	Public works.....	104,070	100,724	3.3%
Intergovernmental .....	268,792	265,700	1.2%	Health.....	9,872	10,353	-4.6%
Charges for services .....	137,580	136,216	1.0%	Culture and recreation .....	19,668	18,789	4.7%
Fines and forfeits .....	3,297	3,357	-1.8%	Conservation and development .....	4,862	4,579	6.2%
Contributions received .....	3,205	3,022	6.1%	Other .....	-	-	
Other .....	26,761	19,384	38.1%	Total Expenditures .....	749,063	696,985	7.5%
Total Revenues .....	658,649	637,847	3.3%	Other Financing Uses			
Excess of Revenues over Expenditures .....	(90,414)	(59,138)	52.9%	Transfers out .....	64,009	2,119	2920.7%
Other Financing Sources				Total Expenditures			
Debt proceeds .....	62,330	6,462	864.6%	Other Financing Uses ..	\$ 813,072	\$ 699,104	16.3%
Transfers in .....	61,611	44,339	39.0%	Net Change in Fund Balance .....	\$ (30,482)	\$ (10,456)	191.5%
Total Revenues and Other Financing Sources ..	782,590	688,648	13.6%				

During 2018, the City issued and repaid \$110 million of Revenue Anticipation Notes (RANS) to finance the operating budget pending receipt of State Shared Revenues. During 2018, \$290 million of RANS were issued and repaid, including notes issued for the Milwaukee Public Schools.

The City maintains two separate debt service funds, the General Obligation Debt Service Fund and the Public Debt Amortization Fund (PDAF).

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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 2018 fund balance of the General Obligation Debt Service Fund increased \$4 million to \$47 million compared to the 2017 balance of \$43 million (see Table 4a).

Total revenues of the General Obligation Debt Service Fund increased \$1.5 million to \$82.4 million in 2018 from \$80.9 million in 2017. Revenues combined with *Other Financing Sources* totaled \$345 million (see table 4b) while expenditures combined with *Other Financing Uses* totaled \$341 million (see Table 4c); resulting in an increase in Fund Balance for year-end 2018 of \$4 million (see Table 4a).

The PDAF is governed by State Statutes Section 67.101 whereby accumulated funds can be used for the retirement of the public debt. The 2018 PDAF fund balance was \$50.5 million, a \$4.1 million decrease from the 2017 balance of \$54.6 million – see Table 4a.

The Economic Development Fund is used to record Tax Incremental District (TID) non-capital transactions (i.e. receipt of taxes and other revenues, payment of debt service, refunds of excess revenue to overlying taxing jurisdictions). The fund is also used to record Business Improvement District (BID) and Neighborhood Improvement District (NID) assessments and payouts. The 2018 fund balance of the Economic Development fund increased \$12 million to \$74.7 million from the 2017 total of \$62.7 million.

The 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. In 2018, total debt proceeds amounted to \$133 million as compared to \$99 million in 2017, a 34% increase. Total revenues increased \$5 million to \$43 million in 2018 from \$38 million 2017; expenditures decreased \$6 million, to \$166 million in 2018 compared to \$172 million in 2017. The issuance of bonds and notes during 2018 for capital purposes combined with revenues and transfers exceeded the current year's expenditures and transfers out resulting in a positive fund balance of \$18 million, a \$10 million increase compared to the 2017 fund balance of \$8 million (Table 4a).

Nonmajor fund activity is explained in the *Proprietary Funds* section below.

### **Proprietary Funds**

The proprietary fund statements provide information on both short and long-term financial status, focusing on net position and the change in net position resulting from operations. Major proprietary funds include Water Works and Sewer Maintenance. Nonmajor Proprietary funds include Parking, Port of Milwaukee and Metropolitan Sewerage District User Charge.

At the end of the fiscal year, the total net position for all proprietary funds was \$778 million, an increase of \$49 million from the 2017 balance of \$729 million. This \$49 million increase is a combination of, increases of \$11 million in Water Works, \$7 million in the Sewer Maintenance fund and \$31 million in the Nonmajor Proprietary funds. The Nonmajor Proprietary funds increase of \$31 million is a combination of an increase of \$33 million in Parking combined with a decrease of \$2 million in Metropolitan Sewerage District User Charge (see Table 6b for detail).

In 2018, operating revenues of the proprietary funds totaled \$263.8 million (a 2.8% increase) while total operating expenses increased \$11.2 million to \$186.6 million. The Water Works is the largest proprietary activity of the City, comprising approximately 38% of the total operating revenues. The Sewer Maintenance Fund comprises 25% of the total operating revenues. Both funds primarily bill customers based on water consumption.

For 2018, Water Works operating revenues increased \$2.8 million or 2.9%, caused mainly by a rise in water sales. Increased sewer maintenance fees caused Sewer Maintenance operating revenues to increase \$1.4 million or 2.2%. The combined revenue of all other proprietary funds (labeled Nonmajor Funds in Table 6a, detail presented in Table 6b) increased \$3.0 million or 3.2% compared to 2017. This \$3.0 million revenue increase is the result of increases of \$1.5 million, \$600 thousand and \$900 thousand in the Parking, Port and Sewerage District User Charge funds, respectively.

The Water Works incurred total operating expenses of \$78.2 million for 2018, an increase of \$8.4 million compared to 2017 total of \$69.8 million. This increase was mostly caused by an increase in transmission & distribution expense. Sewer Maintenance operating expenses totaled \$25.3 million in 2018, a decrease of \$2.9 million compared to the 2017 total of \$28.2 million. This decrease was caused mainly by a reduction in services, supplies and materials expense.

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The 2018 combined operating expenses of all other proprietary funds increased \$5.6 million or 7.2% from the 2017 total of \$77.4 million. Table 6b below presents a summary of revenues and expenditures and changes in net position of the nonmajor proprietary funds. This \$5.6 million expense increase is the result of increases of \$1.4 million, \$300 thousand and \$3.9 million in the Parking, Port and Sewerage District User Charge funds, respectively. The Parking increase was caused mainly by an increase in services, supplies and materials expense while the Sewerage District User Charge increase was due mostly to increased sewer user charges billed by the Metropolitan Milwaukee Sewerage District.

**Table 6a**  
**Proprietary Funds - Summary of Revenues, Expenses and Changes in Net Position**  
 (Thousands of Dollars)

	<b>Water Works</b>	<b>Sewer Maintenance</b>	<b>Nonmajor Funds</b>	<b>Total</b>
Operating revenues.....	\$ 100,661	\$ 66,585	\$ 96,563	\$ 263,809
Operating expenses.....	<u>78,233</u>	<u>25,292</u>	<u>83,033</u>	<u>186,558</u>
Operating income.....	22,428	41,293	13,530	77,251
Nonoperating revenues (expenses).....	<u>325</u>	<u>(31,753)</u>	<u>1,587</u>	<u>(29,841)</u>
Income before contributions & transfers.....	22,753	9,540	15,117	47,410
Capital contributions and transfers.....	<u>(11,539)</u>	<u>(2,387)</u>	<u>15,447</u>	<u>1,521</u>
Increase (decrease) in net position.....	11,214	7,153	30,564	48,931
Net position 2017.....	473,547	283,307	39,340	796,194
Restatement (see Note 15).....	<u>(40,508)</u>	<u>(13,253)</u>	<u>(13,320)</u>	<u>(67,081)</u>
Net position 2018.....	<u>\$ 444,253</u>	<u>\$ 277,207</u>	<u>\$ 56,584</u>	<u>\$ 778,044</u>

**Table 6b**  
**Nonmajor Proprietary Funds - Summary of Revenues, Expenses and Changes in Net Position**  
 (Thousands of Dollars)

	<b>Parking</b>	<b>Port of Milwaukee</b>	<b>Metropolitan Sewerage District User Charge</b>	<b>Total</b>
Operating revenues.....	\$ 39,045	\$ 6,205	\$ 51,313	\$ 96,563
Operating expenses.....	<u>24,577</u>	<u>4,684</u>	<u>53,772</u>	<u>83,033</u>
Operating income.....	14,468	1,521	(2,459)	13,530
Nonoperating revenues (expenses).....	<u>526</u>	<u>1,061</u>	<u>-</u>	<u>1,587</u>
Income before contributions & transfers.....	14,994	2,582	(2,459)	15,117
Capital contributions and transfers.....	<u>18,174</u>	<u>(2,727)</u>	<u>-</u>	<u>15,447</u>
Increase (decrease) in net position.....	33,168	(145)	(2,459)	30,564
Net position 2017.....	20,200	19,186	(46)	39,340
Restatement (see Note 15).....	<u>(10,657)</u>	<u>(2,663)</u>	<u>-</u>	<u>(13,320)</u>
Net position 2018.....	<u>\$ 42,711</u>	<u>\$ 16,378</u>	<u>\$ (2,505)</u>	<u>\$ 56,584</u>

**General Fund Budgetary Highlights**

For the year ended December 31, 2018, the General Fund budgetary-basis actual revenues were \$13 million lower than budgeted revenues. Revenue categories for property taxes, other taxes, charges for services and revenues, experienced an unfavorable (less than budgeted) variance of \$15 million. However, all other categories including other licenses & permits, intergovernmental and fines & forfeitures exceeded the final budget by a total of \$2 million. Actual total revenues increased \$21 million to \$637 million in 2018 from \$616 million in 2017. Intergovernmental revenues increased \$3 million to \$269 million from \$266 million in 2017. The intergovernmental category includes financing from the State for shared taxes, local street aids, and payment for municipal services.

Operating expenditures were \$3.8 million less than budgeted. This favorable variance is due mainly to savings in the general government and public safety categories.

Final budget other financing sources were \$126 million, an increase of \$71 million compared to the original budget of \$55 million. This increase was due to the issuance of general obligation notes to finance the fiscal requirements of the City.

The original 2018 budget for expenditures includes the adopted budget plus the encumbrances carried over from 2017 less the encumbrances carried over to 2019. The final budget includes the original budget, as defined above, plus appropriations

CITY OF MILWAUKEE  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
 FOR THE YEAR ENDED DECEMBER 31, 2018  
 (Unaudited)

authorized for carryover from 2017 by the Common Council less those appropriations authorized for carryover to 2019. 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 2018 General Fund expenditure budget of \$699 million and the final budget of \$732 million, which is a 6.9% increase compared to the final 2017 budget of \$685 million. The final revenue budget of \$651 million is a 4.3% increase compared to the final 2017 revenue budget of \$624 million. Table 7 below presents a summary of 2018 General Fund budget to actual revenues, expenses and changes in fund balance.

**Table 7**  
**General Fund - Budgetary Comparison Summary**  
*(Thousands of Dollars)*

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Budgetary Basis Actual</b>	<b>Variance Positive (Negative)</b>
Operating revenues.....	\$643,678	\$ 650,738	\$637,446	\$ (13,292)
Operating expenses.....	698,650	731,617	727,855	3,762
Deficiency of revenues over expenditures.....	(54,972)	(80,879)	(90,409)	(9,530)
Other financing sources (uses).....	55,124	126,028	78,927	(47,101)
Net change in fund balance.....	152	45,149	(11,482)	(56,631)
Fund balance 2017.....	78,476	78,476	78,476	
Fund balance 2018.....	<u>\$ 78,628</u>	<u>\$ 123,625</u>	<u>\$ 66,994</u>	<u>\$ (56,631)</u>

The General Fund Schedule of Expenditures - Budget and Actual (Exhibit I-9) compares current year actual to budgeted expenditures, by department.

The General Fund's beginning Fund Balance of \$97 million, as reported on the General Fund Statement of Revenues, Expenditures and Changes in Fund Balance (Exhibit A-3), differs from the General Fund's budgetary Fund Balance of \$78 million, reported in the Budgetary Comparison Schedule (Exhibit E-1,) by the \$19 million withdrawal from the Fund Balance.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

The City's capital assets for governmental and business-type activities as of December 31, 2018 total \$2.5 billion (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 \$145 million or 6%. Governmental activities' capital assets increased \$74 million or 6% from 2017. Business-type activity capital assets increased \$71 million or 6% at the end of 2018. A schedule comparing the assets by type for 2018 and 2017 for both governmental and business-type activities is shown in Table 8 below. The net change in assets, as detailed in Note 4 to the Financial Statements, reports that 2018 additions were \$155 million and deletions were \$93 million for governmental activities. January 1, 2018 construction in progress and infrastructure along with the associated accumulated depreciation amounts were restated for a net amount of \$12 million (see Note 15). The two largest business-type activities are the Sewer Maintenance Fund and the Water Works Fund. The Sewer Maintenance Fund had a net increase in capital assets of \$11 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 62% of its total capital assets with 33% consisting of machinery and equipment. The total net change in all Water Works net assets was an increase of \$22 million.

CITY OF MILWAUKEE  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
 FOR THE YEAR ENDED DECEMBER 31, 2018  
 (Unaudited)

**Table 8**  
**Net Capital Assets**  
*(Thousands of Dollars)*

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>Primary Government</u>	
					<u>2018</u>	<u>2017</u>
Capital assets not being depreciated:						
Land .....	\$ 165,681	\$ 165,735	\$ 19,252	\$ 17,321	\$ 184,933	\$ 183,056
Construction in progress .....	112,050	117,441	50,400	44,003	162,450	161,444
Intangible right of ways .....	1,342	1,342	-	-	1,342	1,342
Capital assets being depreciated:.....						
Buildings .....	376,832	324,890	133,183	95,900	510,015	420,790
Infrastructure.....	1,837,394	1,799,706	1,195,692	1,154,107	3,033,086	2,953,813
Improvements other than buildings.	12,175	12,175	10,903	10,970	23,078	23,145
Machinery and equipment .....	239,612	213,173	298,840	290,121	538,452	503,294
Intangible software.....	13,930	11,327	-	-	13,930	11,327
Nonutility property .....	-	-	3,918	3,917	3,918	3,917
Accumulated depreciation .....	(1,425,813)	(1,386,649)	(540,108)	(515,702)	(1,965,921)	(1,902,351)
<b>Total .....</b>	<b>\$ 1,333,203</b>	<b>\$ 1,259,140</b>	<b>\$ 1,172,080</b>	<b>\$ 1,100,637</b>	<b>\$ 2,505,283</b>	<b>\$ 2,359,777</b>

January 1, 2018 construction in progress and infrastructure totals restated - see Note 15.

**Debt**

At year-end, the City owed \$1 billion in general obligation bonds and notes, \$166 million in State loans, and \$158 million in revenue bonds outstanding. Debt totals, excluding unamortized premium, are itemized in Table 9.

During 2018, \$343 million of general obligation bonds and notes and \$29 million of State loans were issued. Of the \$343 million of new GOB issuances, \$324 million related to governmental activities and \$19 million was for business-type activities. All 2018 State loan issuances were for business-type activities.

The City continues to maintain high investment grade ratings from the two major rating agencies. A rating of "AA-" from Standard and Poor's Corporation, and "AA" from Fitch's Rating Agency Inc., were received on the City's general obligation bonds and notes.

The City issues general obligation notes to purchase a portion of General Fund delinquent taxes. During 2018, \$21.6 million of notes were issued to fund delinquent taxes. Delinquent tax collections, along with related interest and penalties, are used to pay the debt service requirements of the notes.

**Table 9**  
**Outstanding Debt**  
**General Obligation Bonds & Notes, State Loans and Revenue Bonds**  
*(Thousands of Dollars)*

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>Primary Government</u>	
					<u>2018</u>	<u>2017</u>
General obligation bonds and notes						
(backed by the City) .....	\$ 994,923	\$ 942,330	\$ 34,172	\$ 38,875	\$ 1,029,095	\$ 981,205
State loans .....	-	-	166,243	114,308	166,243	114,308
Revenue bonds						
(backed by specific fee revenues) .....	-	-	158,360	200,156	158,360	200,156
<b>Total .....</b>	<b>\$ 994,923</b>	<b>\$ 942,330</b>	<b>\$ 358,775</b>	<b>\$ 353,339</b>	<b>\$ 1,353,698</b>	<b>\$ 1,295,669</b>

CITY OF MILWAUKEE  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
 FOR THE YEAR ENDED DECEMBER 31, 2018  
 (Unaudited)

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

The average unemployment rate within the City of Milwaukee for 2018 was 3.6%, compared to 4.6% for 2017. The City of Milwaukee per capita income for 2017 (the most recent fiscal year available) was \$45,099, compared to \$43,621 for 2016. Table 13, in the Statistical Section, contains demographic and economic statistics for the last ten calendar years.

The 2019 adopted City Budget is about \$1.54 billion with a General Fund budget of \$747 million. The General Fund budget decreased \$1 million from the 2018 budget of \$748 million. In 2019, the City expects to spend \$109 million for health insurance and related costs compared to \$107 million budgeted for 2018, a \$2 million increase.

The Public Works portion of the 2019 budget includes \$11.4 million to replace 1,000 lead water service lines. In addition, 31 miles of streets and 14 miles of sewers will be improved or replaced. The Public Safety budget maintains an average annual sworn police force of 1,864 members and the hiring of 86 new police officer recruits. The Health portion of the 2019 budget includes \$7.6 million in funding for the Lead Poisoning Prevention Program.

The City of Milwaukee's share of the Tax Rate decreased to \$10.59 (per \$1,000 of Assessed Value) from the 2018 rate of \$10.75. The total City 2018 property tax levy increased \$7.5 million to \$281.0 million, compared to \$273.5 million in 2017, while the assessed valuation of all property within the City increased \$1.4 billion. The 2018 property tax levy (which funds the 2019 budget) is shown in Table 10 below along with a comparison to the 2017 levy.

**Table 10**  
**Tax Levy by Purpose**  
*(Thousands of Dollars)*

	<u>Levy Year *</u>		<u>Increase</u>
	<u>2018</u>	<u>2017</u>	<u>(decrease)</u>
General city purposes.....	\$ 119,704	\$ 107,192	\$ 12,512
Employee retirement.....	86,619	94,189	(7,570)
Capital improvements.....	1,114	889	225
Debt.....	68,559	66,216	2,343
Contingent fund.....	5,000	5,000	-
Total levy.....	<u>\$ 280,996</u>	<u>\$ 273,486</u>	<u>\$ 7,510</u>

\*Levy year funds the next year's budget.

The 2019 General City Purpose budget includes \$634 million in estimated revenue, an increase of \$12.0 compared to 2018. The sources of funds for the 2019 General City Purpose budget, by category, compared to the 2018 budget is shown in Table 11.

**Table 11**  
**Sources of Funds for General City Purposes Budget**  
*(Thousands of Dollars)*

	<u>Budget Year*</u>		<u>Increase</u>
	<u>2019</u>	<u>2018</u>	<u>(decrease)</u>
Tax levy.....	\$ 119,704	\$ 107,192	\$ 12,512
Taxes and PILOTS.....	17,984	17,591	393
Licenses and permits.....	16,125	15,937	188
Intergovernmental revenue.....	270,081	268,191	1,890
Charges for services.....	129,077	129,145	(68)
Transfers.....	32,000	36,123	(4,123)
Other.....	49,145	48,150	995
Total sources.....	<u>\$ 634,116</u>	<u>\$ 622,329</u>	<u>\$ 11,787</u>

\*Budget is funded by the prior year's levy.

CITY OF MILWAUKEE  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
FOR THE YEAR ENDED DECEMBER 31, 2018  
(Unaudited)

**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, City Hall, 200 East Wells Street Room 404, Milwaukee, WI 53202.

**BASIC  
FINANCIAL  
STATEMENTS**

**GOVERNMENT-WIDE  
FINANCIAL STATEMENTS**

CITY OF MILWAUKEE  
**STATEMENT OF NET POSITION**  
December 31, 2018  
*(Thousands of Dollars)*

Exhibit 1

	<u>Primary Government</u>			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>ASSETS</b>				
Cash and investments .....	\$ 322,878	\$ 49,794	\$ 372,672	\$ 90,914
Receivables (net):				
Taxes .....	251,671	-	251,671	-
Accounts .....	36,164	49,501	85,665	188
Unbilled accounts .....	4,257	18,500	22,757	-
Special assessments .....	7,414	-	7,414	-
Notes and loans .....	90,837	-	90,837	9,481
Accrued interest .....	553	155	708	981
Due from component units .....	8,625	-	8,625	-
Due from primary government .....	-	-	-	121
Due from other governmental agencies .....	211,760	1,679	213,439	66,433
Inventory of materials and supplies .....	9,324	3,801	13,125	-
Inventory of property for resale .....	26	-	26	7,900
Prepaid items .....	4,830	814	5,644	36
Other assets .....	-	60	60	-
Total Noncapital Assets .....	<u>948,339</u>	<u>124,304</u>	<u>1,072,643</u>	<u>176,054</u>
Capital assets:				
Capital assets not being depreciated:				
Land .....	165,681	19,252	184,933	10,593
Construction in progress .....	112,050	50,400	162,450	-
Intangible right of ways .....	1,342	-	1,342	-
Capital assets being depreciated:				
Buildings .....	376,832	133,183	510,015	75,621
Infrastructure .....	1,837,394	1,195,692	3,033,086	333
Improvements other than buildings .....	12,175	10,903	23,078	4,264
Machinery and equipment .....	239,612	298,840	538,452	6
Intangible software.....	13,930	-	13,930	565
Nonutility property .....	-	3,918	3,918	-
Accumulated depreciation .....	<u>(1,425,813)</u>	<u>(540,108)</u>	<u>(1,965,921)</u>	<u>(24,940)</u>
Total Capital Assets .....	<u>1,333,203</u>	<u>1,172,080</u>	<u>2,505,283</u>	<u>66,442</u>
Total Assets .....	<u>2,281,542</u>	<u>1,296,384</u>	<u>3,577,926</u>	<u>242,496</u>
Deferred Outflows of Resources:				
Loss on refunding.....	-	31	31	-
Deferred outflows for pensions .....	<u>219,744</u>	<u>9,400</u>	<u>229,144</u>	<u>-</u>
Total Deferred Outflows of Resources .....	<u>219,744</u>	<u>9,431</u>	<u>229,175</u>	<u>-</u>

CITY OF MILWAUKEE  
**STATEMENT OF NET POSITION**  
 December 31, 2018  
 (Thousands of Dollars)

Exhibit 1 (Continued)

