

Financial



MILWAUKEE
PUBLIC SCHOOLS

2019–20 Superintendent's Proposed Budget
Fiscal Year: July 1, 2019 – June 30, 2020
Submitted to the Milwaukee Board of School Directors

Office of Finance | 5225 W. Vliet St., Milwaukee, WI 53208 | mpsmke.com

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Financial Section

The Milwaukee Public Schools budget is organized into four sections: Executive Summary; Organizational; Financial, including Schools, Central Services and Line Items; and Informational, including City Profile, MPS Profile and Glossary.

The Financial Section of the 2019-20 Superintendent's Proposed Budget provides a general narrative as well as detailed information on district revenues and expenditures, forecasts, fund balance, capital and debt.

IMPORTANT NOTE TO READER: Summary information on districtwide revenues and expenditures precedes the fund-by-fund descriptions where clarifying information is provided. It is helpful to review the fund-specific narrative to understand the summary-level information. The 2019-20 pro forma summary (Chart 3.11) shows the current budget for each fund by the object (or type) of expenditure. The district use of funds summary (Chart 3.8) shows the budget by the organizational functions that manage the funded activities. Finally, some of the individual fund charts are designed to show funding by program or project because that is particularly meaningful for the way resources are distributed in those funds.

In this budget document, the terms "actual" and "actuals," in the context of financial information presented in tables and graphs, refer to actual revenues received and actual expenditures incurred for the fiscal year indicated. Please note: The district also refers to the proposed budget for the new fiscal year as "Proposed" (P.B.). Many of the tables and charts in the Financial Section express revenues and expenditures in millions of dollars. These are indicated by (\$M) in the title of the table or chart. In addition, the sum of figures does not always equal the total displayed due to rounding.

Charts and tables are prepared from the district's financial management system or other internal documents, except where noted. The district prepares five-year projections for each statutory fund as part of the spring budget process for the following fiscal year. Given the nature of state funding for school districts in Wisconsin, revenue estimates are dependent on factors that are not predictable. Nonetheless, the forecasts realistically illustrate the need for MPS to obtain supplementary resources and reduce costs. Forecasts are reviewed and updated as needed.

Fund Overview

The district, as required under Government Accounting Standards Board (GASB) Statement Number 34, utilizes various fund types to report the financial activity for its operating units. The five funds used by MPS include the **School Operations, School Nutrition Services, Construction, Extension and Categorically Aided Programs** funds. Within these funds, expenses are budgeted and recorded in schools, departments and other MPS entities.

Two additional funds are identified within the **School Operations Fund**. The "taxing" portion of this fund is used for the majority of the district's operations, including debt. **School Nutrition Services** is an enterprise fund, within the School Operations Fund, which accounts for the breakfast, lunch and other meal programs supported primarily through the National School Lunch Program. As an enterprise fund, the activities in the program are expected to generate sufficient revenue to cover costs.

The **Construction Fund** is used to account for and report financial resources that are restricted, committed or assigned to expenditures for the acquisition or construction of capital facilities. It is also used to fund the additions to and/or remodeling of existing buildings.