	<u>Primary Government</u>			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>				
Accounts payable .....	\$ 63,766	\$ 28,962	\$ 92,728	\$ 1,838
Accrued expenses .....	32,941	1,497	34,438	1,129
Accrued interest payable .....	9,833	1,420	11,253	-
Internal balances .....	(21,432)	21,432	-	-
Due to component units .....	121	-	121	-
Due to other governmental agencies .....	2,873	-	2,873	1,811
Unearned revenues.....	841	1,821	2,662	371
Revenue anticipation notes payable .....	180,000	-	180,000	-
Other liabilities .....	-	-	-	2,463
Due to primary government:				
Due within one year .....	-	-	-	692
Due in more than one year .....	-	-	-	7,933
Long-term obligations:				
Due within one year .....	146,776	27,076	173,852	4,128
Due in more than one year .....	<u>2,439,311</u>	<u>436,005</u>	<u>2,875,316</u>	<u>173,082</u>
<b>Total Liabilities .....</b>	<b><u>2,855,030</u></b>	<b><u>518,213</u></b>	<b><u>3,373,243</u></b>	<b><u>193,447</u></b>
Deferred Inflows of Resources:				
Gain on refunding.....	649	-	649	-
Deferred inflows for grants.....	-	699	699	-
Subsequent years property taxes.....	331,334	-	331,334	-
Deferred inflows for pensions .....	127,836	4,953	132,789	-
Deferred inflows for OPEB .....	<u>56,398</u>	<u>3,906</u>	<u>60,304</u>	<u>-</u>
<b>Total Deferred Inflows of Resources .....</b>	<b><u>516,217</u></b>	<b><u>9,558</u></b>	<b><u>525,775</u></b>	<b><u>-</u></b>
<b>NET POSITION</b>				
Net investment in capital assets.....	812,090	801,685	1,613,775	24,884
Restricted for:				
Debt service .....	88,125	10,461	98,586	-
Other purposes .....	114,209	-	114,209	11,691
Unrestricted .....	<u>(1,884,385)</u>	<u>(34,102)</u>	<u>(1,918,487)</u>	<u>12,474</u>
<b>Total Net Position .....</b>	<b><u>\$ (869,961)</u></b>	<b><u>\$ 778,044</u></b>	<b><u>\$ (91,917)</u></b>	<b><u>\$ 49,049</u></b>

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

CITY OF MILWAUKEE  
**STATEMENT OF ACTIVITIES**  
 December 31, 2018  
 (Thousands of Dollars)

Exhibit 2

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary government:</b>				
Governmental Activities:				
General government .....	\$ 309,828	\$ 27,538	\$ 23,159	\$ -
Public safety .....	437,746	19,862	13,132	-
Public works .....	192,613	87,817	3,048	569
Health .....	21,789	1,332	9,831	-
Culture and recreation .....	26,866	1,023	3,358	-
Conservation and development .....	47,904	8	13,017	-
Interest on long-term debt .....	21,451	-	-	-
<b>Total Governmental Activities .....</b>	<b>1,058,197</b>	<b>137,580</b>	<b>65,545</b>	<b>569</b>
Business-type Activities:				
Water .....	78,310	100,661	-	1,551
Sewer Maintenance .....	58,550	66,585	-	1,261
Parking .....	25,031	39,045	-	37,762
Port of Milwaukee .....	4,840	6,205	-	1,214
Metropolitan Sewerage District				
User Charges .....	53,772	51,313	-	-
<b>Total Business-type Activities .....</b>	<b>220,503</b>	<b>263,809</b>	<b>-</b>	<b>41,788</b>
<b>Total Primary Government .....</b>	<b>\$ 1,278,700</b>	<b>\$ 401,389</b>	<b>\$ 65,545</b>	<b>\$ 42,357</b>
<b>Component units:</b>				
Redevelopment Authority .....	\$ 22,713	\$ 5,011	\$ 2,162	\$ -
Neighborhood Improvement Development Corporation .....	533	195	103	-
Century City Redevelopment Corporation .....	750	356	-	-
<b>Total Component Units .....</b>	<b>\$ 23,996</b>	<b>\$ 5,562</b>	<b>\$ 2,265</b>	<b>\$ -</b>
General revenues:				
Property taxes and other taxes .....				
State aid for General Fund .....				
Miscellaneous .....				
Transfers .....				
<b>Total General Revenues and Transfers .....</b>				
Change in Net Position .....				
Net Position - Beginning, as restated (note 15).....				
<b>Net Position - Ending .....</b>				

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

<b>Net (Expenses) Revenue and Changes in Net Position</b>			
<b>Primary Government</b>			
<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	<b>Component Units</b>
\$ (259,131)		\$ (259,131)	
(404,752)		(404,752)	
(101,179)		(101,179)	
(10,626)		(10,626)	
(22,485)		(22,485)	
(34,879)		(34,879)	
(21,451)		(21,451)	
<u>(854,503)</u>		<u>(854,503)</u>	
-	\$ 23,902	23,902	
-	9,296	9,296	
-	51,776	51,776	
-	2,579	2,579	
-	(2,459)	(2,459)	
-	85,094	85,094	
<u>(854,503)</u>	<u>85,094</u>	<u>(769,409)</u>	
			\$ (15,540)
			(235)
			<u>(394)</u>
			<u>(16,169)</u>
316,655	-	316,655	-
268,792	-	268,792	-
115,735	1,638	117,373	17,114
37,801	(37,801)	-	-
<u>738,983</u>	<u>(36,163)</u>	<u>702,820</u>	<u>17,114</u>
(115,520)	48,931	(66,589)	945
<u>(754,441)</u>	<u>729,113</u>	<u>(25,328)</u>	<u>48,104</u>
<b><u>\$ (869,961)</u></b>	<b><u>\$ 778,044</u></b>	<b><u>\$ (91,917)</u></b>	<b><u>\$ 49,049</u></b>

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**FUND  
FINANCIAL  
STATEMENTS**

CITY OF MILWAUKEE  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
 DECEMBER 31, 2018  
 (Thousands of Dollars)

Exhibit A-1

	<b>General</b>
<b>ASSETS</b>	
Assets:	
Cash and investments .....	\$ 65,346
Receivables (net):	
Taxes .....	152,120
Accounts .....	34,870
Unbilled accounts .....	4,257
Special assessments .....	-
Notes and loans .....	41
Accrued interest .....	409
Due from other funds .....	73,956
Due from component units .....	72
Due from other governmental agencies .....	196
Advances to other funds .....	6,325
Inventory of materials and supplies .....	9,324
Inventory of property for resale .....	26
Prepaid items .....	3,670
<b>Total Assets</b> .....	<b><u>\$ 350,612</u></b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	
Liabilities:	
Accounts payable .....	\$ 32,185
Accrued expenses .....	32,403
Due to other funds .....	-
Due to component units .....	29
Due to other governmental agencies .....	49
Unearned revenue.....	37
Revenue anticipation notes payable .....	-
Advances from other funds .....	-
<b>Total Liabilities</b> .....	<b><u>64,703</u></b>
Deferred Inflows of Resources:.....	<u>218,915</u>
Fund Balances:	
Nonspendable .....	19,476
Restricted.....	-
Committed.....	3,066
Assigned .....	26,450
Unassigned.....	<u>18,002</u>
<b>Total Fund Balances</b> .....	<b><u>66,994</u></b>
<b>Total Liabilities, Deferred Inflows and Fund Balances</b> .....	<b><u>\$ 350,612</u></b>

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

General Obligation Debt Service	Public Debt Amortization	Economic Development	Capital Projects	Nonmajor Governmental Funds	Total
\$ 80,099	\$ 30,205	\$ 92,963	\$ 52,441	\$ 1,824	\$ 322,878
40,063	-	25,384	4,683	29,421	251,671
-	-	-	1,273	21	36,164
-	-	-	-	-	4,257
-	-	-	7,414	-	7,414
60,055	20,188	-	-	10,553	90,837
-	144	-	-	-	553
-	-	-	-	-	73,956
-	-	8,502	14	37	8,625
180,000	-	-	20,949	10,615	211,760
-	-	-	-	-	6,325
-	-	-	-	-	9,324
-	-	-	-	-	26
-	-	-	1,159	1	4,830
<b><u>\$ 360,217</u></b>	<b><u>\$ 50,537</u></b>	<b><u>\$ 126,849</u></b>	<b><u>\$ 87,933</u></b>	<b><u>\$ 52,472</u></b>	<b><u>\$ 1,028,620</u></b>
\$ 115	\$ -	\$ 180	\$ 26,104	\$ 5,182	\$ 63,766
-	-	-	377	161	32,941
4,068	-	-	1,689	46,767	52,524
-	-	-	92	-	121
-	-	-	527	2,297	2,873
-	-	-	176	628	841
180,000	-	-	-	-	180,000
-	-	-	6,325	-	6,325
<b><u>184,183</u></b>	<b><u>-</u></b>	<b><u>180</u></b>	<b><u>35,290</u></b>	<b><u>55,035</u></b>	<b><u>339,391</u></b>
<b><u>128,613</u></b>	<b><u>-</u></b>	<b><u>51,941</u></b>	<b><u>34,499</u></b>	<b><u>10,291</u></b>	<b><u>444,259</u></b>
-	-	-	1,159	1	20,636
47,421	50,537	89,768	15,485	8,113	211,324
-	-	-	20,817	-	23,883
-	-	-	-	-	26,450
-	-	(15,040)	(19,317)	(20,968)	(37,323)
<b><u>47,421</u></b>	<b><u>50,537</u></b>	<b><u>74,728</u></b>	<b><u>18,144</u></b>	<b><u>(12,854)</u></b>	<b><u>244,970</u></b>
<b><u>\$ 360,217</u></b>	<b><u>\$ 50,537</u></b>	<b><u>\$ 126,849</u></b>	<b><u>\$ 87,933</u></b>	<b><u>\$ 52,472</u></b>	<b><u>\$ 1,028,620</u></b>

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CITY OF MILWAUKEE  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
 TO THE STATEMENT OF NET POSITION**  
 DECEMBER 31, 2018  
*(Thousands of Dollars)*

Exhibit A-2

Fund balances - total governmental funds (Exhibit A-1) \$ 244,970

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	165,681	
Buildings, net of \$135,271 accumulated depreciation	241,561	
Infrastructure, net of \$1,121,762 accumulated depreciation	715,632	
Improvements other than buildings, net of \$10,258 accumulated depreciation	1,917	
Machinery and equipment, net of \$153,576 accumulated depreciation	86,036	
Intangible assets net of \$4,946 accumulated depreciation	10,326	
Construction in progress	<u>112,050</u>	
		1,333,203

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

Taxes to be collected	15,358	
Grant revenues to be collected	22,095	
Notes and loans receivable to repay long-term bonds and notes	68,643	
Special assessments to be collected	<u>6,829</u>	
		112,925

Deferred inflows and outflows of resources related to pensions and Other Post Employment Benefits have not been included in governmental fund activity.

Deferred inflows for Other Post Employment Benefits	(56,398)	
Deferred inflows for pensions	(127,836)	
Deferred outflows for pensions	<u>219,744</u>	
		35,510

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 position.

Accrued interest payable	(9,833)	
Bonds and notes payable	(994,923)	
Gain on refunding	(649)	
Unamortized premiums	(75,271)	
Compensated absences	(46,698)	
Total other postemployment benefits liability	(1,134,360)	
Net pension liability	(292,505)	
Claims and judgments	<u>(42,330)</u>	
		<u>(2,596,569)</u>

Total net position of governmental activities (Exhibit 1) **\$ (869,961)**

*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, 2018  
 (Thousands of Dollars)

Exhibit A-3

	<b>General</b>
<b>Revenues:</b>	
Property taxes .....	\$ 198,951
Other taxes .....	2,831
Special assessments .....	-
Licenses and permits .....	17,232
Intergovernmental .....	268,792
Charges for services .....	137,580
Fines and forfeits .....	3,297
Contributions received .....	3,205
Other .....	26,761
Total Revenues .....	<u>658,649</u>
<b>Expenditures:</b>	
<b>Current:</b>	
General government .....	292,790
Public safety .....	317,801
Public works .....	104,070
Health .....	9,872
Culture and recreation .....	19,668
Conservation and development .....	4,862
Capital outlay .....	-
<b>Debt Service:</b>	
Principal retirement .....	-
Interest .....	-
Bond issuance costs .....	-
Total Expenditures .....	<u>749,063</u>
Excess (Deficiency) of Revenues over Expenditures .....	<u>(90,414)</u>
<b>Other Financing Sources (Uses):</b>	
General obligation bonds and notes issued .....	62,330
Proceeds from debt refundings .....	-
Loans receivable activities .....	-
Issuance premium .....	-
Transfers in .....	61,611
Transfers out .....	<u>(64,009)</u>
Total Other Financing Sources and Uses .....	<u>59,932</u>
Net Change in Fund Balances .....	(30,482)
Fund Balances - Beginning .....	<u>97,476</u>
<b>Fund Balances - Ending .....</b>	<b><u>\$ 66,994</u></b>

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

General Obligation Debt Service	Public Debt Amortization	Economic Development	Capital Projects	Nonmajor Governmental Funds	Total
\$ 66,215	\$ -	\$ 36,833	\$ 8,934	\$ -	\$ 310,933
-	2,262	-	-	-	5,093
-	-	-	1,724	-	1,724
-	-	-	-	-	17,232
-	-	-	22,722	41,118	332,632
12,236	-	9,657	-	-	159,473
-	-	-	-	-	3,297
-	-	-	-	-	3,205
<u>3,938</u>	<u>3,367</u>	<u>-</u>	<u>9,482</u>	<u>2,726</u>	<u>46,274</u>
<u>82,389</u>	<u>5,629</u>	<u>46,490</u>	<u>42,862</u>	<u>43,844</u>	<u>879,863</u>
1,124	5	-	-	3,310	297,229
-	-	-	-	12,426	330,227
-	-	-	-	2,566	106,636
-	-	-	-	9,826	19,698
-	-	-	-	2,106	21,774
-	-	10,147	-	12,699	27,708
-	-	-	165,877	-	165,877
271,569	-	-	-	-	271,569
40,619	-	-	-	-	40,619
245	-	-	-	-	245
<u>313,557</u>	<u>5</u>	<u>10,147</u>	<u>165,877</u>	<u>42,933</u>	<u>1,281,582</u>
<u>(231,168)</u>	<u>5,624</u>	<u>36,343</u>	<u>(123,015)</u>	<u>911</u>	<u>(401,719)</u>
50,000	-	-	132,915	21,644	266,889
57,273	-	-	-	-	57,273
(1,338)	-	-	-	(434)	(1,772)
31,626	-	-	-	-	31,626
123,925	-	5,314	6,820	1,051	198,721
<u>(26,338)</u>	<u>(9,700)</u>	<u>(29,639)</u>	<u>(6,534)</u>	<u>(24,700)</u>	<u>(160,920)</u>
<u>235,148</u>	<u>(9,700)</u>	<u>(24,325)</u>	<u>133,201</u>	<u>(2,439)</u>	<u>391,817</u>
3,980	(4,076)	12,018	10,186	(1,528)	(9,902)
<u>43,441</u>	<u>54,613</u>	<u>62,710</u>	<u>7,958</u>	<u>(11,326)</u>	<u>254,872</u>
<u>\$ 47,421</u>	<u>\$ 50,537</u>	<u>\$ 74,728</u>	<u>\$ 18,144</u>	<u>\$ (12,854)</u>	<u>\$ 244,970</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, 2018  
*(Thousands of Dollars)*

Exhibit A-4

Net change in fund balances - total governmental funds (Exhibit A-3)		\$ (9,902)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital asset additions (\$213,066) less additions from Construction-in-Progress (\$90,738) exceeded depreciation expense (\$57,786) in the current period less loss on disposals (\$2,735).		61,807
Notes and loans receivable to repay long-term bonds and notes		(6,016)
Revenues in the statement of activities that do not provide current financial resources are reported as deferred inflows in the funds.		
Taxes accrued in prior years	629	
Capital grants and contributions	12,419	
Unbilled Special assessments	711	13,759
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 discounts, premiums and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
Debt issued:		
Bonds and notes issued	(324,162)	
Issuance premiums	(31,626)	
Gain on refunding	(649)	
Repayments:		
Principal retirement	271,569	
Amortization:		
Premiums	20,495	
Gain/Loss on refunding	904	(63,469)
Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather as it accrues. The adjustment combines the net changes of the following balances.		
Compensated absences	246	
Total other postemployment benefits liability	14,477	
Net pension liability	47,046	
Deferred inflows for pensions	(105,582)	
Deferred outflows for pensions	260	
Deferred inflows for Other Post Employment Benefits	(56,398)	
Claims and judgments	(10,108)	
Accrued interest on bonds and notes	(1,640)	(111,699)
Changes in net position of governmental activities (Exhibit 2)		<b><u>\$ (115,520)</u></b>

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

CITY OF MILWAUKEE  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
 DECEMBER 31, 2018  
 (Thousands of Dollars)

Exhibit B-1

ASSETS	Water Works	Sewer Maintenance	Nonmajor Proprietary Funds	Total
<b>Current Assets:</b>				
Cash and cash equivalents .....	\$ 25,175	\$ 1,290	\$ 7,560	\$ 34,025
Restricted cash and cash equivalents .....	2,554	13,215	-	15,769
<b>Receivables (net):</b>				
Accounts .....	18,259	16,464	14,778	49,501
Unbilled accounts .....	13,525	2,551	2,424	18,500
Accrued interest .....	-	155	-	155
Due from other funds .....	1,168	1,946	1,343	4,457
Due from other governmental agencies .....	-	1,434	245	1,679
Advances to other funds .....	82	-	-	82
Inventory of materials and supplies .....	3,467	334	-	3,801
Prepaid items .....	795	19	-	814
Other assets .....	60	-	-	60
<b>Total Current Assets .....</b>	<b><u>65,085</u></b>	<b><u>37,408</u></b>	<b><u>26,350</u></b>	<b><u>128,843</u></b>
<b>Noncurrent assets:</b>				
<b>Capital assets:</b>				
<b>Capital assets not being depreciated:</b>				
Land .....	1,791	-	17,461	19,252
Construction in progress .....	42,188	-	8,212	50,400
<b>Capital assets being depreciated:</b>				
Buildings .....	31,110	-	102,073	133,183
Infrastructure .....	447,477	727,700	20,515	1,195,692
Improvements other than buildings .....	-	-	10,903	10,903
Machinery and equipment .....	276,038	6,875	15,927	298,840
Nonutility property .....	3,918	-	-	3,918
Accumulated depreciation .....	<u>(288,868)</u>	<u>(168,220)</u>	<u>(83,020)</u>	<u>(540,108)</u>
<b>Net Capital Assets .....</b>	<b><u>513,654</u></b>	<b><u>566,355</u></b>	<b><u>92,071</u></b>	<b><u>1,172,080</u></b>
<b>Total Noncurrent Assets .....</b>	<b><u>513,654</u></b>	<b><u>566,355</u></b>	<b><u>92,071</u></b>	<b><u>1,172,080</u></b>
<b>Total Assets .....</b>	<b><u>578,739</u></b>	<b><u>603,763</u></b>	<b><u>118,421</u></b>	<b><u>1,300,923</u></b>
<b>Deferred Outflows of Resources:</b>				
Loss on refunding.....	-	31	-	31
Deferred outflows for pensions .....	<u>5,597</u>	<u>2,009</u>	<u>1,794</u>	<u>9,400</u>
<b>Total Deferred Outflows of Resources.....</b>	<b><u>5,597</u></b>	<b><u>2,040</u></b>	<b><u>1,794</u></b>	<b><u>9,431</u></b>

CITY OF MILWAUKEE  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
 DECEMBER 31, 2018  
 (Thousands of Dollars)

Exhibit B-1 (Continued)

	Water Works	Sewer Maintenance	Nonmajor Proprietary Funds	Total
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts payable .....	\$ 15,063	\$ 3,942	\$ 9,957	\$ 28,962
Accrued expenses .....	966	249	282	1,497
Accrued interest payable .....	206	575	130	911
Compensated absences .....	1,988	529	524	3,041
Advances from other funds .....	-	-	82	82
Due to other funds .....	3,289	5,467	17,133	25,889
Unearned revenue.....	-	1,127	694	1,821
General obligation debt payable - current .....	3,258	404	1,687	5,349
<b>Total Current Liabilities</b> .....	<u>24,770</u>	<u>12,293</u>	<u>30,489</u>	<u>67,552</u>
Current Liabilities Payable from Restricted Assets:				
Revenue bonds payable .....	2,411	16,274	-	18,685
Accrued interest payable .....	-	509	-	509
<b>Total Current Liabilities Payable from     Restricted Assets</b> .....	<u>2,411</u>	<u>16,783</u>	<u>-</u>	<u>19,194</u>
Noncurrent Liabilities:				
General obligation debt payable .....	6,081	9,504	13,548	29,133
Revenue bonds & State loans payable .....	47,297	269,931	-	317,228
Other post employment benefits liability .....	47,021	15,868	15,678	78,567
Net pension liability .....	6,569	2,355	2,154	11,078
<b>Total Noncurrent Liabilities</b> .....	<u>106,968</u>	<u>297,658</u>	<u>31,380</u>	<u>436,006</u>
<b>Total Liabilities</b> .....	<u>134,149</u>	<u>326,734</u>	<u>61,869</u>	<u>522,752</u>
Deferred Inflows of Resources:				
Deferred inflows for grants .....	699	-	-	699
Deferred inflows for pensions .....	2,897	1,073	983	4,953
Deferred inflows for OPEB .....	2,338	789	779	3,906
<b>Total Deferred Inflows of Resources</b> .....	<u>5,934</u>	<u>1,862</u>	<u>1,762</u>	<u>9,558</u>
<b>NET POSITION</b>				
Net investment in capital assets.....	454,607	270,242	76,836	801,685
Restricted for Debt Service .....	2,405	8,056	-	10,461
Unrestricted .....	(12,759)	(1,091)	(20,252)	(34,102)
<b>Total Net Position</b> .....	<u>\$ 444,253</u>	<u>\$ 277,207</u>	<u>\$ 56,584</u>	<u>\$ 778,044</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 NET POSITION**  
**PROPRIETARY FUNDS**  
FOR THE YEAR ENDED DECEMBER 31, 2018  
*(Thousands of Dollars)*

Exhibit B-2

	Water Works	Sewer Maintenance	Nonmajor Proprietary Funds	Total
<b>Operating Revenues:</b>				
<b>Charges for Services:</b>				
Water sales .....	\$ 81,507	\$ -	\$ -	\$ 81,507
Statutory sewer user fee .....	-	-	50,004	50,004
Sewer maintenance fee .....	-	66,585	-	66,585
Rent .....	-	-	13,620	13,620
Fire protection service .....	9,457	-	-	9,457
Parking meters .....	-	-	4,610	4,610
Parking permits .....	-	-	4,694	4,694
Vehicle towing .....	-	-	6,116	6,116
Parking forfeitures .....	-	-	16,210	16,210
Other .....	9,697	-	1,309	11,006
<b>Total Operating Revenues</b> .....	<u>100,661</u>	<u>66,585</u>	<u>96,563</u>	<u>263,809</u>
<b>Operating Expenses:</b>				
Milwaukee Metropolitan Sewerage District charges ..	-	-	47,792	47,792
Employee services .....	-	8,007	10,150	18,157
Administrative and general .....	12,149	-	-	12,149
Depreciation .....	18,685	8,271	3,035	29,991
Transmission and distribution .....	25,110	-	-	25,110
Services, supplies, and materials .....	-	9,014	22,056	31,070
Water treatment .....	11,821	-	-	11,821
Water pumping .....	6,936	-	-	6,936
Billing and collection .....	3,532	-	-	3,532
<b>Total Operating Expenses</b> .....	<u>78,233</u>	<u>25,292</u>	<u>83,033</u>	<u>186,558</u>
<b>Operating Income</b> .....	<u>22,428</u>	<u>41,293</u>	<u>13,530</u>	<u>77,251</u>
<b>Nonoperating Revenues (Expenses):</b>				
Investment income .....	215	253	-	468
Grant revenue .....	4,337	1,252	1,214	6,803
Interest expense .....	(77)	(8,159)	(610)	(8,846)
Other .....	(4,150)	(25,099)	983	(28,266)
<b>Total Net Nonoperating Revenues (Expenses)</b> ...	<u>325</u>	<u>(31,753)</u>	<u>1,587</u>	<u>(29,841)</u>
<b>Income before Contributions and Transfers</b> .....	22,753	9,540	15,117	47,410
Capital contributions .....	1,551	9	37,762	39,322
Transfers in .....	-	-	589	589
Transfers out .....	(13,090)	(2,396)	(22,904)	(38,390)
<b>Change in Net Position</b> .....	11,214	7,153	30,564	48,931
<b>Total Net Position - Beginning, as restated (note 15)</b> .....	<u>433,039</u>	<u>270,054</u>	<u>26,020</u>	<u>729,113</u>
<b>Total Net Position - Ending</b> .....	<u>\$ 444,253</u>	<u>\$ 277,207</u>	<u>\$ 56,584</u>	<u>\$ 778,044</u>

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

CITY OF MILWAUKEE  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
FOR THE YEAR ENDED DECEMBER 31, 2018  
*(Thousands of Dollars)*

Exhibit B-3

	Water Works	Sewer Maintenance	Nonmajor Proprietary Funds	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Receipts from customers and users .....	\$ 94,480	\$ 66,371	\$ 97,091	\$ 257,942
Receipts from interfund services provided .....	6,702	-	-	6,702
Payments to suppliers .....	(38,259)	(9,516)	(72,471)	(120,246)
Payments to employees .....	(23,508)	(6,478)	(9,343)	(39,329)
Payments from other funds .....	-	1,641	2,851	4,492
Payments to other funds .....	<u>3,070</u>	<u>5,467</u>	<u>2,939</u>	<u>11,476</u>
Net Cash Provided by Operating Activities.....	<u>42,485</u>	<u>57,485</u>	<u>21,067</u>	<u>121,037</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>				
Miscellaneous nonoperating revenue .....	4,457	1,057	1,211	6,725
Other nonoperating expenses .....	(4,457)	(25,034)	-	(29,491)
Transfers from other funds .....	-	-	589	589
Transfers to other funds .....	<u>(13,090)</u>	<u>(2,396)</u>	<u>(22,904)</u>	<u>(38,390)</u>
Net Cash Used by Noncapital Financing Activities .....	<u>(13,090)</u>	<u>(26,373)</u>	<u>(21,104)</u>	<u>(60,567)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Proceeds from sale of bonds and notes .....	20,168	24,240	3,603	48,011
Acquisition of property, plant, and equipment .....	(37,009)	(19,965)	(3,475)	(60,449)
Retirement of bonds, notes, and revenue bonds .....	(11,984)	(27,547)	(3,045)	(42,576)
Interest paid .....	(1,385)	(9,572)	(167)	(11,124)
Other .....	<u>353</u>	<u>-</u>	<u>700</u>	<u>1,053</u>
Net Cash Used for Capital and Related Financing Activities .....	<u>(29,857)</u>	<u>(32,844)</u>	<u>(2,384)</u>	<u>(65,085)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITY:</b>				
Investment income .....	<u>215</u>	<u>232</u>	<u>-</u>	<u>447</u>
Net Increase (Decrease) in Cash and Cash Equivalents .....	(247)	(1,500)	(2,421)	(4,168)
Cash and Cash Equivalents - Beginning .....	<u>27,976</u>	<u>16,005</u>	<u>9,981</u>	<u>53,962</u>
<b>Cash and Cash Equivalents - Ending .....</b>	<b><u>\$ 27,729</u></b>	<b><u>\$ 14,505</u></b>	<b><u>\$ 7,560</u></b>	<b><u>\$ 49,794</u></b>

CITY OF MILWAUKEE  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
FOR THE YEAR ENDED DECEMBER 31, 2018  
*(Thousands of Dollars)*

Exhibit B-3 (Continued)

	Water Works	Sewer Maintenance	Nonmajor Proprietary Funds	Total
Cash and Cash Equivalents at Year-End Consist of:				
Unrestricted Cash .....	\$ 25,175	\$ 1,290	\$ 7,560	\$ 34,025
Restricted Cash .....	<u>2,554</u>	<u>13,215</u>	<u>-</u>	<u>15,769</u>
	<u>\$ 27,729</u>	<u>\$ 14,505</u>	<u>\$ 7,560</u>	<u>\$ 49,794</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:				
Operating income .....	\$ 22,428	\$ 41,293	\$ 13,530	\$ 77,251
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation .....	18,685	8,271	3,035	29,991
Nonoperating income .....	308	-	-	308
Effect of changes in assets, liabilities, deferred inflows and deferred outflows:				
Receivables .....	148	(214)	529	463
Due from other funds .....	(5,273)	1,641	789	(2,843)
Inventories .....	(53)	(113)	-	(166)
Prepaid items .....	26	(1)	-	25
Other assets .....	65	-	-	65
Accounts payable .....	2,287	(388)	(2,517)	(618)
Accrued liabilities .....	-	218	382	600
Compensated absences .....	(59)	(54)	(28)	(141)
Net other postemployment benefits obligation ....	1,738	(203)	(199)	1,336
Net pension liability .....	2,185	(478)	(531)	1,176
Due to other funds .....	-	5,467	5,001	10,468
Deferred pension outflows .....	-	367	113	480
Deferred pension inflows .....	-	890	184	1,074
Deferred OPEB inflows .....	-	789	779	1,568
Net Cash Provided by Operating Activities .....	<u>\$ 42,485</u>	<u>\$ 57,485</u>	<u>\$ 21,067</u>	<u>\$ 121,037</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 \$1,198,469.

During the year, the Sewer Maintenance Fund removed infrastructure assets costing \$1,272,000 with a net value of \$0.

During the year, the Parking Fund added a contibuted parking structure in the amount of \$37,762,000.

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



CITY OF MILWAUKEE  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
 FOR THE YEAR ENDED DECEMBER 31, 2018  
 (Thousands of Dollars)

Exhibit C-2

	<b>Employee Benefit Trusts</b>	<b>Private- Purpose Trusts</b>
<b>Additions</b>		
Contributions:		
Plan members .....	\$ 4,626	\$ -
Private donations .....	-	2,489
Total Contributions .....	4,626	2,489
Investment earnings:		
Net appreciation in fair value of investments, dividends and interest .....	-	65
Total Additions .....	4,626	2,554
<b>Deductions</b>		
Benefits .....	4,376	-
Fees remitted from Trust .....	-	1,157
Other .....	-	364
Total Deductions .....	4,376	1,521
Change in Net Position .....	250	1,033
Net Position - Beginning .....	1,508	3,616
Net Position - Ending .....	<b>\$ 1,758</b>	<b>\$ 4,649</b>

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

CITY OF MILWAUKEE  
**COMBINING STATEMENT OF NET POSITION**  
**COMPONENT UNITS**  
 DECEMBER 31, 2018  
*(Thousands of Dollars)*

Exhibit D-1

	Redevelopment Authority	Neighborhood Improvement Development Corporation	Century City Redevelopment Corporation	Total
<b>ASSETS</b>				
Current Assets:				
Cash and investments.....	\$ 7,201	\$ 1,672	\$ 226	\$ 9,099
Restricted cash and investments .....	80,709	1,106	-	81,815
Receivables (net):				
Accounts .....	68	120	-	188
Notes and loans .....	9,317	164	-	9,481
Accrued interest .....	965	16	-	981
Due from primary government .....	121	-	-	121
Due from other governmental agencies .....	66,433	-	-	66,433
Inventory of property for resale .....	7,364	536	-	7,900
Prepaid items .....	36	-	-	36
	<u>172,214</u>	<u>3,614</u>	<u>226</u>	<u>176,054</u>
Total Noncapital Assets .....				
Capital assets:				
Capital assets not being depreciated:				
Land and land improvements .....	10,593	-	-	10,593
Capital assets being depreciated:				
Buildings .....	75,621	-	-	75,621
Infrastructure .....	333	-	-	333
Improvements other than buildings .....	4,264	-	-	4,264
Machinery and equipment .....	6	-	-	6
Intangible assets.....	565	-	-	565
Accumulated depreciation .....	(24,940)	-	-	(24,940)
	<u>66,442</u>	<u>-</u>	<u>-</u>	<u>66,442</u>
Total Capital Assets, Net of Depreciation				
Total Assets .....	<u>238,656</u>	<u>3,614</u>	<u>226</u>	<u>242,496</u>

CITY OF MILWAUKEE  
**COMBINING STATEMENT OF NET POSITION**  
**COMPONENT UNITS**  
 DECEMBER 31, 2018  
 (Thousands of Dollars)

Exhibit D-1 (Continued)

	Redevelopment Authority	Neighborhood Improvement Development Corporation	Century City Redevelopment Corporation	Total
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>				
Current Liabilities:				
Accounts payable .....	\$ 1,724	\$ 93	\$ 21	\$ 1,838
Accrued expenses .....	1,129	-	-	1,129
Due to other governmental agencies .....	1,632	-	179	1,811
Unearned revenue.....	132	239	-	371
Other liabilities .....	1,958	505	-	2,463
<b>Total Current Liabilities .....</b>	<b><u>6,575</u></b>	<b><u>837</u></b>	<b><u>200</u></b>	<b><u>7,612</u></b>
Due to primary government:				
Due within one year .....	641	51	-	692
Due in more than one year .....	7,933	-	-	7,933
<b>Total Due to Primary Government .....</b>	<b><u>8,574</u></b>	<b><u>51</u></b>	<b><u>-</u></b>	<b><u>8,625</u></b>
Long-term obligations:				
Due within one year .....	4,128	-	-	4,128
Due in more than one year .....	173,082	-	-	173,082
<b>Total Noncurrent Liabilities .....</b>	<b><u>177,210</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>177,210</u></b>
<b>Total Liabilities .....</b>	<b><u>192,359</u></b>	<b><u>888</u></b>	<b><u>200</u></b>	<b><u>193,447</u></b>
<b>NET POSITION</b>				
Net investment in capital assets.....	24,884	-	-	24,884
Restricted .....	11,031	660	-	11,691
Unrestricted .....	10,382	2,066	26	12,474
<b>Total Net Position .....</b>	<b><u>\$ 46,297</u></b>	<b><u>\$ 2,726</u></b>	<b><u>\$ 26</u></b>	<b><u>\$ 49,049</u></b>

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, 2018  
*(Thousands of Dollars)*

Exhibit D-2

		Program Revenues		
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Redevelopment Authority</b>				
Prevention and elimination of blight .....	\$ 22,713	\$ 5,011	\$ 2,162	\$ -
<b>Neighborhood Improvement Development Corp.</b>				
Housing improvements .....	533	195	103	-
<b>Century City Redevelopment Corporation</b>				
Rental income .....	750	356	-	-
Total Component Units .....	\$ 23,996	\$ 5,562	\$ 2,265	\$ -
General revenues:				
Miscellaneous .....				
Total General Revenues .....				
Change in Net Position .....				
Net Position - Beginning.....				
Net Position - Ending .....				

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

<b>Net (Expense) Revenue and Changes in Net Position</b>			
<b>Redevelopment Authority</b>	<b>Neighborhood Improvement Development Corporation</b>	<b>Century City Redevelopment Corporation</b>	<b>Total</b>
\$ (15,540)	\$ -	\$ -	\$ (15,540)
-	(235)	-	(235)
<u>-</u>	<u>-</u>	<u>(394)</u>	<u>(394)</u>
<u>(15,540)</u>	<u>(235)</u>	<u>(394)</u>	<u>(16,169)</u>
<u>6,937</u>	<u>229</u>	<u>9,948</u>	<u>17,114</u>
<u>6,937</u>	<u>229</u>	<u>9,948</u>	<u>17,114</u>
(8,603)	(6)	9,554	945
<u>54,900</u>	<u>2,732</u>	<u>(9,528)</u>	<u>48,104</u>
<b><u>\$ 46,297</u></b>	<b><u>\$ 2,726</u></b>	<b><u>\$ 26</u></b>	<b><u>\$ 49,049</u></b>

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**NOTES  
TO THE  
FINANCIAL  
STATEMENTS**

CITY OF MILWAUKEE  
**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED DECEMBER 31, 2018

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying basic financial statements have been prepared in conformity with U.S. Generally Accepted Accounting Principles (GAAP) 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 unit's 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:

*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.

*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.

*Century City Redevelopment Corporation* - The Century City Redevelopment Corporation (CCRC) is a nonprofit organization created to perform redevelopment activities within the City. CCRC is managed by a Board of Directors made up of members from City government and daily operations are managed by City employees. In 2018, operations of CCRC were discontinued with the remaining cash balance transferred to RACM in 2019.

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

The basic financial statements exclude the accounts of the Housing Authority of the City of Milwaukee (HACM), Milwaukee Economic Development Corporation (MEDC), Employ Milwaukee, Business Improvement Districts, Neighborhood Improvement Districts, Wisconsin Center District, Milwaukee Public Schools, the Milwaukee Metropolitan Sewerage District (MMSD), World Festivals Inc. ("Summerfest") and the Employees' Retirement System of the City of Milwaukee, because these entities do not meet the criteria established by GASB Statements 14, 61, 69 and 80, as component units of the City.

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 are available from its administrative office.

CITY OF MILWAUKEE  
**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED DECEMBER 31, 2018

**Related Organizations**

*Housing Authority of the City of Milwaukee*

The Housing Authority of the City of Milwaukee (HACM) is responsible for the construction and management of safe, affordable, and quality housing with services that enhance residents' self-sufficiency. HACM is governed by a seven-member Board of Commissioners who are appointed by the Mayor and confirmed by the Common Council. The City does not have the ability to remove HACM commissioners at will. HACM determines its own budget, issues debt, and establishes and revises rents or charges without the approval of the City. The City is not legally obligated for any HACM obligations or debt.

*Employ Milwaukee*

Employ Milwaukee (fka Milwaukee Area Workforce Investment Board or MAWIB) was established to provide job training, employment services, and workforce development within Milwaukee County. Employ Milwaukee (the Agency) acts as Milwaukee County's recipient, dispenser, and administrator of funding provided under the Workforce Innovation and Opportunity Act. The City of Milwaukee Mayor is the chief local elected officer responsible for oversight of the Agency. The directors of Employ Milwaukee are appointed by the Mayor. The City is not legally obligated for any Agency obligations or debt nor is the City entitled to access funds of the Agency.

*Business Improvement Districts*

Business Improvement Districts (BIDs) are formed and operated in accordance with Wis. Stat. § 66.1109. BID board members are appointed from the business owners within a district. The City collects special property assessments, in accordance with the BID boards, and returns these assessments to the BIDs to fund their annual operating plans. The City is not legally obligated for any BID obligations or debt.

*Neighborhood Improvement Districts*

Neighborhood Improvement Districts (NIDs) are formed and operated in accordance with Wis. Stat. § 66.1110. NID board members are elected by the residential and commercial property owners within a district. The City collects special property assessments, in accordance with the NID boards, and returns these assessments to the NIDs to fund their annual operating plans. The City is not legally obligated for any NID obligations or debt.

**B. Basis of Presentation**

In June 2015, the GASB issued statement No. 75 – *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. This Standard was implemented January 1, 2018.

**Government-wide Statements.** The government-wide statement of net position 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 non-exchange 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 proprietary funds, each displayed in a separate column. All remaining governmental and proprietary funds are aggregated and reported as nonmajor funds.

CITY OF MILWAUKEE  
**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED DECEMBER 31, 2018

Proprietary fund operating revenues and expenses result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for proprietary 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 non-exchange 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 Service** – 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 receives one-third of all interest on general City and Fund investments. Fund earnings are required to be used for the purpose of public debt retirement. The Public Debt Amortization Fund, governed by Section 67.101 of the Wisconsin Statutes. See Note 7 for further discussion.

**Economic Development Fund** – This fund is used to account for all non-capital TID transactions, including debt service payments. This fund is also used to account for revenues and expenditures related to owner-financed development projects in commercial (Business Improvement Districts) and residential (Neighborhood Improvement Districts) areas

**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.

The City reports the following major proprietary 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, permits 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:

**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 – Measurement Focus**

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 2018 that will be collected in 2019 are recorded as receivable and deferred inflows of resources. Deferred inflows of resources arise 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

CITY OF MILWAUKEE  
**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED DECEMBER 31, 2018

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.

**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 a cash equivalent, since the funds can deposit or effectively withdraw cash at any time without prior notice or penalty.

**E. Investments**

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

Wisconsin Statute Section 66.0603 permits the City to invest funds not immediately needed in any of the following:

- Time deposits in any credit union, bank, savings bank, trust company, or savings and loan association 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, the University of Wisconsin Hospitals and Clinics Authority or the Wisconsin Aerospace 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.

CITY OF MILWAUKEE  
**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED DECEMBER 31, 2018

- 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.

**F. Property Taxes**

Property taxes are recorded as receivables and deferred inflows 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 inflows. 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 receivable are presented net of allowances. The amount of the General Fund allowance as of December 31, 2018 was approximately \$502,000. Accounts receivable are expected to be collected within one year. However, the collection of some receivables may take longer.

Delinquent accounts for business type activities are presented in accounts receivable net of allowances. The amounts of the Water, Sewer, and Nonmajor Proprietary funds allowances as of December 31, 2018 were approximately \$784,000, \$505,000, and \$804,015 respectively.

**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 \$24,624,000 as of December 31, 2018.

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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 inflows in governmental fund financial statements based on an amount estimated to be repaid from the Authority and the Corporation.

**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 therefore inventories are classified as non-spendable in fund balance.

**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 and are classified as non-spendable in fund balance.

**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 replacement 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 are 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	5-100 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	3-40
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 expenditure when the liability is liquidated with expendable available financial resources.

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**O. Compensated Absences**

The liability for compensated absences reported in the government-wide, and proprietary 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.

**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. Debt Premiums, Discounts, and Issuance Costs**

In the government-wide and proprietary fund financial statements, debt premiums and discounts are deferred and amortized over the life of the debt using the effective interest method. Long-term debt payable are reported net of the applicable debt premium or discount. Debt issuance costs are expensed in the current period.

In the fund financial statements, governmental fund types recognize debt premiums and discounts, as well as debt 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 premiums for governmental fund types in the General Obligation Debt Service Fund.

**R. Fund Balance-Governmental Funds**

The fund balances of the governmental funds are classified as follows:

**Nonspendable** – Amounts that cannot be spent either because they are in non-spendable form or because they are legally or contractually required to be maintained intact.

**Restricted** – Amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

**Committed** – Amounts that can be used only for specific purposes determined by a formal action of the City's Common Council. The Common Council is the highest level of decision-making authority for the City. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Common Council.

**Assigned** – Amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. It is the policy of the City that the City Comptroller will have the authority to assign funds intended for a specific purpose but have not received formal approval by the Common Council. The Comptroller records funds as assigned fund balance based on intentions for use of the funds and can redeploy assigned resources to an alternative fund balance category based on intended use of the funds.

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**Unassigned** – All other spendable amounts.

When expenditure is incurred for purposes for which restricted, committed, assigned, or unassigned amounts are available, it is the policy of the City to consider restricted amounts to have been reduced first followed by committed, assigned and then unassigned fund balance unless the order of fund balance usage is dictated by legal, borrowing or other requirements.

**S. Net Position**

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

**Net Investment in Capital Assets** – 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 "Net investment in capital assets."

**T. Interfund Transactions**

The City has the following types of interfund transactions:

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

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

**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 entity-wide proprietary funds, transfers are reported after nonoperating revenues and expenses.

**U. 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.

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**V. Deferred Outflows/Inflows of Resources**

In addition to assets, the Statement of Net Position reports a separate section for Deferred Outflows of Resources. This section represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until that time. The City has two items that qualify for inclusion within this category, both of which are reported in the government-wide statement of net position (Exhibit 1).

- Loss on refunding is a deferred expense resulting from the difference between the carrying value of refunded debt and the refunding debt. The loss is deferred and amortized over the shorter of the life of the refunded or refunding debt.
- Pension deferred outflows are a deferred expense related to: differences between expected and actual experience, the net difference between projected and actual earnings on pension plan investments and changes of assumptions. Deferred outflows due to liabilities are amortized over the average expected service lives of all employees of 3.93 years. Deferred outflows due to the net difference between projected and actual earnings are amortized over 5.00 years.

In addition to liabilities, the Statement of Net Position reports a separate section for Deferred Inflows of Resources. This section represents an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time. The City has five items that qualify for inclusion within this category, all reported in the government-wide statement of net position (Exhibit 1).

- Gain on refunding is a deferred revenue resulting from the difference between the carrying value of refunded debt and the refunding debt. The gain is deferred and amortized over the shorter of the life of the refunded or refunding debt.
- Deferred inflows for grants is the amount of grant funds received prior to meeting the eligibility requirements. This deferred inflow will be recognized as revenue when the funds are spent.
- Subsequent years property taxes is the amount of the current year property tax levy. This deferred inflow is recognized as revenue in the subsequent year.
- Pension deferred inflows are a reduction in pension expense due to: differences between expected and actual experience, the net difference between projected and actual earnings on pension plan investments and changes of assumptions. Deferred inflows due to liabilities are amortized over the average expected service lives of all employees of 3.93 years. Deferred inflows due to the net difference between projected and actual earnings are amortized over 5.00 years.
- OPEB deferred inflows are related to the differences between expected and actual non-investment experience and plan assumption changes. These deferred inflows will be recognized as a reduction to OPEB expense over 6.96 years.

**W. Pension Obligations**

*Plan Description* - The City participates in the Employees' Retirement System of the City of Milwaukee (the "System"), a cost-sharing multiple-employer defined benefit pension plan. The System provides retirement, disability, and death benefits to plan members and beneficiaries.