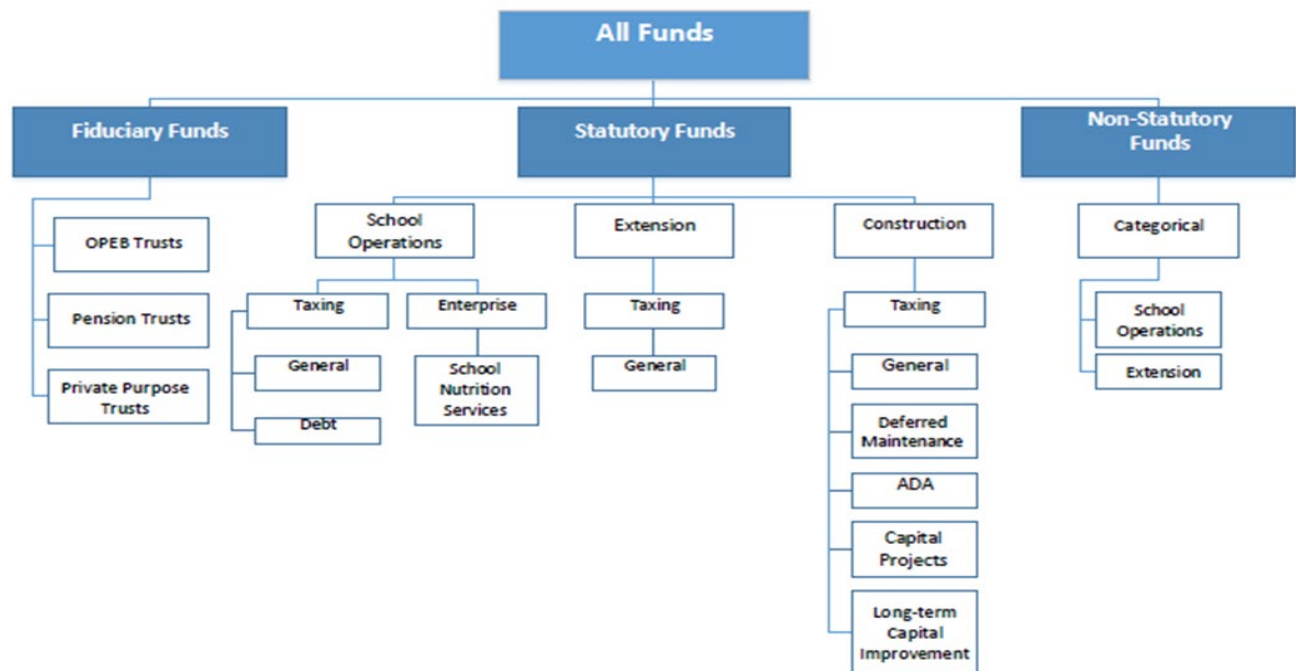
The **Extension Fund**, an enterprise fund, is used to record financial transactions related to recreational activities and is jointly managed by the Office of Finance and Office of Academics.

The **Categorically Aided Programs Fund** is used to account for proceeds from federal, state and private grants that supplement core/basic instructional programs and services across the district. Most categorical programs are developed to serve a specific targeted group or audience. MPS uses the term “categorical” funding to refer to all grant resources, and these terms are used interchangeably.

Outside of the scope of the annual budget, the district also manages fiduciary funds. These are primarily composed of trusts for pension, other post-employment benefits (OPEB) and private-purpose trusts. Further description of the funds can be found in the pages that follow, and in the glossary.

The proposed budget for 2019–20 is balanced. A balanced budget is one in which authorized expenditures for each fund match the projected revenues. Specific financial strategies and plans to support the Board of School Directors’ goals and objectives are described in the following pages. They are organized by fund: School Operations (including debt service), School Nutrition Services, Extension and Construction. Chart 3.1 shows an overview of the district’s fiduciary, statutory and non-statutory funds.

Chart 3.1 District Fund Overview



The focus of the 2019-20 proposed budget is on the statutory funds, while also including categorical fund information for completeness. The district publishes a Comprehensive Annual Financial Report (CAFR) which includes detailed information on the district’s balance sheet and the fiduciary funds. It is available on the district’s website: <http://mps.milwaukee.k12.wi.us/en/District/About-MPS/Departments/Office-of-Finance/Financial-Services.htm>.