*Funding Policy* – Plan members are required to contribute, or have contributed on their behalf, a percentage of their annual earnable compensation. The City is required to contribute an actuarial contribution based on separate calculated rates for police officers, firefighters, and general City employees.

*Measurement Focus and Basis of Accounting* – The System is accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. Contributions are recognized in the accounting period in which the underlying earnings, on which the contributions are based, are paid. Benefits and refunds are recognized when due and payable in accordance with the terms of the System. Investment transactions and the related gains and losses are recorded on a trade date basis. Dividend and interest income are accrued as earned. Investments are reported at fair value. See Note 8 for a detailed explanation of pension benefits and the System.

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Employees' Retirement System (ERS) and additions to/deductions from ERS' fiduciary net position have been determined on the same basis as they are reported by ERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

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**X. OPEB Obligations**

*Plan Description* – The City provides a single-employer defined benefit healthcare plan, and life insurance administered by both the City and Milwaukee’s Employees’ Retirement System. There are different premium cost-sharing arrangements depending on employee type, age and date of retirement.

*Funding Policy* – The contribution of plan members and the City are established and may be amended by the City. The required City contribution for medical and life insurance for retirees is based on a pay-as-you-go basis.

*Measurement Focus and Basis of Accounting* – Benefits are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. See Note 8 for a detailed explanation of OPEB benefits.

**Y. New Accounting Pronouncements**

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. This Statement establishes criteria for identifying fiduciary activities and the reporting of such activities. This Statement will be effective for the year end December 31, 2019 financial statements.

In June 2017, the GASB issued Statement No. 87, *Leases*. This Statement requires the recognition of certain lease assets and liabilities for leases that previously were classified as operating leases. This Statement will be effective for the year-end December 31, 2020 financial statements.

In April 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. This Statement requires additional essential information related to debt be disclosed in notes to financial statements. This Statement will be effective for the year-end 2019 financial statements.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. This statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred. This statement will be effective for the year-end 2020 financial statements.

In August 2018, the GASB issued Statement No. 90, *Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 61*. This statement specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government’s holding of the equity interest meets the definition of an investment. This statement will be effective for the year-end 2019 financial statements.

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. This statement clarifies the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required not disclosures. This statement will be effective for the year-end 2021 financial statements.

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**2. DEPOSITS AND INVESTMENTS**

**A. Primary Government**

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

As of December 31, 2018, 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		
<i>(Thousands of Dollars)</i>						
<b>Governmental and Business-type activities:</b>						
<i>Investment type</i>						
Pooled Deposits and Investments .....	\$ 260,878	\$ 215,348	\$ 43,640	\$ 985	\$ 905	see below
Other Deposits .....	90	90	-	-	-	not rated
Segregated Deposits and Investments						
Interest Checking .....	8,669	8,669	-	-	-	not rated
Wisconsin Local Government						
Investment Pool .....	52,397	52,397	-	-	-	not rated
Municipal Bonds .....	19,710	752	2,148	16,810	-	see below
Treasuries (Fiscal Agent) .....	28,351	28,351	-	-	-	not rated
GNMA Bonds .....	2,577	-	-	2,577	-	Aaa
	<u>\$ 372,672</u>	<u>\$ 305,607</u>	<u>\$ 45,788</u>	<u>\$ 20,372</u>	<u>\$ 905</u>	
<b>Fiduciary activities:</b>						
<i>Investment type</i>						
Pooled Deposits and Investments .....	\$ 208,567	\$ 208,567	\$ -	\$ -	\$ -	see below
Segregated Deposits and Investments						
Wisconsin Local Government						
Investment Pool .....	882	882	-	-	-	not rated
	<u>\$ 209,449</u>	<u>\$ 209,449</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	

**Credit Ratings**

The Governmental and Business-type municipal bond holdings of \$19,710,000 were rated by S&P Global as follows: Aaa (33%), Aa1 (12.4%), Aa2 (35.6%), Aa3 (16.8%) and A1 (2.2%).

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**Pooled Deposits and Investments**

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

As of December 31, 2018, the City had the following investments and maturities in the Pool:

	<i>(Thousands of Dollars)</i>					
	Fair Value	Less than 1	1-5	6-10	Greater than 10	Credit Rating
<b>Pooled Deposits and Investments</b>						
Bank Demand Deposits .....	\$ 46,040	\$ 46,040	\$ -	\$ -	\$ -	not rated
Other Deposits .....	712	712	-	-	-	not rated
<b>Deposits and Investments</b>						
Interest Checking .....	125,714	125,714	-	-	-	not rated
Wisconsin Local Government Investment Pool .....	202,270	202,270	-	-	-	not rated
<b>U.S. Bank Investment Portfolio</b>						
Money Market.....	15,600	15,600	-	-	-	not rated
Corporate Bond.....	48,186	10,378	36,823	985	-	see below
U.S. Government Securities.....	996	-	996	-	-	Aaa
FHLB Bond.....	991	-	991	-	-	Aaa
FHLMC Bond.....	884	-	884	-	-	Aaa
FNMA Bond.....	1,971	-	1,971	-	-	Aaa
GNMA Bond.....	905	-	-	-	905	Aaa
Treasury Note.....	22,876	20,901	1,975	-	-	Aaa
Certificates of Deposits .....	2,300	2,300	-	-	-	not rated
	<u>\$ 469,445</u>	<u>\$ 423,915</u>	<u>\$ 43,640</u>	<u>\$ 985</u>	<u>\$ 905</u>	

**Investment Portfolio Ratings**

Corporate bond holdings of \$48,186,000 were rated by Moody's as follows: A1 (26.6%), Aa1 (9.0%), Aa2 (25.2%), Aa3 (23.3%), Aaa (14.5%), and A2 (1.4%).

**Custodial Credit Risk – Deposits**

Deposits in each local area bank are insured by the FDIC in the amount of \$250,000 for time and savings accounts (including NOW accounts) and \$250,000 for demand deposit accounts (interest-bearing and noninterest-bearing). In addition, if deposits are held in an institution outside of the state in which the government is located, insured amounts are further limited to a total of \$250,000 for the combined amount of all deposit accounts.

Bank accounts are also insured by the State Deposit Guarantee Fund in the amount of \$400,000. However, due to the nature of this fund, recovery of material principal losses may not be significant to individual municipalities. This coverage has been considered in computing custodial credit risk.

As of December 31, 2018, none of the City's bank balances was subject to custodial credit risk as they were all insured or collateralized.

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**Interest Rate Risk**

Interest rate risk is the risk that the fair value of the City's investments will decrease as a result of an increase in interest rates. The City's investment policy does not explicitly limit investment maturities. However, the City manages its exposure to interest risk based on the anticipated cash flow needs of the City and limiting the amount of pooled investments to \$68,000,000 with maturities greater than one year.

**Credit Risk**

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

**Fair Value Measurements**

The City uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures.

The City follows an accounting standard that defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs used to measure fair value, and requires expanded disclosures about fair value measurements. In accordance with this standard, the City has categorized its investments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Financial assets and liabilities recorded on the combined statements of financial position are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Financial assets and liabilities are valued using inputs that are unadjusted quoted prices in active markets accessible at the measurement date of identical financial assets and liabilities.

Level 2 – Financial assets and liabilities are valued based on quoted prices for similar assets, or inputs that are observable, either directly or indirectly for substantially the full term through corroboration with observable market data.

Level 3 – Financial assets and liabilities are valued using pricing inputs which are unobservable for the asset, inputs that reflect the reporting entity's own assumptions about the assumptions market participants and would use in pricing the asset.

The City has the following recurring fair value measurements valued using a matrix pricing model (Level 1 inputs) as of December 31, 2018:

1. Pooled deposits and investments of:
  - a. Corporate Bonds of \$30.4 million.
  - b. U.S. Treasury of \$22.9 million.

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The City has the following recurring fair value measurements valued using a matrix pricing model (Level 2 inputs) as of December 31, 2018:

1. Municipal bonds of \$19.7 million.
2. U.S. Treasury securities of \$28.3 million.
3. GNMA of \$2.6 million
4. Pooled deposits and investments of:
  - a. Corporate Bonds of \$17.8 million.
  - b. U.S. Government Securities of \$996 thousand.
  - c. FLHB of \$991 thousand.
  - d. FHLMC of \$884 thousand.
  - e. FNMA bonds of \$2 million.
  - f. GNMA bonds of \$905 thousand.

**B. Component Units**

**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 deposits and investments as of December 31, 2018:

	<b>Investment Maturities (in Years)</b>			<b>Moody's Credit Rating</b>
	<i>(Thousands of Dollars)</i>			
	<b>Fair value</b>	<b>Less than 1</b>	<b>1-5</b>	
<b>Component Units:</b>				
Bank Demand Deposits.....	\$ 12,153	\$ 12,153	\$ -	not rated
Local Government Investment Pool.....	227	227	-	not rated
U.S. Treasury Money Market Fund.....	1,232	1,232	-	Aaa
U.S. Treasury Notes.....	1,712	565	1,147	Aaa
U.S. Agencies.....	1,981	995	986	Aaa
U.S. Government Mortgage .....	59	-	59	Aaa
Municipal Bonds .....	1,134	352	782	Aa3
Corporate Bonds .....	302	180	122	Aa1
Certificates of Deposit.....	1,018	1,018	-	AA
Money Market.....	71,096	71,096	-	N/A
Other.....	-	-	-	not rated
	<u>\$ 90,914</u>	<u>\$ 87,818</u>	<u>\$ 3,096</u>	

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**Custodial Credit Risk**

Deposits in each local area bank are insured by the FDIC in the amount of \$250,000 for time and savings accounts (including NOW accounts) and \$250,000 for demand deposit accounts (interest-bearing and noninterest-bearing). In addition, if deposits are held in an institution outside of the state in which the government is located, insured amounts are further limited to a total of \$250,000 for the combined amount of all deposit accounts.

Bank accounts are also insured by the State Deposit Guarantee Fund in the amount of \$400,000. However, due to the nature of this fund, recovery of material principal losses may not be significant to individual municipalities. This coverage has been considered in computing custodial credit risk.

As of December 31, 2018 Component Unit bank balances exposed to Custodial Credit Risk are as follows:

	<b>Bank Balance</b>	<b>Uninsured and Uncollateralized</b>
	<i>(Thousands of Dollars)</i>	
Redevelopment Authority.....	\$ 11,995	\$ 10,319
Neighborhood Improvement Development Corporation.....	2,593	1,715

As of December 31, 2018 Component Unit investment balances exposed to Custodial Credit Risk are as follows:

	<b>Investment Balance</b>	<b>Uninsured and Uncollateralized</b>
	<i>(Thousands of Dollars)</i>	
Redevelopment Authority.....	\$ 6,420	\$ 5,120

**Fair Value Measurements**

The City uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures.

The City follows the accounting standard that defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs used to measure fair value, and requires expanded disclosures about fair value measurements. In accordance with this standard, the City has categorized its investments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Financial assets and liabilities recorded on the combined statements of financial position are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Financial assets and liabilities are valued using inputs that are unadjusted quoted prices in active markets accessible at the measurement date of identical financial assets and liabilities.

Level 2 – Financial assets and liabilities are valued based on quoted prices for similar assets, or inputs that are observable, either directly or indirectly for substantially the full term through corroboration with observable market data.

Level 3 – Financial assets and liabilities are valued using pricing inputs which are unobservable for the asset, inputs that reflect the reporting entity's own assumptions about the assumptions market participants and would use in pricing the asset.

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The Component Units of City has the following recurring fair value measurements valued using a matrix pricing model (Level 2 inputs) as of December 31, 2018:

1. U.S. Treasury notes of \$1.7 million
2. U.S. Agency bonds of \$2.0 million
3. U.S Government mortgage of \$59 thousand
4. Municipal bonds of \$1.1 million
5. Corporate bonds of \$302 thousand

**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, 2018, delinquent property taxes include delinquent sewer and water charges and special assessments by year levied, tax deeded property, and allowance for uncollectible taxes. These delinquent property taxes are reported as part of taxes receivable in the General Fund and Special Revenue Fund - Delinquent Tax and consist of the following:

	<b>City Levy</b>	<b>Purchased Taxes Receivable</b>	<b>Total</b>
	<i>(Thousands of Dollars)</i>		
2013 and prior .....	\$ 5,805	\$ 983	\$ 6,788
2014 .....	2,937	376	3,313
2015 .....	4,775	630	5,405
2016 .....	7,896	1,052	8,948
2017 .....	<u>18,060</u>	<u>2,463</u>	<u>20,523</u>
Total delinquent property taxes receivable .....	<u>\$ 39,473</u>	<u>\$ 5,504</u>	44,977
Property taxes receivable on foreclosed property .....			45,708
Less: Allow ance for uncollectible taxes .....			<u>(41,163)</u>
Net delinquent property taxes receivable, including tax deeded property.....			<u>\$ 49,522</u>

CITY OF MILWAUKEE  
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**4. CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2018 was as follows:

	Balance 01/01/18*	Additions	Deletions	Balance 12/31/18
		<i>(Thousands of Dollars)</i>		
<b>Governmental activities</b>				
<i>Capital assets not being depreciated:</i>				
Land .....	\$ 165,735	\$ -	\$ 54	\$ 165,681
Construction in progress .....	165,791	36,997	90,738	112,050
Intangible right of ways .....	<u>1,342</u>	<u>-</u>	<u>-</u>	<u>1,342</u>
Total capital assets not being depreciated .....	<u>332,868</u>	<u>36,997</u>	<u>90,792</u>	<u>279,073</u>
<i>Capital assets being depreciated:</i>				
Buildings .....	324,890	54,587	2,645	376,832
Infrastructure.....	1,762,694	84,244	9,544	1,837,394
Improvements other than buildings .....	12,175	-	-	12,175
Machinery and equipment .....	213,173	34,635	8,196	239,612
Intangible softw are.....	<u>11,327</u>	<u>2,603</u>	<u>-</u>	<u>13,930</u>
Total capital assets being depreciated .....	<u>2,324,259</u>	<u>176,069</u>	<u>20,385</u>	<u>2,479,943</u>
Less accumulated depreciation for:				
Buildings .....	127,907	9,719	2,355	135,271
Infrastructure .....	1,097,544	33,762	9,544	1,121,762
Improvements other than buildings .....	10,002	256	-	10,258
Machinery and equipment .....	146,959	12,422	5,805	153,576
Intangible softw are .....	<u>3,319</u>	<u>1,627</u>	<u>-</u>	<u>4,946</u>
Total accumulated depreciation .....	<u>1,385,731</u>	<u>57,786</u>	<u>17,704</u>	<u>1,425,813</u>
Total capital assets being depreciated, net ....	<u>938,528</u>	<u>118,283</u>	<u>2,681</u>	<u>1,054,130</u>
<b>Government activity capital assets, net .....</b>	<b><u>\$ 1,271,396</u></b>	<b><u>\$ 155,280</u></b>	<b><u>\$ 93,473</u></b>	<b><u>\$ 1,333,203</u></b>
Depreciation expense for governmental activities was charged to functions as follows:				
General government .....	\$ 1,682			
Public safety .....	7,709			
Public works .....	47,042			
Health .....	177			
Culture and recreation .....	<u>1,176</u>			
Total .....	<u>\$ 57,786</u>			

\* Beginning balances were restated for expenditures that should have been capitalized. Additionally, beginning Infrastructure of \$37,012 was reclassified to construction in progress. See Note 15 for additional details.

CITY OF MILWAUKEE  
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<b>Business-type activities</b>	<b>Balance 01/01/18*</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance 12/31/18</b>
		<i>(Thousands of Dollars)</i>		
<b>Water Works</b>				
<i>Capital assets not being depreciated:</i>				
Land .....	\$ 1,791	\$ -	\$ -	\$ 1,791
Construction in progress .....	<u>37,618</u>	<u>40,686</u>	<u>36,116</u>	<u>42,188</u>
Total capital assets not being depreciated .....	<u>39,409</u>	<u>40,686</u>	<u>36,116</u>	<u>43,979</u>
<i>Capital assets being depreciated:</i>				
Buildings .....	30,280	869	39	31,110
Infrastructure .....	424,000	24,166	689	447,477
Machinery and equipment .....	268,152	25,856	17,970	276,038
Nonutility property .....	<u>3,917</u>	<u>1</u>	<u>-</u>	<u>3,918</u>
Total capital assets being depreciated .....	<u>726,349</u>	<u>50,892</u>	<u>18,698</u>	<u>758,543</u>
Less accumulated depreciation for:				
Buildings .....	19,984	975	39	20,920
Infrastructure .....	113,640	6,020	689	118,971
Machinery and equipment .....	139,283	11,552	3,056	147,779
Nonutility property .....	<u>1,060</u>	<u>138</u>	<u>-</u>	<u>1,198</u>
Total accumulated depreciation .....	<u>273,967</u>	<u>18,685</u>	<u>3,784</u>	<u>288,868</u>
Total capital assets being depreciated, net ....	<u>452,382</u>	<u>32,207</u>	<u>14,914</u>	<u>469,675</u>
Water Works capital assets, net .....	<u>491,791</u>	<u>72,893</u>	<u>51,030</u>	<u>513,654</u>
<b>Sewer Maintenance</b>				
<i>Capital assets not being depreciated:</i>				
Construction in progress .....	125	-	125	-
Total capital assets not being depreciated .....	<u>125</u>	<u>-</u>	<u>125</u>	<u>-</u>
<i>Capital assets being depreciated:</i>				
Infrastructure .....	710,174	18,798	1,272	727,700
Machinery and equipment .....	<u>6,054</u>	<u>1,033</u>	<u>212</u>	<u>6,875</u>
Total capital assets being depreciated .....	<u>716,228</u>	<u>19,831</u>	<u>1,484</u>	<u>734,575</u>
Less accumulated depreciation for:				
Infrastructure .....	157,687	7,973	1,272	164,388
Machinery and equipment .....	<u>3,746</u>	<u>298</u>	<u>212</u>	<u>3,832</u>
Total accumulated depreciation .....	<u>161,433</u>	<u>8,271</u>	<u>1,484</u>	<u>168,220</u>
Total capital assets being depreciated, net ....	<u>554,795</u>	<u>11,560</u>	<u>-</u>	<u>566,355</u>
Sewer Maintenance capital assets, net .....	<u>554,920</u>	<u>11,560</u>	<u>125</u>	<u>566,355</u>

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	Balance 01/01/18	Additions	Deletions	Balance 12/31/18
		<i>(Thousands of Dollars)</i>		
<b>Other business-type activities:</b>				
<i>Capital assets not being depreciated:</i>				
Land .....	15,530	1,974	43	17,461
Construction in progress .....	<u>6,260</u>	<u>1,952</u>	<u>-</u>	<u>8,212</u>
Total capital assets not being depreciated .....	<u>21,790</u>	<u>3,926</u>	<u>43</u>	<u>25,673</u>
<i>Capital assets being depreciated:</i>				
Buildings .....	65,620	36,453	-	102,073
Infrastructure—port.....	19,933	582	-	20,515
Improvements other than buildings .....	10,970	112	179	10,903
Machinery and equipment .....	<u>15,915</u>	<u>164</u>	<u>152</u>	<u>15,927</u>
Total capital assets being depreciated .....	<u>112,438</u>	<u>37,311</u>	<u>331</u>	<u>149,418</u>
Less accumulated depreciation for:				
Buildings .....	51,401	1,549	-	52,950
Infrastructure—port.....	11,483	340	-	11,823
Improvements other than buildings .....	7,585	223	179	7,629
Machinery and equipment .....	<u>9,833</u>	<u>923</u>	<u>138</u>	<u>10,618</u>
Total accumulated depreciation .....	<u>80,302</u>	<u>3,035</u>	<u>317</u>	<u>83,020</u>
Total capital assets being depreciated, net ....	<u>32,136</u>	<u>34,276</u>	<u>14</u>	<u>66,398</u>
Other business-type activities, net .....	<u>53,926</u>	<u>38,202</u>	<u>57</u>	<u>92,071</u>
<b>Business-type activity capital assets, net .....</b>	<b><u>\$ 1,100,637</u></b>	<b><u>\$ 122,655</u></b>	<b><u>\$ 51,212</u></b>	<b><u>\$ 1,172,080</u></b>
Depreciation expense for business-type activities was charged to functions as follows:				
Water Utility				
Depreciation .....	\$ 18,547			
Depreciation charged to Sanitary Sewer .....	<u>138</u>			
	18,685			
Sewer Maintenance .....	8,271			
Other business-type activities .....	<u>3,035</u>			
Total .....	<u>\$ 29,991</u>			

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	Balance 01/01/18	Additions	Deletions	Balance 12/31/18
		<i>(Thousands of Dollars)</i>		
<b>Component Units</b>				
<i>Capital assets not being depreciated:</i>				
Land .....	\$ 12,200	\$ -	\$ 1,607	\$ 10,593
Total capital assets not being depreciated .....	<u>12,200</u>	<u>-</u>	<u>1,607</u>	<u>10,593</u>
<i>Capital assets being depreciated:</i>				
Buildings .....	85,786	-	10,165	75,621
Infrastructure .....	333	-	-	333
Improvements other than buildings .....	4,264	-	-	4,264
Machinery and equipment .....	159	-	153	6
Intangibles.....	<u>565</u>	<u>-</u>	<u>-</u>	<u>565</u>
Total capital assets being depreciated .....	<u>91,107</u>	<u>-</u>	<u>10,318</u>	<u>80,789</u>
Less accumulated depreciation for:				
Buildings .....	22,515	1,894	2,098	22,311
Infrastructure .....	135	15	-	150
Improvements other than buildings .....	1,762	289	-	2,051
Machinery and equipment .....	101	-	95	6
Intangibles.....	<u>366</u>	<u>56</u>	<u>-</u>	<u>422</u>
Total accumulated depreciation .....	<u>24,879</u>	<u>2,254</u>	<u>2,193</u>	<u>24,940</u>
Total capital assets being depreciated, net.....	<u>66,228</u>	<u>(2,254)</u>	<u>8,125</u>	<u>55,849</u>
<b>Component units capital assets, net .....</b>	<u><u>\$ 78,428</u></u>	<u><u>\$ (2,254)</u></u>	<u><u>\$ 9,732</u></u>	<u><u>\$ 66,442</u></u>

CITY OF MILWAUKEE  
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**5. DEFERRED INFLOWS OF RESOURCES**

Unavailable 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 balances in the governmental funds as of December 31, 2018 is as follows:

	General	General Obligation Debt Service	Economic Development	Capital Projects	Nonmajor Governmental Funds	Total
	<i>(Thousands of Dollars)</i>					
Subsequent years property taxes .....	\$ 211,323	\$ 68,558	\$ 43,439	\$ 8,014	\$ -	\$ 331,334
Delinquent property taxes .....	7,506	-	-	-	7,852	15,358
Unavailable grant revenue .....	-	-	-	19,656	2,439	22,095
Long-term receivables .....	86	60,055	8,502	-	-	68,643
Unbilled special assessments .....	-	-	-	6,829	-	6,829
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total .....	<u>\$ 218,915</u>	<u>\$ 128,613</u>	<u>\$ 51,941</u>	<u>\$ 34,499</u>	<u>\$ 10,291</u>	<u>\$ 444,259</u>

**6. SHORT-TERM DEBT**

During 2018, the City issued and repaid \$110,000,000 of Revenue Anticipation Notes, Series 2018 R3 (R3 Notes). The R3 Notes bear an interest rate of 4% and mature on May 16, 2019. The R3 Notes were issued to finance the City's operating budget on an interim basis pending receipt of State of Wisconsin shared revenue payments due in November 2018. On December 27, 2018, the R3 Notes were defeased.

As of December 31, 2018, the City had outstanding \$180,000,000 of short-term Revenue Anticipation Notes (RANs) on behalf of Milwaukee Public Schools. In 2018, the City repaid the outstanding balance and issued \$180,000,000 short-term RANs for the same purpose. The new notes of \$180,000,000 (2018 M10) bear an interest rate of 4.00% and mature on September 30, 2019. The liability and related receivable to repay the revenue anticipation notes are recorded in the General Obligation Debt Service Fund.

Following is a summary of the Revenue Anticipation Notes activity (in thousands) during 2018:

Balance 01/01/18	Additions	Deletions	Balance 12/31/18
<u>\$ 180,000</u>	<u>\$ 290,000</u>	<u>\$ 290,000</u>	<u>\$ 180,000</u>

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

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

Changes in long-term obligations for the year ended December 31, 2018 were as follows:

	Balance 01/01/18*	Additions	Deductions	Balance 12/31/18	Amounts Due within One Year
	<i>(Thousands of Dollars)</i>				
<b>Governmental activities:</b>					
General obligation bonds and notes					
City .....	\$ 872,285	\$ 273,109	\$ 214,690	\$ 930,704	\$ 109,646
Milwaukee Public Schools .....	70,045	51,053	56,879	64,219	5,105
Unamortized premiums .....	64,140	31,626	20,495	75,271	-
Compensated absences .....	46,944	30,313	30,559	46,698	30,436
Total other postemployment benefits liability .....	1,148,837	84,972	99,449	1,134,360	-
Net pension liability .....	339,551	263,550	310,596	292,505	-
Claims and judgments .....	32,222	12,312	2,204	42,330	1,589
Total governmental activities .....	<u>\$2,574,024</u>	<u>\$ 746,935</u>	<u>\$ 734,872</u>	<u>\$2,586,087</u>	<u>\$ 146,776</u>
<b>Business-type activities</b>					
<b>Water Works</b>					
General obligation bonds and notes .....	\$ 7,486	\$ 10,400	\$ 8,857	\$ 9,029	\$ 3,258
Unamortized premiums .....	341	-	31	310	-
State loans .....	33,506	9,769	2,692	40,583	1,971
Revenue bonds .....	9,560	-	435	9,125	440
Compensated absences .....	2,108	1,333	1,453	1,988	1,988
Total other postemployment benefits liability .....	47,621	3,522	4,122	47,021	-
Net pension liability .....	7,961	5,590	6,982	6,569	-
Total Water Works .....	<u>108,583</u>	<u>30,614</u>	<u>24,572</u>	<u>114,625</u>	<u>7,657</u>
<b>Sewer Maintenance</b>					
General obligation bonds and notes .....	16,712	5,100	11,904	9,908	404
State loans .....	114,308	19,140	7,788	125,660	8,029
Revenue bonds .....	157,090	-	7,855	149,235	8,245
Unamortized premiums .....	12,796	-	1,486	11,310	-
Compensated absences .....	584	329	384	529	529
Total other postemployment benefits liability .....	16,071	1,188	1,391	15,868	-
Net pension liability .....	2,833	2,014	2,492	2,355	-
Total Sewer Maintenance .....	<u>320,394</u>	<u>27,771</u>	<u>33,300</u>	<u>314,865</u>	<u>17,207</u>
<b>Other Proprietary Funds</b>					
General obligation bonds and notes .....	14,677	3,603	3,045	15,235	1,687
Compensated absences .....	552	379	407	524	524
Total other postemployment benefits liability .....	15,877	1,174	1,373	15,678	-
Net pension liability .....	2,685	1,749	2,280	2,154	-
Total Other Proprietary .....	<u>33,791</u>	<u>6,905</u>	<u>7,105</u>	<u>33,591</u>	<u>2,211</u>
Total business-type activities .....	<u>\$ 462,768</u>	<u>\$ 65,290</u>	<u>\$ 64,977</u>	<u>\$ 463,081</u>	<u>\$ 27,075</u>

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	Balance 01/01/18	Additions	Deductions	Balance 12/31/18	Amounts Due within One Year
<i>(Thousands of Dollars)</i>					
<b>Component Units</b>					
Revenue bonds .....	\$ 172,363	\$ -	\$ 2,310	\$ 170,053	\$ 3,520
Unamortized premiums.....	6,987	-	770	6,217	608
Notes payable .....	18,850	-	18,850	-	-
Environmental remediation liability.....	1,639	-	699	940	-
Total other postemployment benefits liability .....	669	-	669	-	-
Net pension liability (asset).....	398	-	398	-	-
Total component units .....	<u>\$ 200,906</u>	<u>\$ -</u>	<u>\$ 23,696</u>	<u>\$ 177,210</u>	<u>\$ 4,128</u>

\* Beginning balances were restated for the implementation of GASB Statement No. 75 and the reallocation of terminal leave. See Note 15 for additional details.

**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 Proprietary Funds) will be retired by revenues from those operations or, if the revenues are not sufficient, by future tax levies.

As of December 31, 2018, the City general obligation bonds totaled \$389,865,000 of which \$324,466,666 is for Capital Improvements, \$50,696,399 for schools and \$14,701,935 for business-type activities. The interest rates are between 1.18% and 5.50% with a final maturity date of April 1, 2034.

During the year ended December 31, 2018, general obligation bonds totaling \$32,640,000 were issued of which \$31,904,500 was issued to finance capital improvements, and \$735,500 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.

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, under the School's 2% debt limit, to finance purchases of school sites and to construct or remodel school buildings, and without referendum for certain pension obligations. As of December 31, 2018, there was \$7,928,962 of debt outstanding. There is also \$50,696,399 of debt for school purposes issued under the City's 5% debt limit. 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, 2018, the historical costs of the land and buildings as reported by Milwaukee Public Schools were approximately \$1,188,000,000. These assets are excluded from the financial statements of the City.

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As of December 31, 2018, \$114,445,787 is outstanding for Tax Incremental District purposes. Total remaining debt service requirements associated with the debt is \$144,852,258. 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.

**C. Revenue Bonds and State Loans**

The City issues revenue bonds and State loans to provide funds for water and sewer improvements. The revenue bonds do not have a General Obligation pledge of the City. The revenue bonds and State loans will be repaid from revenues of the Sewer Maintenance and Water Works Proprietary Funds.

As of December 31, 2018, the City has State loans totaling \$166,243,485 of which \$125,660,171 is for Sewer and \$40,583,314 is for Water. The interest rates are between 1.54% and 2.89% and the final maturity date is May 1, 2038.

As of December 31, 2018, the City has Revenue Bonds totaling \$158,360,000 of which \$149,235,000 is for Sewer and \$9,125,000 is for Water. The interest rates are between 2.50% and 5.00% and the final maturity date is June 1, 2036.

During 2018, the City received loans from the State's Clean Water Fund and Safe Drinking Water Loan Programs totaling \$27,317,502 of which \$18,390,534 is for Sewer and \$9,768,521 is for Water.

**D. Notes Payable**

The City issues General Obligation notes to provide funds for various public improvement projects, general City financing, and purchases of delinquent taxes.

As of December 31, 2018, the City had notes totaling \$639,230,000 of which \$472,425,927 is for Capital Improvements, \$13,522,252 for schools, \$19,469,460 for business-type activities, \$61,654,410 for the purchase of delinquent taxes and \$72,157,951 for general City. The interest rates are between 2.00% and 5.00% with a final maturity date of April 1, 2028.

As of December 31, 2018, the City had notes totaling \$13,522,252 for school purposes, issued under the City's 5% debt limit.

As of December 31, 2018, \$102,418,547 is outstanding for Tax Incremental District purposes. Total remaining debt service requirements associated with the debt is \$119,767,437.

During the year ended December 31, 2018, General Obligation notes totaling \$246,330,000 were issued, of which \$146,648,220 was issued to finance capital improvements, \$66,617,000 for general City, \$1,052,700 for schools, \$10,368,080 for business-type activities and \$21,644,000 to purchase 2017 delinquent taxes.

**E. Loans**

As of December 31, 2018, the City had two outstanding revolving loan agreements (RLAs) with U.S. Bank National Association. A line of credit (LOC) with JP Morgan Chase Bank, National Association was paid off prior to its maturity on December 7, 2018. The RLAs are secured by a General Obligation pledge of the City and may be drawn upon at any time for any public purpose. It is the intention of the City to pay off an RLA by its maturity date. However, if not paid by the maturity date, the RLA enters an amortization period with the principal due on the first business day of the 18th month following the maturity date

The interest rates on the two U.S. Bank RLAs are tied to indexes which are reset monthly. The maximum available amounts, maturity dates, and indexes are as follows:

Amount	Maturity Date	Index
\$80,000,000	November 15, 2019	SIFMA
\$40,000,000	June 14, 2019	LIBOR

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During 2018, \$111.3 million was drawn on the Loans for the following purposes:

<b>Loan Draws</b>	
<i>(Thousands of Dollars)</i>	
<b>Purpose</b>	<b>Amount</b>
Refund debt	\$ 13,300
Capital expenditures	48,000
Schools cash flow	50,000
	<u>\$ 111,300</u>

Following is a summary of Loan activity, which is included in the Notes payable and long-term obligation table in footnote 7(a) above:

<b>Loans</b>			
<i>(Thousands of Dollars)</i>			
<b>Balance</b>			<b>Balance</b>
<b>01/01/18</b>	<b>Additions</b>	<b>Deletions</b>	<b>12/31/18</b>
<u>\$ 58,000</u>	<u>111,300</u>	<u>122,300</u>	<u>\$ 47,000</u>

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

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

Year	General Obligation Debt		Revenue Bonds Payable		Total Debt Service
	Principal	Interest	Principal	Interest	
	<i>(Thousands of Dollars)</i>				
<b>Governmental activities</b>					
2019.....	\$ 114,751	\$ 42,701	\$ -	\$ -	\$ 157,452
2020 .....	105,265	39,213	-	-	144,478
2021 .....	122,814	32,632	-	-	155,446
2022 .....	78,214	26,302	-	-	104,516
2023 .....	135,957	21,310	-	-	157,267
2024-2028.....	335,716	52,043	-	-	387,759
2029-2033.....	101,688	7,240	-	-	108,928
2034.....	518	8	-	-	526
Total .....	<u>\$ 994,923</u>	<u>\$ 221,449</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,216,372</u>
<b>Business-type activities</b>					
<b>Water Works</b>					
2019.....	\$ 3,258	\$ 316	\$ 2,411	\$ 1,047	\$ 7,032
2020 .....	835	267	2,451	1,000	4,553
2021 .....	835	226	2,492	953	4,506
2022 .....	836	184	2,533	905	4,458
2023 .....	835	142	2,575	850	4,402
2024-2028.....	2,430	179	13,561	3,329	19,499
2029-2033.....	-	-	14,857	1,797	16,654
2034-2038.....	-	-	8,828	346	9,174
Total .....	<u>\$ 9,029</u>	<u>\$ 1,314</u>	<u>\$ 49,708</u>	<u>\$ 10,227</u>	<u>\$ 70,278</u>
<b>Business-type activities</b>					
<b>Sewer Maintenance</b>					
2019.....	\$ 404	\$ 696	\$ 16,274	\$ 8,874	\$ 26,248
2020 .....	504	826	16,866	8,263	26,459
2021 .....	5,800	553	17,482	7,626	31,461
2022 .....	800	140	17,717	6,973	25,630
2023 .....	800	100	18,362	6,304	25,566
2024-2028.....	1,600	80	87,370	22,419	111,469
2029-2033.....	-	-	72,446	8,903	81,349
2034-2037.....	-	-	28,378	1,138	29,516
Total .....	<u>\$ 9,908</u>	<u>\$ 2,395</u>	<u>\$ 274,895</u>	<u>\$ 70,500</u>	<u>\$ 357,698</u>

CITY OF MILWAUKEE  
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Year	General Obligation Debt		Revenue Bonds Payable		Total Debt Service
	Principal	Interest	Principal	Interest	
<i>(Thousands of Dollars)</i>					
<b>Other Proprietary</b>					
2019.....	\$ 1,687	\$ 675	\$ -	\$ -	\$ 2,362
2020 .....	2,616	653	-	-	3,269
2021 .....	1,531	436	-	-	1,967
2022 .....	1,485	367	-	-	1,852
2023 .....	1,383	300	-	-	1,683
2024-2028.....	4,889	741	-	-	5,630
2029-2033.....	1,552	114	-	-	1,666
2034.....	92	2	-	-	94
Total .....	<u>\$ 15,235</u>	<u>\$ 3,288</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,523</u>
<b>Total Component Units</b>					
2019.....	\$ -	\$ -	\$ 3,520	\$ 5,979	\$ 9,499
2020 .....	-	-	3,685	5,864	9,549
2021 .....	-	-	3,860	5,734	9,594
2022 .....	-	-	4,050	5,596	9,646
2023 .....	-	-	5,750	5,420	11,170
2024-2028.....	-	-	44,468	24,097	68,565
2029-2033.....	-	-	47,835	17,954	65,789
2034-2038.....	-	-	18,885	11,237	30,122
2039-2041.....	-	-	38,000	4,905	42,905
Total .....	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 170,053</u>	<u>\$ 86,786</u>	<u>\$ 256,839</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, 2018, the City's legal debt margin was \$1,006,675,000. Of this amount, \$538,077,000 was for school purposes and \$468,598,000 was for City purposes.

**H. Refinancing**

During 2018, the City refinanced \$73,866,553 of General Obligation Debt with Promissory Notes, Series 2018 N4 in the amount of \$39,481,568, Corporate Purpose Bonds, Series 2018 B5 in the amount of \$13,343,432, State loans for Water in the amount of \$8,041,553, State Loans for Sewer in the amount of \$6,000,000 and a draw on the Line of Credit in the amount of \$7,000,000. These issues provided long-term financing for interim debt of \$67,541,553 and reduced the interest cost of long-term debt in the principal amount of \$6,325,000 realizing a net present value savings of \$364,964.

**I. Conduit Debt**

Occasionally, 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, 2018 is approximately \$3,010,000 for the City and \$327,000,000 for RACM.

CITY OF MILWAUKEE  
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## 8. RETIREMENT PLANS

**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, 789 North Water Street, Suite 300, Milwaukee, WI 53202, or may be found by visiting ERS' website [www.cmers.com](http://www.cmers.com), by clicking on "Library" and then "Reports".

In March of 2018, all Redevelopment Authority of the City of Milwaukee (RACM) employees were transferred to City employment. These RACM employees (8 active and 4 retirees) were included in the actuarial analysis of the City's pension obligation and were incorporated with the City's pension-related activity.

**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%, for general City employees enrolled prior to January 1, 2014, 4% for general City employees enrolled on or after January 1, 2014, 7% for police officers, firefighters, 7% for elected officials enrolled prior to January 1, 2014, and 4% for elected officials enrolled on or after January 1, 2014. The City Charter assigns the authority to establish and amend contribution requirements. The City Charter was amended so that various groups of represented and non-represented City employees hired on or after January 1, 2010 contribute a percentage of their earnable compensation for pension benefits as described above. A general City employee who enrolls as a member in the Employees' Retirement System on or after January 1, 2014 has the following: a minimum service retirement age of 65 and a service retirement allowance equal to 1.6% of the members final average salary times the total number of years of all creditable service; eligibility for a service retirement allowance when attaining the age of 60 years and the completion of 30 years of creditable service. Additionally, they are eligible for a pension escalator of 2% annually after the fifth anniversary of their service retirement, with spouse survivors of service retirees also eligible for the escalator. All new city employees enrolled on or after January 1, 2014, are required to contribute 4% of their earnable compensation to the retirement system. Total contributions to the System for the plan year 2018 was \$90,105,000, equal to the required contributions on behalf of the plan members for the year. Total contributions for the years ended December 31, 2017 and 2016 were \$62,184,000 and \$67,149,000 respectively, equal to the required contribution for each year. In 2013 the funding policy changed and the City went to a "stable contribution" policy. The actuarial contribution shall be based on separate calculated rates for police officers, firefighters and general City employees and shall be applicable for a 5-year period. The actuary shall, consistent with actuarial standards of practice, set the actuarial contribution rate at a percentage of covered compensation sufficient to fund the entire amount of the employers' share of the normal cost, and to amortize any unfunded past service liability.

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**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

**Long-term Expected Return on Plan Assets** –The long-term expected rate of return on pension plan investments was determined using Callan Associates’ 10-year geometric capital market projections. Projected long-term rates of return for each major asset class in the Retirement System’s target asset allocation as of December 31, 2017, are summarized in the following table:

**Asset Allocation Policy and Expected Return**

<u>Asset Class</u>	<u>Policy</u>	<u>Actual</u>	<u>Long-term Expected Rate of Return</u>
Public Equity.....	55.0%	56.0%	8.25%
Fixed Income .....	21.0%	19.6%	1.83%
Cash.....	1.0%	0.2%	0.94%
Real Estate.....	7.0%	6.3%	6.91%
Real Assets.....	3.0%	3.3%	5.38%
Private Equity.....	5.0%	5.8%	12.54%
Absolute Return.....	8.0%	8.8%	4.66%
	<u>100.0%</u>	<u>100.0%</u>	

**Rate of Return** – For the year ended December 31, 2017, the annual money-weighted rate of return, net of investment expense was 16.41%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**Actuarial Assumptions** – The last actuarial valuation was performed as of January 1, 2017, and the amounts were used to roll-forward the total pension liability to the plan’s year-end December 31, 2017, and was determined using the following actuarial assumptions, applied to all prior periods included in the measurement:

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<b>Actuarial Assumptions</b>	
Actuarial Valuation Date	January 1, 2017
Measurement Date of Net Pension Liability	December 31, 2017
Amortization Method	For pension expense; the difference between expected and actual liability experience and changes of assumptions are amortized over the average of the expected remaining service lives of all members. The differences between projected and actual earnings are amortized over a closed period of five years.
Actuarial Cost Method:	Entry Age Normal - Level Percentage Pay
Asset Valuation Method	Market Value
Actuarial Assumptions:	
Investment Rate of Return:	8.00% for calendar years through 2022, and 8.25% beginning with calendar year 2023.
Discount Rate:	8.24%
Projected Salary Increases	General City 2.5% - 5.5%
	Police & Fire 4.0% - 13.4%
Inflation Assumption:	2.50%
Cost of Living Adjustments	Vary by Employee Group as explained in summary of plan provisions.
Mortality Table	For regular retirees and for survivors, the RP-2014 Healthy Annuitant Mortality Table (using 111% of rates for males and 110% of rates for females) projected generationally with Scale MP-2016. For duty and ordinary disability retirees, the RP-2014 Disability Mortality Table (using 102% of rates for males and 98% of rates for females) projected generationally with Scale MP-2016 was used. For death in active service, the RP-2014 Non-annuitant Mortality Table projected generationally with Scale MP-2016.
Experience Study	The actuarial assumptions used in December 31, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2012 - December 31, 2016.

**Net Pension Liability** – The components of the City’s pension liability as of December 31, 2018, were as follows:

<b>Net Pension Liability</b>	
<i>(Thousands of Dollars)</i>	
	<b>Total</b>
Total pension liability.....	\$ 4,822,647
Plan fiduciary net position.....	<u>(4,519,064)</u>
Net pension liability.....	<u>\$ 303,583</u>
Plan fiduciary net position as a percentage of total pension liability..	93.70%
Covered employee payroll.....	\$ 482,261
Net pension liability as a percentage of covered employee payroll.....	62.82%

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**Discount Rate** - The discount rate used to measure the total pension liability was 8.24 percent. The projection of cash flows used to determine the discount rate assumed that contribution from plan members will be made at the current contribution rate and that contributions from ERS agencies will be made at contractually required rates, actuarially determined. Based on those assumptions, the ERS' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. The cross over analysis produces a single rate of 8.24 percent, which reflects the long-term expected rate of return on ERS investments. Therefore, the discount rate was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the net pension liability to changes in the discount rate** – The following presents the City's net pension liability (asset) calculated using the discount rate of 8.24%, as well as what the City's net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (7.24%) or 1-percentage-point higher (9.24%) than the current rate:

	1% Decrease to Discount Rate 7.24%	Current Discount Rate 8.24%	1% Increase to Discount Rate 9.24%
<i>(Thousands of Dollars)</i>			
City's net pension liability (asset).....	\$ 856,526	\$ 303,583	\$ (156,178)

**Sensitivity of the annual contribution to changes in the discount rate** – The following presents the annual City contribution using the discount rate of 8.24%, as well as what the City's annual contribution would be if it were calculated using a discount rate that is 1-percentage-point lower (7.24%) or 1-percentage-point higher (9.24%) than the current rate:

	1% Decrease to Discount Rate 7.24%	Current Discount Rate 8.24%	1% Increase to Discount Rate 9.24%
<i>(Thousands of Dollars)</i>			
City's annual contribution.....	\$ 119,244	\$ 68,785	\$ 22,667

**Schedule of Employer Allocations** – The Employer Allocation Percentage is based on the employers required contribution compared to the required contribution for all employers. The Employer Allocation Percentage is rounded to seven decimal places. The City's 2017 actuarial employer contribution was \$74.884 million and the employer allocation percentage was 83.736%.

**Schedule of Pension Amounts** – The employer's proportionate share of the Collective Net Pension Liability, Deferred Outflows of Resources, Deferred Inflows of Resources, and Total Employer Pension Expense (Income) is based on the Employer Allocation Percentage. The City's proportionate share of Collective net pension liability, deferred outflows/inflows and pension expense was 83.736%.

The Deferred Inflows and Outflows of Resources due to liabilities are amortized over the Average Expected Service Lives of all Employees of 3.93 years. The Collective Deferred Inflows and Outflows of Resources due to the net difference between projected and actual earnings on pension plan investments are amortized over 5.00 years.

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The City's total Deferred Inflows and Outflows of Resources, to be recognized in the Future Pension Expense, are as follows:

**Total Future Deferred Inflows/Outflows**

	<b>Outflows of Resources</b>	<b>Inflows of Resources</b>	<b>Net Outflows of Resources</b>
<i>(Thousands of Dollars)</i>			
Differences between expected and actual experience.....	\$ 41,923	\$ (11,497)	\$ 30,426
Changes in assumptions.....	152,948	(1,245)	151,703
Current year contributions to be deferred.....	91,468	-	91,468
Prior year contributions.....	(60,484)		(60,484)
Net differences between projected and actual earnings on pension plan investments.....	-	(117,709)	(117,709)
Changes in proportion and differences between employer contributions and proportionate share of contributions....	<u>3,289</u>	<u>(2,338)</u>	<u>951</u>
Total.....	<u>\$ 229,144</u>	<u>\$ (132,789)</u>	<u>\$ 96,355</u>

The City's Deferred Outflows and Inflows of Resources to be recognized in the Future Pension Expense, by year, are as follows:

**Annual Future Deferred Inflows/Outflows**

<b>Year Ended December 31:</b>	<b>Net Deferred Outflows of Resources</b>
<i>(Thousands of Dollars)</i>	
2019	\$ 117,430
2020	85,834
2021	(7,685)
2022	<u>(99,224)</u>
Total	<u>\$ 96,355</u>

CITY OF MILWAUKEE  
**NOTES TO THE FINANCIAL STATEMENTS**  
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The City's pension expense was determined as follows:

<b>Calculation of Pension Expense</b>	<b>Total</b>
<i>(Thousands of Dollars)</i>	
Service Cost.....	\$ 65,048
Interest cost on total pension liability.....	362,851
Projected earnings on plan investments.....	(320,877)
Contributions - Member.....	(27,209)
Administrative Expense.....	7,232
Recognition of net deferred outflow s (inflow s).....	
Changes in assumptions.....	52,202
Differences between expected and actual liability experience.....	14,309
Difference between projected and actual earnings.....	(66,341)
Prior years' deferred outflow s.....	87,695
Prior years' deferred inflow s.....	(9,354)
Other changes in fiduciary net position.....	293
<b>Total Pension Expense.....</b>	<b>\$ 165,849</b>

**Other Postemployment Benefits**

The City provides other post-employment benefits (OPEB) to its retirees for health and life insurance. During 2018, the City implemented GASB 75 which requires recognizing a liability equal to total unfunded OPEB liability (total OPEB liability or TOL). The January 1, 2018 OPEB liability was restated, with a corresponding adjustment to beginning net position, to record the actuarially determined NOL, as required by GASB 75.

In March of 2018, all Redevelopment Authority of the City of Milwaukee (RACM) employees were transferred to City employment. These RACM employees (8 active and 4 retirees) were included in the actuarial analysis of the City's OPEB obligation and are combined with the City's OPEB balances.

**Plan Description** - The City provides a single-employer defined benefit healthcare plan and life insurance administered by both the City and Milwaukee's Employees' Retirement System (ERS). The City provides medical and COBRA dental 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.

Retiree eligibility for full health insurance coverage varies by employee group, but can be summarized as follows:

**General Employees:** Employees hired prior to January 1, 2017, in general, are eligible when they retire through the ERS with a minimum of 15 years of creditable service with the City. Furthermore, if they retire on a service retirement they are eligible for an 88% subsidy until they attain age 65. Certain other groups of General employees are eligible, but pay a variety of rates depending upon their group affiliation at the time of retirement, service credit, age, and type of retirement – the subsidy for these may range from 100% to 25% until age 65. Almost all retirees get a 25% subsidy once they attain Medicare age (65 years). Service retirement for General employees enrolled prior to January 1, 2014 is age 60 or age 55 with 30 years of creditable service; for those enrolled on/after January 1, 2014 is age 65 or age 60 with 30 years of creditable service.

**Fire and Police:** In general, protective service sworn employees are eligible when they retire on a service retirement through the ERS with a minimum of 15 years of creditable service. The amount they pay is part of their collective bargaining agreement with the subsidy ranging from 100% to 65% until age 65, and varies with the type of employee group they belonged to and their sick leave balance at the time of retirement. Almost all retirees get a 25% subsidy once they attain Medicare age (65 years). Service retirement for Fire enrolled prior to July 30, 2016 is age 57 or age 49 with 22 years of service; for those enrolled on or after July 30, 2016 is age 57 or age 52 with 25 years of creditable Fire service. Service retirement for Police enrolled prior to December

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20, 2015 is age 57 or 25 years of creditable service; for those enrolled on/after December 20, 2015 is age 57 or age 50 with 25 years of creditable Police service.

Disability: Slightly different eligibility criteria apply for employees who retire on an ordinary or duty disability and their subsidy is different from regular service retirees.

In addition to medical insurance, before 2014 the City allowed 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 covered under the City's Life Insurance plan until December 31, 2013 was 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 after 2013 must have purchased before retirement at least 50% of their annual base salary in voluntary life insurance coverage to be able to continue their enrollment in the City's General Life Insurance program. Premiums are paid at age-banded rates that are in effect at that time. Employees maintaining a minimum of 50% of their annual base salary at the time of retirement in voluntary coverage until age 65, upon attaining age 65, have \$10,000 of coverage paid for by the City.

In general, General City employees retiring on a service retirement prior to 2014 were eligible to continue coverage at the level on the date prior to their date of retirement. Firefighters and Police retiring on a service 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.

Furthermore, as part of recent collective bargaining agreements, Fire and Police employees (except MPSO) now follow the same life insurance plan design as General employees – they must have purchased before retirement at least 50% of their annual base salary in voluntary life insurance coverage to be able to continue their enrollment in the City's General Life Insurance program. Premiums are paid at age-banded rates that are in effect at that time. Employees maintaining a minimum of 50% of their annual base salary at the time of retirement in voluntary coverage until age 65, upon attaining age 65, have \$10,000 of coverage paid for by the City.

The rates established are group rates applied consistently to all employees, without regard to age or health. Upon reaching the age of 65, those retirees still part of the group life plan have their coverage reduced in accordance with the reduction schedule in effect on their last day physically at work. For certain groups of retirees, the City may assume all future premiums or only the cost of the \$10,000 of coverage, depending upon the retirement date and reduction schedule in effect on their last day at work.

**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 2018, the City paid approximately \$33,477,056 and \$2,440,545, respectively, toward medical and life insurance for retirees.

**Actuarial Assumptions** – The last actuarial valuation was performed as of January 1, 2017, projected to measurement dates of December 31, 2017, and December 31, 2018, using the applicable discount rate required under GASB Statement No. 75 and determined using the following actuarial assumptions.

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<b>Methods and Assumptions Used to Determine OPEB Actuarial Liability and Contributions</b>	
Actuarial Valuation Date	January 1, 2017
Measurement Date of Net Pension Liability	December 31, 2018
Plan Fiscal Year End	December 31, 2018
Actuarial Cost Method	Entry Age Normal
Contribution Policy	Pay-as-you-go costs
Asset Valuation Method:	No Assets (pay-as-you-go)
Actuarial Assumptions:	
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition.
Discount Rate	3.31% as of December 31, 2017; 3.71% as of December 31, 2018
Projected Salary Increases	For general employees, salary increase rates start at 6.9% at age 25 and decrease steadily to 3.0% at age 50. For public safety employees, salary increases start at 10.5% at age 25 and decrease steadily to 3.0% at age 55.
Wage Inflation	3.00%
Healthcare Cost Trend Rates	Plan year 2018 trend rates were based on actual premium and were equal to -6.0% for pre-Medicare benefits and 6.6% for post-Medicare benefits. Pre-Medicare trend rates are 8.0% for 2019 and grade down in 0.50% increments to an ultimate trend rates of 4.50% in 2026. Post-Medicare trend rates are 9.5% for 2019 and grade down in 0.50% increments to an ultimate trend rates of 4.50% in 2029. Effective in 2022, pre-Medicare/post-Medicare excess trend of 0.39%/0.00% for the PPO Plan and 0.43%/0.10% for the EPO Plan are applied to the base trend healthcare rates to account for the Excise Tax under the Healthcare Reform Act.
Mortality Table	For regular retirees and for survivors, the RP-2000 Combined Mortality Table with mortality improvements projected to the year 2009 for the actuarial valuation as of January 1, 2017, for males and females. For death in active service, the RP-2000 Combined Mortality Table with mortality improvements projected to the year 2009 for the actuarial valuation as of January 1, 2017, for males and females, then a 6-year setback for males and females. For purposes of the retiree healthcare valuation, the mortality assumption for disabled retirees is the assumption for regular retirees and survivors with a 3-year set forward to the mortality rates.
Aging Factors	Based on the 2013 SOA Study "Health Care Costs - From Birth to Death"
Expenses	Health administrative expenses are included in the development of the per capita claims costs. Operating expenses are reflected separately.

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**Total OPEB Liability** – The changes and components of the December 31, 2018 OPEB liability, along with the total OPEB liability by year are shown in the schedules below:

<b>Schedule of Changes in Total OPEB Liability</b>	<b>Total</b>
<i>(Thousands of Dollars)</i>	
Total OPEB liability	
Service cost.....	\$ 49,969
Interest.....	40,888
Differences between expected and actual experience.....	(182)
Changes of assumptions.....	(70,237)
Benefit payments.....	<u>(35,916)</u>
Net change in total OPEB liability.....	(15,478)
Total OPEB liability - January 1, 2018.....	<u>1,228,405</u>
Total OPEB liability - December 31, 2018.....	<u>\$ 1,212,927</u>
Plan fiduciary net position	
Contributions - employer.....	35,916
Benefit payments.....	<u>(35,916)</u>
Total OPEB liability - ending.....	<u>\$ 1,212,927</u>
Plan fiduciary net position as a percentage of total OPEB liability.....	0.00%
Covered employee payroll.....	\$ 422,509
Total OPEB liability as a percentage of covered payroll.....	287.08%
Inactive plan members or beneficiaries currently receiving benefits...	3,415
Active plan members.....	<u>6,503</u>
	<u>9,918</u>
Discount rate - January 1, 2018.....	3.31%
Discount rate - December 31, 2018.....	3.71%

**Discount Rate** – Since the City operates a pay-as-you-go plan, the OPEB liability is calculated using discount rates based on Fidelity’s “20-Year Municipal GO AA Index” as of each measurement date. The discount rates used in the actuarial study were as follows:

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**Sensitivity of Total OPEB Liability** – The following tables present the City’s total OPEB liability using discount rates and healthcare cost trend rate assumptions that are 1% higher and 1% lower than the current rates.

**Sensitivity of Total OPEB to the Single Discount Rate Assumption**

	1% Decrease to Discount Rate 2.71%	Current Discount Rate 3.71%	1% Increase to Discount Rate 4.71%
<i>(Thousands of Dollars)</i>			
City's Total OPEB liability.....	\$ 1,400,426	\$ 1,212,927	\$ 1,060,747

**Sensitivity of Total OPEB to the Healthcare Cost Trend Rate Assumption**

	1% Decrease	Current Healthcare Cost Assumption	1% Increase
<i>(Thousands of Dollars)</i>			
City's Total OPEB liability.....	\$ 1,051,780	\$ 1,212,927	\$ 1,416,675

**OPEB Expense** - The City’s annual OPEB expense is based on the change in the total OPEB liability as actuarially determined in accordance with the parameters of GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Annual OPEB expense consists of service cost, interest on the total OPEB liability, the monetary effect of plan changes and the current year portion of any deferred outflows/(inflows). The following table shows the components of the City’s annual OPEB expense for the year:

<b>Annual OPEB Expense</b> <i>(Thousands of Dollars)</i>	<b>Total</b>
Service Cost.....	\$ 49,969
Interest cost on total pension liability.....	40,888
Recognition of outflow/(inflow) due to non-investment experience.....	(26)
Recognition of outflow/(inflow) due to assumption changes.....	(10,089)
Total OPEB Expense.....	\$ 80,742

A reconciliation of the City’s total OPEB liability including expense, contributions and deferred outflows/(inflows) is shown below:

<b>Reconciliation of Total OPEB Liability</b> <i>(Thousands of Dollars)</i>	<b>Total</b>
Total OPEB liability beginning of year.....	\$ 1,228,405
OPEB expense.....	80,742
Employer contributions.....	(35,916)
Change in outflow/(inflow) due to non-investment experience.....	(156)
Change in outflow/(inflow) due to assumption changes.....	(60,148)
Total OPEB liability end of year.....	\$ 1,212,927

CITY OF MILWAUKEE  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**Deferred Inflows and Outflows of Resources** – For the plan year-end December 31, 2018, an actuarial gain of \$182,328 was generated due to the difference between actual and expected employer net benefits paid during the plan year. The actuarial gain is recognized as a component of the annual OPEB expense on a straight-line basis of 6.96174 years. For plan year-end December 31, 2018, a gain of \$26,190 was recognized in the annual expense. As of December 31, 2018, the remaining amount of \$156,138 will be recognized as a component of future expense.

For the plan year-end December 31, 2018, an actuarial gain of \$70,237,049 was generated due to the change in the discount rate from 3.31% at December 31, 2017, to 3.71% at December 31, 2018. The actuarial gain is recognized as a component of the annual OPEB expense on a straight-line basis of 6.96174 years. For plan year-end December 31, 2018, a gain of \$10,089,008 was recognized in the annual expense. As of December 31, 2018, the remaining amount of \$60,148,041 will be recognized as a component of future expense.

Deferred inflows and outflows recognized in the current or future OPEB expense periods are shown in the following schedules:

**Outflows and (Inflows) of Resources Recognized in Current and Future OPEB Expenses**

*(Thousands of Dollars)*

	<u>Original Balance</u>	<u>Date Established</u>	<u>Amortization Period</u>	<u>Amount Recognized in Current Expense</u>	<u>(Inflows) to be Recognized in Future Expense</u>
Experience (Gain)/Loss					
Differences between expected and actual non-investment experience.....	\$ (182)	Jan. 1, 2018	6.96174	\$ (26)	\$ (156)
Assumption changes.....	(70,237)	Jan. 1, 2018	6.96174	(10,089)	(60,148)
Total.....	<u>\$ (70,419)</u>			<u>\$ (10,115)</u>	<u>\$ (60,304)</u>

**Deferred Outflows and Deferred (Inflows) of Resources Recognized in Future OPEB Expenses**

*(Thousands of Dollars)*

Fiscal Year-end	<u>Non-investment Experience</u>		<u>Assumption Changes</u>		<u>Total</u>	
	<u>(Inflows)</u>	<u>Outflows</u>	<u>(Inflows)</u>	<u>Outflows</u>	<u>(Inflows)</u>	<u>Outflows</u>
December 31, 2019	\$ (26)	\$ -	\$ (10,089)	\$ -	\$ (10,115)	\$ -
December 31, 2020	(26)	-	(10,089)	-	(10,115)	-
December 31, 2021	(26)	-	(10,089)	-	(10,115)	-
December 31, 2022	(26)	-	(10,089)	-	(10,115)	-
December 31, 2023	(26)	-	(10,089)	-	(10,115)	-
December 31, 2024	(26)	-	(9,703)	-	(9,729)	-
Total	<u>\$ (156)</u>	<u>\$ -</u>	<u>\$ (60,148)</u>	<u>\$ -</u>	<u>\$ (60,304)</u>	<u>\$ -</u>

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 healthcare cost trend amounts. The annual OPEB expense and total OPEB liability are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

CITY OF MILWAUKEE  
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**Terminal Leave Payments**

Upon retirement, employees receive a portion of their unused sick leave as terminal leave, in accordance with the Milwaukee Police Association, Milwaukee Police Supervisors' Organization, and the Milwaukee Professional Firefighters Association labor contracts or Section 350-38 of the Code of Ordinances. Firefighters whose normal hours of work exceed 40 hours per week receive one 24-hour work day's base salary for each 10 work days of accumulated, unused sick leave rounded down to the nearest multiple of 10. Firefighters whose normal hours of work average 40 hours per week are converted to 24-hour workdays where the above calculation then applies. Firefighters who have fewer than twenty, 24-hour workdays of accumulated, unused sick days are not eligible for a terminal leave benefit. Police officers receive payment for up to 55 days of unused sick leave at base pay for their terminal leave benefit. All remaining City employees receive up to 30 days of unused sick leave at base pay as their terminal leave benefit. In 2018, approximately \$7,905,000 was paid for sick leave from all funds. At December 31, 2018, accumulated sick leave earned but not taken totaled approximately \$163,580,680 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 2018, terminal leave payments totaled \$2,829,059 to employees retiring during the year. As of December 31, 2018, the City has accrued \$29,801,485 in the government-wide statements for future terminal leave payments. This amount is included under the unfunded compensated absences of \$46,697,790 with the remainder accrued vacation leave of \$16,896,305.

CITY OF MILWAUKEE  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**9. FUND BALANCE**

The constraints placed on fund balance for the governmental funds at December 31, 2018 were as follows:

	General	General Obligation Debt Service	Public Debt Amortization	Economic Development	Capital Projects	Nonmajor Governmental Funds	Total
	<i>(Thousands of Dollars)</i>						
<b>Nonspendable</b>							
Loans receivable.....	\$ 41	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 41
Advances.....	6,325	-	-	-	-	-	6,325
Inventory.....	9,324	-	-	-	-	-	9,324
Inventory of property for resale..	26	-	-	-	-	-	26
Prepaid items.....	3,670	-	-	-	1,159	1	4,830
Investment-Targeted Mortgage...	90	-	-	-	-	-	90
<b>Spendable</b>							
Restricted for:							
Future debt payments.....	-	47,421	50,537	-	-	-	97,958
Business Improvement Districts..	-	-	-	210	-	-	210
Grants.....	-	-	-	-	-	8,113	8,113
Tax increment financing.....	-	-	-	89,558	15,485	-	105,043
Committed to:							
Contributions.....	3,066	-	-	-	-	-	3,066
Delinquent taxes.....	-	-	-	-	-	-	-
Equipment replacement.....	-	-	-	-	-	-	-
Capital projects.....	-	-	-	-	20,817	-	20,817
Assigned to:							
Conservation and development...	497	-	-	-	-	-	497
General government.....	6,712	-	-	-	-	-	6,712
Health.....	775	-	-	-	-	-	775
Library.....	61	-	-	-	-	-	61
Public safety.....	1,427	-	-	-	-	-	1,427
Public works.....	978	-	-	-	-	-	978
2019 budgetary financing.....	16,000	-	-	-	-	-	16,000
Unassigned	<u>18,002</u>	<u>-</u>	<u>-</u>	<u>(15,040)</u>	<u>(19,317)</u>	<u>(20,968)</u>	<u>(37,323)</u>
 Total Fund Balance.....	 <u>\$ 66,994</u>	 <u>\$ 47,421</u>	 <u>\$ 50,537</u>	 <u>\$ 74,728</u>	 <u>\$ 18,144</u>	 <u>\$ (12,854)</u>	 <u>\$ 244,970</u>

**Tax Stabilization and Advances to Other Funds**

A tax stabilization arrangement is incorporated into the City's adopted *Reserve for Tax Stabilization Fund Balance Policy* and is governed by the City's Code of Ordinances. At December 31, 2018, the tax stabilization reserve was \$40,368,000. Of this amount, \$16,000,000 has been committed to the funding of the 2019 General Fund budget and \$18,002,000 is unassigned for 2019 and subsequent years' budgets. This Reserve includes an amount for advances of \$6,325,000 from the General Fund to the Capital Projects Fund and \$41,000 in loans 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 prior to budget adoption.

CITY OF MILWAUKEE  
**NOTES TO THE FINANCIAL STATEMENTS**  
 FOR THE YEAR ENDED DECEMBER 31, 2018

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

The individual interfund receivable and payable balances at December 31, 2018 were as follows:

		Due From				
		General Fund	Water Works	Sewer Maintenance Fund	Nonmajor Proprietary Funds	Total
		<i>(Thousands of Dollars)</i>				
Due To	General Obligation Debt Service .....	\$2,900	\$1,168	\$ -	\$ -	\$4,068
	Capital Projects .....	1,689	-	-	-	1,689
	Nonmajor Governmental Funds.....	46,767	-	-	-	46,767
	Water Works .....	-	-	1,946	1,343	3,289
	Sewer Maintenance .....	5,467	-	-	-	5,467
	Nonmajor Proprietary Funds .....	<u>17,133</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,133</u>
Totals .....	<u>\$ 73,956</u>	<u>\$ 1,168</u>	<u>\$ 1,946</u>	<u>\$ 1,343</u>	<u>\$ 78,413</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.

The City of Milwaukee General Fund advances funds to the Special Assessments Capital Projects fund periodically to finance cash flows. These advances are non-interest bearing and are repaid as collections from the receivables are obtained. At December 31, 2018 the outstanding balance was \$6,325,000.

The City of Milwaukee Water Fund advanced \$272,286 to the Parking Proprietary Fund in 2012. This advance is non-interest bearing and is due in annual installments from 2013 to 2021. At December 31, 2018 the outstanding balance was \$81,686.

CITY OF MILWAUKEE  
**NOTES TO THE FINANCIAL STATEMENTS**  
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Interfund transfers for the year ended December 31, 2018 were as follows (*in thousands*):

Funds Transferred To	Fund Transferred From	Amount	Purpose
<b>General Fund</b>	General Obligation Debt Service.....	\$ 10,050	Funding for Revenue Anticipation Notes
	General Obligation Debt Service.....	8,875	Funding for operations
	Nonmajor Governmental Funds.....	7,673	Subsidize uncollected property taxes
	Nonmajor Governmental Funds.....	127	Grant variance closeouts
	Water Works.....	13,090	Payment in Lieu of taxes
	Nonmajor Proprietary Funds.....	1,413	Payment in Lieu of taxes
	Nonmajor Proprietary Funds.....	17,123	Subsidy for operations
	Nonmajor Proprietary Funds.....	<u>3,260</u>	Excess earnings of Port
	<b>Subtotal General Fund.....</b>	<b><u>61,611</u></b>	
<b>General Obligation Debt Service</b>	General.....	64,009	Funding for debt payments
	Economic Development.....	28,592	Funding for debt payments
	Public Debt Amortization.....	9,700	Funding for debt payments
	Capital Funds.....	1,220	Funding for debt payments
	Nonmajor Governmental Funds.....	16,900	Funding for debt payments
	Sewer Maintenance.....	2,396	Funding for debt payments
	Nonmajor Proprietary Funds.....	<u>1,108</u>	Funding for debt payments
	<b>Subtotal Debt Service.....</b>	<b><u>123,925</u></b>	
<b>Nonmajor Governmental Funds</b>	General Obligation Debt Service.....	<u>1,051</u>	Funding for operations
	<b>Subtotal Nonmajor Governmental Funds</b>	<b><u>1,051</u></b>	
<b>Economic Development</b>	Capital Funds.....	<u>5,314</u>	Close surplus revenues
	<b>Subtotal Economic Development.....</b>	<b><u>5,314</u></b>	
<b>Capital Projects</b>	General Obligation Debt Service.....	5,773	Funding for operations
	Economic Development.....	<u>1,047</u>	Funding for operations
	<b>Subtotal Capital Projects.....</b>	<b><u>6,820</u></b>	
<b>Nonmajor Proprietary</b>	General Obligation Debt Service.....	507	Funding for debt payments
	General Obligation Debt Service.....	<u>82</u>	Funding for operations
	<b>Subtotal Nonmajor Proprietary.....</b>	<b><u>589</u></b>	
	<b>Total Interfund Transfers.....</b>	<b><u>\$ 199,310</u></b>	

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

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

Balances due to and due from component units as of December 31, 2018 were as follows:

<b>Component Unit Payable</b>	<b>Primary Government's Receivable</b> <i>(Thousands of Dollars)</i>
Due from RACM for reimbursable expenditures .....	\$ 72
Due from RACM for loans issued to developers for the purpose of renovations and improvements to existing parcels of real estate .....	8,502
Due from NIDC for strong home loan repayments.....	14
Due from NIDC for housing projects.....	27
Due from NIDC for home and Community Development Block grants .....	<u>10</u>
Total .....	<u>\$ 8,625</u>

<b>Component Unit Receivable</b>	<b>Primary Government's Payable</b> <i>(Thousands of Dollars)</i>
Due to RACM for reimbursable expenditures .....	\$ 29
Due to RACM for blight elimination .....	<u>92</u>
Total .....	<u>\$ 121</u>

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 2018 and beyond. Certain leases contain provisions for possible renewal at term of the lease.

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

Year	Amount
<i>(Thousands of Dollars)</i>	
2019.....	\$ 3,989
2020.....	4,758
2021.....	3,751
2022.....	3,693
2023.....	3,642
2024-2028.....	18,957
2029-2033.....	13,964
2034-2038.....	4,953
2039 and beyond.....	<u>3,447</u>
 Total.....	 <u>\$ 61,154</u>

CITY OF MILWAUKEE  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**13. COMMITMENTS AND CONTINGENCIES**

**Claims and Other Legal Proceedings**

The City is exposed to various risks of loss 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 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.

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

**Claim and Legal Liability Balances**

	<b>2018</b>	<b>2017</b>
General liability claims .....	\$ 27,888,000	\$ 22,207,000
Workers' compensation claims .....	12,268,000	8,320,000
Unemployment claims .....	364,000	172,000
Pollution remediation obligation.....	<u>1,810,000</u>	<u>1,523,000</u>
Total.....	<u>\$ 42,330,000</u>	<u>\$ 32,222,000</u>

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

**Claim and Legal Liability Activity**

	<b>2018</b>	<b>2017</b>
Beginning of year liability .....	\$ 32,222,000	\$ 32,696,000
Current year claims and changes in estimates .....	12,312,000	4,600,300
Claim payments .....	<u>(2,204,000)</u>	<u>(5,074,300)</u>
End of year liability .....	<u>\$ 42,330,000</u>	<u>\$ 32,222,000</u>

The City is self-insured for active and retired employee health insurance, which is recorded in accounts payable within the general fund. Changes in the balance of this claim liability include both actives and retirees. Changes in the liabilities during the past two years were as follows:

**Health Insurance Claim Activity**

	<b>2018</b>	<b>2017</b>
Beginning of year liability .....	\$ 8,646,905	\$ 8,510,800
Current year claims and changes in estimates .....	101,027,862	91,325,413
Claim payments .....	<u>(101,092,830)</u>	<u>(91,189,308)</u>
End of year liability .....	<u>\$ 8,581,937</u>	<u>\$ 8,646,905</u>

CITY OF MILWAUKEE  
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At year-end 2018, there were fourteen unresolved lawsuits, involving the refund of allegedly excessive property taxes, under Section 74.37. Of these cases, five of them have the potential, if they are successful, to result in large individual judgements. These cases include Citgo Petroleum, Metropolitan Associates, US Venture, US Bank, and Wisconsin and Milwaukee Hotel. As these cases are still pending, the associated potential liabilities remain as of the current date.

During 2018, several prior year claims were either settled or dismissed while new claims were filed. During 2019, two claims for a total of \$9.8 million were settled. All pending, and the two settled cases, are included in the calculation of estimated legal liability.

**Environmental Liabilities**

The nature and sources of the City's pollution remediation obligation are asbestos abatement, underground storage tanks, PCB 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 \$363,000 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, cleanup 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 2018, the City's estimated liability for pollution remediation-related activities increased \$287,000. At December 31, 2018, the City has an outstanding liability of \$1,810,000 related to pollution remediation obligations.

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 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 spent \$46,000 in post-closure care of solid waste landfills during 2018. Actual future costs may be higher due to inflation, changes in technology, or changes in regulations.

**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, 2018.

CITY OF MILWAUKEE  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**Commitments**

The following is a list of encumbrances by function at December 31, 2018:

	<u>General Fund</u>	<u>Capital Projects</u>	<u>Water Works</u>	<u>Total</u>
	<i>(Thousands of Dollars)</i>			
General government.....	\$ 811	\$ -	\$ -	\$ 811
Conservation and development.....	151	1,847	-	1,998
Health.....	21	-	-	21
Culture and Recreation.....	61	3,876	-	3,937
Public safety.....	477	2,402	-	2,879
Public works.....	978	-	-	978
Infrastructure.....	<u>-</u>	<u>61,021</u>	<u>7,997</u>	<u>69,018</u>
Total.....	<u>\$ 2,499</u>	<u>\$ 69,146</u>	<u>\$ 7,997</u>	<u>\$ 79,642</u>

**14. TAX ABATEMENTS**

Wisconsin State Statute Section 66.1105 gives the City of Milwaukee (City) the authority to create Tax Incremental Financing (TIF) districts. TIF is an economic development tool used by the City to leverage private development investment. As of December 31, 2018, the City provides tax incentives to certain developers of properties within tax incremental districts (TIDs) utilizing the following methods.

Program 1 - Developer-Financed Projects:

- The City and/or Redevelopment Authority of the City of Milwaukee (RACM) enter into an agreement with a developer or corporation to fund a portion of a redevelopment project. The developer/corporation advances the City's contribution and the advance is considered a loan to the City at an agreed-upon interest rate. The loan to the City is repaid by using a portion of the annual tax increment revenue to repay the developer/corporation. In most instances, the amount of the City's loan repayment to the developer/corporation can be reduced if an economic indicator, such as full-time-equivalent employment, is not achieved. Moreover, loan repayments typically cease after a set number of years, even if the loan is not fully amortized. The agreements for TIDs 94, 95 and 96 were signed in 2019. The "2018 Remaining" column of the Tax Abatement Activity schedule does not include future interest payments. Interest accrued for 2018 was \$1.4 million. Interest rates on the loans range from 0% to 6%.

Program 2 – Grants to Developers/Corporations:

- In exchange for performing or taking a certain action, such as renewing a lease to remain at a certain location, the City and/or RACM (through the TID) will provide a grant, payable through a refund of annual taxes paid. The amount of the refund can be reduced for not meeting an economic indicator, such as full-time-equivalent employment.

Authority for these tax abatement agreements is provided by 66.1105 Wis. Stats. (Tax Increment Law), and 66.1333 Wis. Stats. (Blight Elimination and Slum Clearance). All tax abatement agreements also require the approval of the City of Milwaukee Common Council, RACM Board and the Joint Review Board.

The City is the collection agent for the property taxes of all overlying taxing authorities, and deposits the revenues into a separate fund. Taxes refunded during 2018 and the remaining potential future refunds are shown in the table below. The "Remaining" column represents the maximum principal amount outstanding as of December 31, 2018.

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	<b>Tax Abatement Activity</b>			<b>2018</b>
	<b>2017</b>			
	<u>Remaining</u>	<u>Additions</u>	<u>2018 Taxes</u> <u>Refunded</u>	<u>Remaining</u>
<b>Program 1, Developer-Financed</b>	<i>(Thousands of Dollars)</i>			
TID 52.....	\$ 1,542	\$ 71	\$ (440)	\$ 1,173
TID 57.....	2,611	128	(498)	2,241
TID 64.....	3,082	228	(320)	2,990
TID 70.....	126	3	(129)	-
TID 78.....	54,000	2,079	(6,698)	49,381
TID 80.....	2,586	110	(253)	2,443
TID 83.....	873	39	(137)	775
TID 84.....	8,000	-	-	8,000
TID 86.....	1,500	-	-	1,500
TID 87.....	1,200	-	-	1,200
TID 90.....	635	-	-	635
TID 93.....	575	-	-	575
TID 94.....	-	3,800	-	3,800
TID 95.....	-	500	-	500
TID 96.....	-	25,000	-	25,000
Total Program 1.....	<u>\$ 76,730</u>	<u>\$ 31,958</u>	<u>\$ (8,475)</u>	<u>\$ 100,213</u>
<b>Program 2, Grant</b>				
TID 63.....	1,585	-	(83)	1,502
TID 77.....	402	-	(151)	251
Total Program 2.....	<u>\$ 1,987</u>	<u>\$ -</u>	<u>\$ (234)</u>	<u>\$ 1,753</u>
Total tax abatements.....	<u><u>\$ 78,717</u></u>	<u><u>\$ 31,958</u></u>	<u><u>\$ (8,709)</u></u>	<u><u>\$ 101,966</u></u>

CITY OF MILWAUKEE  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**15. RESTATEMENT**

The City restated January 1, 2018 net position to reflect the following items:

- During 2018, the City adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other than Pensions*. This statement replaces GASB Statements No. 45 and No 57. GASB 75 requires recording the entire net other post-employment benefits (OPEB) liability and restatement of the December 31, 2017 net position and liability balances.
- Prior to 2018, all terminal leave, including the portion related to business-type activities, was reported in the Governmental Activities section of the Statement of Net Position (Exhibit 1). Starting in 2018, terminal leave is split by fund with the proprietary fund portion being recorded as Business-type Activities. December 31, 2018 net position has been restated for prior year activity.
- In prior years, capital expenditures relating to the City's streetcar system were expensed. In 2018, current and prior year capital streetcar system expenses have been recorded as construction in progress. December 31, 2018 net position has been restated to reflect the reclassification of prior year expense.

The effects of these restatements on net position are shown below.

<b>Government-Wide</b>	<b>Governmental Activities</b>	<b>Business-type Activities</b>			
	<i>(Thousands of Dollars)</i>				
Net Position December 31, 2017 as previously reported.....	\$ (78,680)	\$ 796,194			
Adjustment for GASB 75 OPEB Liability.....	(689,468)	(65,630)			
Adjustment for Terminal Leave.....	1,451	(1,451)			
Adjustment for Capital Expenses.....	<u>12,256</u>	<u>-</u>			
Net Position December 31, 2017 as restated.....	<u>\$ (754,441)</u>	<u>\$ 729,113</u>			
<b>Business-type</b>	<b>Water Works</b>	<b>Sewer Maintenance</b>	<b>Nonmajor Enterprise Funds</b>		
	<i>(Thousands of Dollars)</i>				
Net Position December 31, 2017 as previously reported.....	\$ 473,547	\$ 283,307	\$ 39,340		
Adjustment for GASB 75 OPEB Liability.....	(39,579)	(12,995)	(13,056)		
Adjustment for Terminal Leave.....	<u>(929)</u>	<u>(258)</u>	<u>(264)</u>		
Net Position December 31, 2017 as restated.....	<u>\$ 433,039</u>	<u>\$ 270,054</u>	<u>\$ 26,020</u>		

CITY OF MILWAUKEE  
**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED DECEMBER 31, 2018

**16. SUBSEQUENT EVENTS**

On January 2, 2019, the City drew \$17,450,000 on 2018 N11 Revolving Loan Agreement (RLA) with US Bank National Association for refunding purposes.

On January 11, 2019, the City paid \$2,400,000 on behalf of Milwaukee Water Works to US Bank on Revolving Note 2016-N9 to retire a portion of the debt outstanding.

On February 27, 2019, the City received \$14,346,000 from the Clean Water Fund (CWF) program for capital and refunding purposes. The CWF loan matures in each of the years 2019 through 2038.

On March 1, 2019, the City paid \$5,100,000 on behalf of the Milwaukee Sewerage System to US Bank on Revolving Note 2016-N9 to retire a portion of the debt outstanding.

On March 13, 2019, the City received \$117,805 from the CWF program for capital purposes. The CWF loan matures in each of the years 2019 through 2038.

On March 27, 2019, the City received \$442,630 from the CWF program for capital purposes. The CWF loan matures in each of the years 2019 through 2038.

On May 16, 2019, the City issued \$120,000,000 of limited obligation, revenue anticipation notes, series R2, for cash flow purposes. The maturity date is May 7, 2020. However, funds necessary to repay the notes will be deposited with the fiscal agent prior to the end of 2019.

On May 16, 2019, the City issued \$89,100,000 of general obligation promissory notes, series N3, for capital project, fiscal, and refunding purposes. The notes mature in each of the years 2020 through 2029.

On May 16, 2019, the City issued \$24,635,000 of general obligation corporate purpose bonds, series B4 for capital project and refunding purposes. The bonds mature in each of the years 2030 through 2039.

On May 16, 2019, the City issued \$5,000,000 corporate purpose bonds, series T5 for capital project purposes. The bonds mature in each of the years 2020 through 2029.

On May 17, 2019, the City Paid \$34,500,000 to US Bank on Revolving Note 2016-N9 to retire the balance in full.

Between January 11, 2019 and May 17, 2019, the City repaid all outstanding balances on the 2016 N9, 2018 N11 and 2018 T12 RLA's.

On June 20, 2019, the City drew \$2,050,000 on 2016 N9 RLA with US Bank National Association for fiscal requirements. As of June 20, 2019, the Revolving Note balance was \$2,050,000.

On June 26, 2019, the City received \$3,055,898 from the Safe Drinking Water Loan (SDWL) program for capital purposes. The SDWL loan matures in each of the years 2020 through 2029.

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**REQUIRED  
SUPPLEMENTARY  
INFORMATION**

CITY OF MILWAUKEE  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**  
 FOR THE YEAR ENDED DECEMBER 31, 2018  
 (Thousands of Dollars)

Exhibit E-1

	<u>Budgeted Amounts</u>		<b>Actual - Amounts Budgetary Basis</b>	<b>Variance Positive (Negative)</b>
	<u>Original Budget</u>	<u>Final Budget</u>		
<b>Revenues:</b>				
Property taxes .....	\$ 206,651	\$ 206,651	\$ 198,951	\$ (7,700)
Other taxes .....	3,166	3,166	2,831	(335)
Licenses and permits .....	15,937	15,937	17,232	1,295
Intergovernmental .....	268,191	268,191	268,792	601
Charges for services .....	124,011	126,871	119,579	(7,292)
Fines and forfeits .....	3,001	3,001	3,297	296
Other .....	22,721	26,921	26,764	(157)
<b>Total Revenues .....</b>	<b><u>643,678</u></b>	<b><u>650,738</u></b>	<b><u>637,446</u></b>	<b><u>(13,292)</u></b>
<b>Expenditures:</b>				
<b>Current:</b>				
General government .....	266,244	276,373	274,345	2,028
Public safety .....	301,401	318,571	317,095	1,476
Public works .....	98,537	103,802	103,588	214
Health .....	10,222	9,870	9,867	3
Culture and recreation .....	17,474	18,421	18,416	5
Conservation and development .....	4,772	4,580	4,544	36
<b>Total Expenditures .....</b>	<b><u>698,650</u></b>	<b><u>731,617</u></b>	<b><u>727,855</u></b>	<b><u>3,762</u></b>
<b>Deficiency of Revenues over Expenditures .....</b>	<b><u>(54,972)</u></b>	<b><u>(80,879)</u></b>	<b><u>(90,409)</u></b>	<b><u>(9,530)</u></b>
<b>Other Financing Sources (Uses):</b>				
General obligation bonds and notes issued .....	-	71,900	62,330	(9,570)
Transfers in .....	34,008	34,008	61,611	27,603
Transfers out .....	-	-	(64,009)	(64,009)
Contributions received .....	28,283	28,283	21,203	(7,080)
Contributions used .....	(26,167)	(27,163)	(21,208)	5,955
Use of fund balance - reserved for tax stabilization ...	19,000	19,000	19,000	-
<b>Total Other Financing Sources and Uses .....</b>	<b><u>55,124</u></b>	<b><u>126,028</u></b>	<b><u>78,927</u></b>	<b><u>(47,101)</u></b>
<b>Net Change in Fund Balance .....</b>	<b>152</b>	<b>45,149</b>	<b>(11,482)</b>	<b>(56,631)</b>
Fund Balance - Beginning (Excludes Reserved for Tax Stabilization) .....	78,476	78,476	78,476	-
<b>Fund Balance - Ending .....</b>	<b><u>\$ 78,628</u></b>	<b><u>\$ 123,625</u></b>	<b><u>\$ 66,994</u></b>	<b><u>\$ (56,631)</u></b>

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

For budget purposes, the fund balance - reserved for tax stabilization is reflected as other financing sources whereas for accounting purposes, it is reflected as part of fund balance. The difference between the fund balance on a GAAP basis compared with budget basis is \$19 million at January 1, 2018.

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**  
**SCHEDULES OF FUNDING PROGRESS**  
 FOR THE YEAR ENDED DECEMBER 31, 2018  
 (Thousands of Dollars)

Exhibit E-2

**RETIREE HEALTH AND LIFE INSURANCE (OPEB)**

**PLAN FIDUCIARY NET POSITION**

	<u>2018</u>
Employer contributions.....	\$ 35,916
Active member contributions.....	-
Net investment income.....	-
Benefit payments.....	(35,916)
Operating expenses.....	-
Other.....	-
Net Change in Plan Fiduciary Net Position.....	<u>\$ -</u>
Discount rate at beginning of year.....	3.31%
Discount rate at end of year.....	3.71%

**TOTAL OPEB LIABILITY**

	<u>2018</u>
Total OPEB liability beginning of year.....	\$ 1,228,405
OPEB expense.....	80,742
Employer contributions.....	(35,916)
Change in outflow/(inflow) due to non-investment experience.....	(156)
Change in outflow/(inflow) due to assumption changes.....	(60,148)
Change in outflow/(inflow) due to investment experience.....	-
Total OPEB liability end of year.....	<u>\$ 1,212,927</u>

**SCHEDULE OF OPEB CONTRIBUTIONS**

	Actuarially	Actual	Contribution	Covered	Actual Contribution as a % of Covered
<u>December 31</u>	<u>Contribution</u>	<u>Employer Contribution</u>	<u>Deficiency Excess</u>	<u>Payroll</u>	<u>Payroll</u>
2017	N/A	\$ 34,120	N/A	\$ 410,203	8.32%
2018	N/A	\$ 35,918	N/A	\$ 422,509	8.50%

Note: Schedule is intended to report data for the last 10 fiscal years. Additional years will be displayed as they become available.

See accompanying independent auditors' report.

CITY OF MILWAUKEE  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULES OF FUNDING PROGRESS**  
 FOR THE YEAR ENDED DECEMBER 31, 2018  
 (Thousands of Dollars)

Exhibit E-2 (Continued)

**SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)**  
 Employees' Retirement System

	<u>12/31/15</u>	<u>12/31/16</u>	<u>12/31/17</u>	<u>12/31/18</u>
The City's proportion of the net pension liability (asset).....	83.92%	83.08%	82.85%	83.74%
The City's proportionate share of the net pension liability (asset).....	\$ 95,224	\$ 349,915	\$ 353,030	\$ 303,583
The City's covered-employee payroll.....	\$ 444,719	\$ 445,615	\$ 483,819	\$ 483,261
Plan fiduciary net position as a percentage of the total pension liability (asset).....	97.76%	91.95%	91.98%	93.70%

**SCHEDULE OF THE CITY'S PENSION CONTRIBUTIONS**  
 Employees' Retirement System

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Legally required contributions.....	\$ 65,474	\$ 66,333	\$ 66,401	\$ 74,811	\$ 74,884
Contributions in relation to the required contributions.....	\$ 61,130	\$ 59,985	\$ 61,390	\$ 65,410	\$ 69,940
Contribution deficiency (excess).....	\$ 4,344	\$ 6,348	\$ 5,011	\$ 9,401	\$ 4,944
City's pensionable - employee payroll.....	\$ 375,751	\$ 380,976	\$ 383,845	\$ 422,717	\$ 483,261
Contributions as a percentage of covered-employee payroll.....	16.27%	15.75%	15.99%	15.47%	14.47%

Note: Schedule is intended to report data for the last 10 fiscal years. Additional years will be displayed as they become available.

See accompanying independent auditors' report.

CITY OF MILWAUKEE  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
 FOR THE YEAR ENDED DECEMBER 31, 2018

**Schedules of Funding Progress**

**Retiree Health and Life Insurance – Actuarial Methods and Assumptions**

Valuation date	January 1, 2017
Measurement date	December 31, 2018
Actuarial cost method	Entry age normal
Contribution policy	Pay-as-you-go
Asset valuation method	No assets
Current discount rate	3.71%
Wage inflation	3.0%
Salary increases	For general employees, salary increase rates start at 6.9% at age 25 and decrease steadily to 3.0% at age 50. For public safety employees, salary increases start at 10.5% at age 25 and decrease steadily to 3.0% at age 55.
Health care inflation rate	Plan year 2018 trend rates were based on actual premium and were equal to -6.0% for pre-Medicare benefits and 6.6% for post-Medicare benefits. Pre-Medicare trend rates are 8.0% for 2019 and grade down in 0.50% increments to an ultimate trend rate of 4.50% in 2026. Post-Medicare trend rates are 9.5% for 2019 and grade down in 0.50% increments to an ultimate trend rate of 4.50% in 2029. Effective in 2022, pre-Medicare/post-Medicare excess trend of 0.39%/0.00% for the PPO Plan and 0.43%/0.10% for the EPO Plan are applied to the base trend healthcare rates to account for the Excise Tax under the Healthcare Reform Act.

**Pension Liability and Contributions – Actuarial Methods and Assumptions**

Valuation date	January 1, 2017
Measurement date	December 31, 2017
Actuarial cost method	Entry age normal – level percentage of pay
Amortization method	Difference between expected and actual liability and actual liability experience and changes of assumptions are amortized over average of expected remaining service lives. Difference between projected and actual earnings amortized over 5 years.
Asset valuation method	Market value
Investment rate of return	8.00% for calendar years through 2022, 8.25% beginning with calendar year 2023.
Projected salary increases	General City 2.5% - 5.5% Police & Fire 4.0% - 13.4%
Inflation assumption	2.5%

Changes of assumptions: There were no changes to the assumptions. However, effective February 13, 2018, Section 36-15-15 of the MCC was amended to implement a new actuarial cost method and a new amortization method.

Changes of benefit terms: There were no changes of benefit terms for any City of Milwaukee Employees' Retirement System participants.

See Ch.36 of the City Ordinances - City requirement is to contribute 100% of pension liability.

CITY OF MILWAUKEE  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
FOR THE YEAR ENDED DECEMBER 31, 2018

**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 Funds: Delinquent Tax, Public Debt Amortization and Capital Projects Funds. The General Obligation Debt Service Fund 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.

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

**STATISTICAL SECTION**

Pages 123-186 Omitted

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## **APPENDIX B**

### **Draft Forms of Legal Opinions**

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April 20, 2020

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 \$122,135,000 aggregate principal amount of General Obligation Promissory Notes, Series 2020 N4 (the “Notes”) of the City of Milwaukee (the “City”), a municipal corporation of the State of Wisconsin. The Notes are authorized and issued pursuant to the provisions of Chapter 65 and Chapter 67 of the Wisconsin Statutes and the City Charter and by virtue of a resolution passed by the Common Council of the City on January 21, 2020.

The Notes constitute an issue of “promissory notes” under Section 67.12(12) of the Wisconsin Statutes, are issuable in fully registered form in the denominations of \$5,000 or any integral multiple thereof. The Notes are dated April 20, 2020, bear interest from their date at the rate of five percentum (5.00%) per annum payable on October 1, 2020 and semiannually thereafter on April 1 and October 1 of each year and mature (without option of prior redemption) on April 1 in each of the following years in the respective principal amount set forth opposite each such year in the following table:

<u>Year</u>	<u>Principal Amount</u>
2021	\$14,015,000
2022	14,045,000
2023	14,080,000
2024	14,120,000
2025	14,190,000
2026	10,285,000
2027	10,320,000
2028	10,375,000
2029	10,425,000
2030	10,280,000

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

We are further of the opinion that, under existing law, interest on the Notes is not includable in the gross income of the owners thereof for Federal income tax purposes. If there is continuing compliance with the applicable requirements of the Internal Revenue Code of 1986 (the “Code”), we are of the opinion that interest on the Notes will continue to be excluded from the gross income of the owners thereof for Federal income tax purposes. We are further of the opinion that the Notes are not “private activity bonds” within the meaning of Section 141(a) of the Code; accordingly, interest on the Notes is not an item of tax preference for purposes of computing alternative minimum taxable income.

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

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

Respectfully submitted,

April 20, 2020

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 \$29,845,000 aggregate principal amount of General Obligation Corporate Purpose Bonds, Series 2020 B5 (the “Bonds”) of the City of Milwaukee (the “City”), a municipal corporation of the State of Wisconsin. The Bonds are authorized and issued pursuant to the provisions of Chapter 65 and Chapter 67 of the Wisconsin Statutes and the City Charter and by virtue of resolutions passed by the Common Council of the City on January 19, 2016, January 18, 2017, January 17, 2018, January 15, 2019 and January 21, 2020.

The Bonds constitute an issue of “corporate purpose bonds” under Section 67.05 of the Wisconsin Statutes, are issuable in fully registered form in the denominations of \$5,000 or any integral multiple thereof. The Bonds are dated April 20, 2020, mature on April 1 in each of the following years in the respective principal amount set forth opposite each such year in the following table, and bear interest from their date, payable on October 1, 2020 and semiannually thereafter on April 1 and October 1 of each year, at the respective rate of interest per annum set forth opposite such year:

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2031	\$6,195,000	5.00%
2032	6,230,000	5.00
2033	6,165,000	4.00
2034	5,675,000	4.00
2035	5,580,000	4.00

The Bonds are subject to redemption prior to maturity at the option of the City, in such principal amounts and from such maturities as the City shall determine and by lot within a single maturity, on April 1, 2030 and on any date thereafter, at a redemption price equal to the principal amount thereof to be redeemed, plus accrued interest thereon to the date fixed for redemption.

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

We are further of the opinion that, under existing law, interest on the Bonds is not includable in the gross income of the owners thereof for Federal income tax purposes. If there is continuing compliance with the applicable requirements of the Internal Revenue Code of 1986 (the “Code”), we are of the opinion that interest on the Bonds will continue to be excluded from the gross income of the owners thereof for Federal income tax purposes. We are further of the opinion that the Bonds are not “private activity bonds” within the meaning of Section 141(a) of the Code; accordingly, interest on the Bonds is not an item of tax preference for purposes of computing alternative minimum taxable income.

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

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

Respectfully submitted,

April 20, 2020

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 \$9,595,000 aggregate principal amount of Taxable General Obligation Promissory Notes, Series 2020 T6 (the “Notes”) of the City of Milwaukee (the “City”), a municipal corporation of the State of Wisconsin. The Notes are authorized and issued pursuant to the provisions of Chapter 65 and Chapter 67 of the Wisconsin Statutes and the City Charter and by virtue of a resolution passed by the Common Council of the City on January 21, 2020.

The Notes constitute an issue of “promissory notes” under Section 67.12(12) of the Wisconsin Statutes, are issuable in fully registered form in the denominations of \$5,000 or any integral multiple thereof. The Notes are dated April 20, 2020, bear interest from their date at the rate of three percentum (3.00%) per annum payable on October 1, 2020 and semiannually thereafter on April 1 and October 1 of each year, and mature (without option of prior redemption) on April 1 in each of the following years in the respective principal amount set forth opposite each such year in the following table:

<u>Year</u>	<u>Principal Amount</u>
2021	\$830,000
2022	835,000
2023	845,000
2024	850,000
2025	1,105,000
2026	1,000,000
2027	1,010,000
2028	1,025,000
2029	1,040,000
2030	1,055,000

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

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

Respectfully submitted,

April 20, 2020

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 \$5,440,000 aggregate principal amount of Taxable General Obligation Corporate Purpose Bonds, Series 2020 T7 (the “Bonds”) of the City of Milwaukee (the “City”), a municipal corporation of the State of Wisconsin. The Bonds are authorized and issued pursuant to the provisions of Chapter 65 and Chapter 67 of the Wisconsin Statutes and the City Charter and by virtue of resolutions passed by the Common Council of the City on January 19, 2016, January 18, 2017, January 17, 2018, January 15, 2019 and January 21, 2020.

The Bonds constitute an issue of “corporate purpose bonds” under Section 67.05 of the Wisconsin Statutes, are issuable in fully registered form in the denominations of \$5,000 or any integral multiple thereof. The Bonds are dated April 20, 2020, mature on April 1 in each of the following years in the respective principal amount set forth opposite each such year in the following table, and bear interest from their date, payable on October 1, 2020 and semiannually thereafter on April 1 and October 1 of each year, at the respective rate of interest per annum set forth opposite such year:

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2031	\$745,000	3.00%
2032	755,000	3.00
2033	770,000	3.00
2034	770,000	3.10
2035	690,000	3.15
2036	340,000	3.20
2037	325,000	3.25
2038	335,000	3.30
2039	350,000	3.35
2040	360,000	3.40

The Bonds are subject to redemption prior to maturity at the option of the City, in such principal amounts and from such maturities as the City shall determine and by lot within a single maturity, on April 1, 2030 and on any date thereafter, at a redemption price equal to the principal amount thereof to be redeemed, plus accrued interest thereon to the date fixed for redemption.

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

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

Respectfully submitted,

## **APPENDIX C**

**Form of Continuing Disclosure Certificate  
and list of EMMA filings for the past 5 years**

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## MASTER CONTINUING DISCLOSURE CERTIFICATE

This Master Continuing Disclosure Certificate (the “Certificate”) dated as of February 1, 2019 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 181110 duly adopted by the Common Council of the City on December 18, 2018 (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; 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) “Event” means such events as described in Addendum Describing Enumerated Events.

(5) “Event Notice” means notice of an Enumerated Event.

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

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

(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.

(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 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 audited.

(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 paragraph (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 Unaudited Financial Statements by the dates required, and will also provide Audited Financial Statements, when and if available, to the Repository.

Section 2.4. Notices of Enumerated Events. (a) If an Enumerated Event occurs, the City shall provide, in a timely manner (as may be further defined in the Addendum Describing Enumerated Events), an Enumerated 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 Enumerated 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 Enumerated 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 Enumerated 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. Enumerated Event Notices. Each Enumerated 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 February, 2019.

CITY OF MILWAUKEE, WISCONSIN

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

## ADDENDUM DESCRIBING ENUMERATED EVENTS

This Addendum Describing Listed Events (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 February 1, 2019. This Addendum describes specific events required to be reported by Rule 15c2-12 promulgated by the SEC under the Securities Exchange Act of 1934 (the “Rule”). Capitalized terms that are not defined in this Addendum have the meanings set forth in the Certificate. “Obligor” shall mean the entity specified in the Addendum Describing Annual Report.

Enumerated Event: 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, and tender offers;
- (ix) defeasances;
- (x) release, substitution, or sale of property securing repayment of the Offered Obligations, if material;
- (xi) rating changes;
- (xii) bankruptcy, insolvency, receivership or similar event of the Obligor. Note: 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.
- (xiii) 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;
- (xiv) appointment of a success or additional trustee or the change of name of a trustee, if material;
- (xv) incurrence of a financial obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights or other similar terms of a financial obligation of the obligated person, any of which affect security holders, if material; and
- (xvi) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the obligated person, any of which reflect financial difficulties.

As used in clauses (xv) and (xvi), the term financial obligation means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term financial obligation shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

For purposes of reporting the above enumerated events, “timely manner” shall mean not in excess of ten (10) business days after the occurrence of the event.

IN WITNESS WHEREOF, this Addendum is executed this 1st day of February, 2019.

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 February 1, 2019. 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 February, 2019.

CITY OF MILWAUKEE, WISCONSIN

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

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

This Addendum Describing Annual Report for General Obligation Debt (the “Addendum”) is delivered by the City of Milwaukee, Wisconsin (the “City”) pursuant to the Master Continuing Disclosure Certificate (the “Certificate”), executed and delivered by the Issuer and dated February 1, 2019. This Addendum describes the content of Annual Financial Information prepared with respect to general obligation debt of the Issuer. Capitalized terms that are not defined in this Addendum have the meanings set forth in the Certificate.

Obligor: The City of Milwaukee, Wisconsin

Information and operating data included in the Annual Financial Information for Issuer:

1. Audited Financial Statements, if available, or Unaudited Financial Statements of the Issuer.
2. Operating data for the reporting year of the type included in the City’s Comprehensive Annual Financial Report (“CAFR”) for the year ending December 31, 2017, Required Supplementary Information Exhibit E-1, and Statistical Section Tables 5, 6, 7, and 8. If the CAFR does not contain the information, then the City agrees to provide such operating data, to the extent such information is prepared by the City. No separate filing is required if the operating data is included in the document filed pursuant to paragraph 1.

IN WITNESS WHEREOF, this Addendum is executed this 1st day of February, 2019.

CITY OF MILWAUKEE, WISCONSIN

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

**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 February 1, 2019. 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:

- \$122,135,000 General Obligation Promissory Notes, Series 2020 N4
- \$29,845,000 General Obligation Corporate Purpose Bonds, Series 2020 B5
- \$9,595,000 Taxable General Obligation Promissory Notes, Series 2020 T6
- \$5,440,000 Taxable General Obligation Corporate Purpose Bonds, Series 2020 T7

Addendum Describing Annual Report:

ADDENDUM DESCRIBING ANNUAL REPORT  
FOR GENERAL OBLIGATION DEBT

Date of Issues:

April 20, 2020

No Previous Non-Compliance. The Issuer represents that for the period beginning 5 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 20<sup>th</sup> day of April, 2020.

CITY OF MILWAUKEE, WISCONSIN

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

If this table is helpful to you, please let the City know by sending an e-mail to [pdc@milwaukee.gov](mailto:pdc@milwaukee.gov). Otherwise the table may be removed from future official statements.

**City of Milwaukee, Wisconsin  
Continuing Disclosure Filings on the EMMA  
Since April 1, 2015**

Date	Submission ID	Description of Filing	CAFR (1)	
			City	MPS
		Voluntary: Safe Drinking Water Loan, Water Revenue		
		Financial Obligation: US Bank		
4/08/2020	RE1019511	OS: Series 2020 N4 & B5		
4/08/2020	RE1019514	OS: Series 2020 T6 & T7		
4/02/2020	ES1049320	Bond Call: 2010 B5		
3/25/2020	ES1046410	POS: Series 2020 R3		
3/25/2020	ES1046417	POS: Series 2020 N4 & B5		
3/25/2020	ES1046429	POS: Series 2020 T6 & T7		
2/28/2020	ES1039061	Voluntary: Clean Water Fund Loan, Sewer Revenue		
12/23/2019	ER992553	Bond Call: 2010 T3		
12/23/2019	ER992230	CAFR, MPS, 6/30/19		2019
12/19/2019	ER991646	Rating Change: Fitch on Sewerage Revenue Bonds		
10/11/2019	ER972898	OS: Series 2019 M7		
10/04/2019	ER971088	Financial Obligation: US Bank		
9/19/2019	ER966837	POS: Series 2019 M7		
9/13/2019	ES1004670	Rating Change: Fitch on City GO		
7/30/2019	ES997692	CAFR, City, 12/31/18	2018	
7/23/2019	ER956314	Pension Actuarial Valuation Report, 1/1/19		
5/08/2019	ER945267	Annual Financial Information: OS Series 2019 R2, N3, B4, T5		
5/08/2019	ER945242	OS: Series 2019 R2		
5/08/2019	ER945243	OS: Series 2019 N3, B4		
5/08/2019	ER945245	OS: Series 2019 T5		
4/18/2019	ER939482	Rating Change: S&P on City GO and Sewers		
4/18/2019	ER939425	POS: Series 2019 R2		
4/18/2019	ER939434	POS: Series 2019 N3, B4		
4/18/2019	ER939436	POS: Series 2019 T5		
2/12/2019	ES956134	Bank Loan: US Bank Master Revolving Loan Agreement		
1/02/2019	ES946759	Bond Call: 2009 B2		
12/21/2018	ER915062	CAFR, MPS, 6/30/18		2018
9/28/2018	ER895075	OS: Series 2018 M10		
9/14/2018	ES927113	POS: Series 2018 M10		
7/30/2018	ES917717	Pension Actuarial Valuation Report, 1/1/18		
7/20/2018	EP806204	CAFR, City, 12/31/17, raw formatting	2017	
6/29/2018	ES910940	Unaudited CAFR, City, 12/31/17		
6/01/2018	ES902596	Failure to file CAFR, City by June 30		

(1) The City's audit is required to be filed by September 30<sup>th</sup>. The MPS audit is required to be filed by March 31<sup>st</sup>.

**City of Milwaukee, Wisconsin**  
**Continuing Disclosure Filings on the EMMA**  
**Since April 1, 2015**

Date	Submission ID	Description of Filing	CAFR (1)	
			City	MPS
5/16/2018	ES898126	Annual Financial Information: OS Series 2018 R3, N4, B5, T6, T7		
5/11/2018	ES895529	OS: Series 2018 R3		
5/11/2018	ES895531	OS: Series 2018 N4, B5		
5/11/2018	ES895536	OS: Series 2018 T6, T7		
5/01/2018	ES891489	Bond Call, Mandatory Sinking Fund Redemption: Series 2001-A		
4/23/2018	ES888345	POS: Series 2018 R3		
4/23/2018	ES888338	POS: Series 2018 N4, B5		
4/23/2018	ES888342	POS: Series 2018 T6, T7		
4/05/2018	ES882832	Rating Change: Moody's on Sewer Revenue Bonds		
4/04/2018	ES882560	Rating Change: S&P on MPS Pension Bonds Bond Insurer		
3/19/2018	ES871151	Rating Change: S&P on MPS Pension Bonds		
3/13/2018	ES869567	Rating Change: Moody's on City GO and RACM Summerfest Bonds		
3/02/2018	ER877771	Rating Change: S&P on MPS NSI Bonds		
2/01/2018	ER873797	Bond Call: 2008 B7		
2/01/2018	ER872203	CAFR, MPS, 6/30/17, previous file replaced with revised version		
1/29/2018	ER873333	OS: Series 2018 N1		
1/26/2018	ER872203	CAFR, MPS, 6/30/17 (archived)		2017
1/18/2018	ES850796	POS: Series 2018 N1		
12/29/2017	ER506658	Corrected typo in Failure to file CAFR, City by June 30, 2012		
12/08/2017	ER861838	POS: RACM MPS 2017C QSCBs		
11/07/2017	ER853451	Pension Actuarial Valuation Report, 1/1/17		
11/07/2017	EP803719	Rating Change: Fitch on MPS Pension Bonds		
10/05/2017	ES822384	OS: Series 2017 M11 MPS RANs		
9/27/2017	ER848376	POS: Series 2017 M11 MPS RANs		
8/08/2017	EP798860	Rating Change: Moody's on MPS Pension and NSI Bonds		
8/02/2017	ER841452	CAFR, City, 12/31/16	2016	
6/26/2017	EP377478	OS: RACM MPS 2017 Refunding NSI - Supplement Rating Change		
6/14/2017	ER831649	Annual Financial Information: OS Series 2017 R3, N4, B5		
6/14/2017	ER831646	Failure to file CAFR, City by June 30		
6/13/2017	EP377479	OS: RACM MPS 2017 Lease		
6/13/2017	EP377478	OS: RACM MPS 2017 Refunding NSI		
6/01/2017	ES810072	POS: RACM MPS 2017 Lease		
6/01/2017	ES810070	POS: RACM MPS 2017 Refunding NSI		
5/09/2017	EP779249	OS: Series 2017 T6 and T7		
5/09/2017	EP779244	OS: Series 2017 N4 and B5		

**City of Milwaukee, Wisconsin  
Continuing Disclosure Filings on the EMMA  
Since April 1, 2015**

Date	Submission ID	Description of Filing	CAFR (1)	
			City	MPS
5/09/2017	EP779240	OS: Series 2017 R3		
5/01/2017	ER825087	Bond Call, Mandatory Sinking Fund Redemption: Series 2001-A		
4/24/2017	ER822910	POS: Series 2017 T6 and T7		
4/24/2017	ER822904	POS: Series 2017 N4 and B5		
4/24/2017	ER822885	POS: Series 2017 R3		
1/31/2017	ER806929	CAFR, MPS, 6/30/16		2016
1/09/2017	ER794709	Bond Call: 2007 B5		
1/09/2017	ER794708	Bond Call: 2006 B10		
12/07/2016	ES786074	Bank Loan: JP Morgan Chase Line		
12/07/2016	ES786061	OS: Series 2016 W10 Water		
11/29/2016	ES377098	OS: RACM MPS 2016A, 2016B QECCB		
11/21/2016	ES781334	Bank Loan: US Bank Line		
11/21/2016	ES781270	POS: Series 2016 W10 Water		
11/18/2016	ES780313	Bond Call: 2012 F9 & V10		
10/12/2016	EP752983	OS: Series 2016 M8 MPS RANs		
9/29/2016	EP750542	POS: Series 2016 M8 MPS RANs		
9/23/2016	ES663847	Rating Change: Moody's on RACM Summerfest		
8/16/2016	ES652467	OS: Series 2016 S7 Sewers		
8/03/2016	EP744796	POS: Series 2016 S7 Sewers		
8/02/2016	ES652017	Pension Actuarial Valuation Report, 1/1/16		
8/02/2016	ES651988	Pension Actuarial Valuation Report, 1/1/15		
8/01/2016	ES650872	CAFR, City, 12/31/15, raw formatting	2015	
6/14/2016	ER764909	OS: Series 2016 B6		
6/14/2016	ER764907	OS: Series 2016 N5		
6/01/2016	ES640183	Annual Financial Information: POS Series 2016 N5, B6		
6/01/2016	ES640180	POS: Series 2016 N5, B6		
6/01/2016	EP741451	Failure to file CAFR, City by June 30		
5/12/2016	EP735406	OS: Series 2016 T4		
5/12/2016	EP735405	OS: Series 2016 N2, B3		
5/12/2016	EP735402	OS: Series 2016 R1		
5/02/2016	ER755640	Bond Call, Mandatory Sinking Fund Redemption: Series 2001-A		
3/08/2016	ES622894	Rating Change: Moody's on RACM (MPS NSI) to "A1" and "A2"		
1/04/2016	ES611748	CAFR, MPS, 6/30/15		2015
1/04/2016	ES611742	Bond Call: 2006 B2		
11/19/2015	EP705011	Reoffering Circular, Series 2012 V10		
10/5/2015	ER730150	OS Series 2015 M7 MPS RANs		
9/22/2015	ES596432	POS: Series 2015 M7 MPS RANs		

**City of Milwaukee, Wisconsin  
Continuing Disclosure Filings on the EMMA  
Since April 1, 2015**

Date	Submission ID	Description of Filing	CAFR (1)	
			City	MPS
9/10/2015	EA600555	CAFR, City, 12/31/14, previous file replaced with final formatting		
7/31/2015	EA600555	CAFR, City, 12/31/14, raw formatting (archived)	2014	
7/01/2015	ER718386	Bond Call: 2005 B10, 2019-2022 maturities		
7/01/2015	ER716342	Bond Call: 2005 B10, 2016-2018 maturities		
6/29/2015	ER713827	Bond Call: RACM 2005A (MPS Congress Craig Fratney)		
6/26/2015	ER712870	Official Statement RACM 2015A MPS QSCB		
6/04/2015	EP687877	Failure to file CAFR, City by June 30		
5/26/2015	EP685340	OS Series 2015 T4		
5/26/2015	EP685338	OS Series 2015 N2 B3		
5/26/2015	EP685335	OS Series 2015 R1		
5/08/2015	ER699706	POS: Series 2015 R1, N2, B3, and T4		
5/01/2015	ER697247	Bond Call, Mandatory Sinking Fund Redemption: Series 2001-A		

## **APPENDIX D**

### **BOOK-ENTRY-ONLY SYSTEM**

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## BOOK-ENTRY-ONLY SYSTEM

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

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

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

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

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

which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

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

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

Redemption proceeds, distributions, and dividend payments on the Offered Obligations will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from Issuer or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "*street name*," and will be the responsibility of such Participant and not of DTC, Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

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 or Bond certificates will be printed and delivered to DTC.

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

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

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