Summary of All Funds

Revenues by Source – All Funds

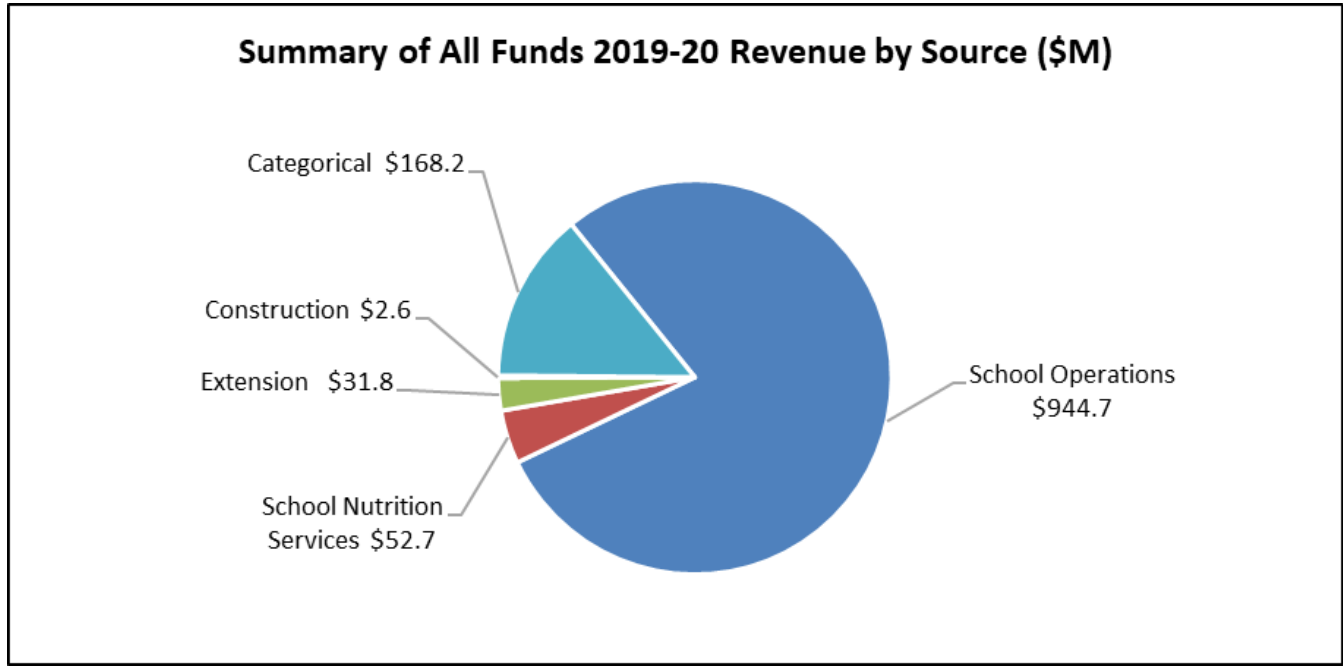
Chart 3.2 shows a summary of district revenue by source. Information includes a) the amended adopted budget for 2016–17, b) the amended adopted budget for 2017–18, c) the amended adopted budget for 2018–19, d) the proposed budget for 2019-20, and e) the change from 2018–19 to 2019–20.

Chart 3.2 2019-20 Summary of All Funds – Revenues by Source

Summary of All Funds - Revenues by Source (\$M)					
	2016-17 F.A.	2017-18 F.A.	2018-19 F.A.	2019-20 P.B.	Inc / (Dec)
School Operations Fund					
Property Tax Levy /Equalization Aids	\$822.4	\$816.0	\$805.5	\$803.5	(\$2.0)
State Handicapped Aids	47.6	49.2	46.5	48.5	2.0
Other State Aids	29.5	44.0	61.0	61.0	-
Federal Aids	15.5	14.9	15.3	15.9	0.6
Local Revenues (Non-Property Tax)	13.3	14.6	14.9	15.8	1.0
Subtotal	\$928.3	\$938.7	\$943.2	\$944.7	\$1.5
School Nutrition Services Fund					
Federal Aids, Commodities	\$48.9	\$47.1	\$50.1	\$49.6	(\$0.5)
State, Sales, and Other Aid	1.7	4.4	3.9	3.1	(0.8)
Subtotal	\$50.6	\$51.5	\$54.0	\$52.7	(\$1.3)
Extension Fund					
Property Tax Levy	\$20.0	\$20.0	\$20.0	\$24.3	\$4.3
Applied Surplus	1.0	2.8	5.5	5.5	-
Other	2.0	2.0	2.0	2.0	-
Subtotal	\$23.0	\$24.8	\$27.5	\$31.8	\$4.3
Construction Fund					
Property Tax Levy	\$1.1	\$3.9	\$1.5	\$1.5	\$0.0
Other	\$33.0	\$1.6	\$1.1	\$1.1	-
Subtotal	\$34.1	\$5.5	\$2.6	\$2.6	\$0.0
Categorical Fund					
Federal	\$134.6	\$135.4	\$131.8	\$141.4	\$9.6
State	28.4	29.4	32.4	30.4	(2.0)
Private	3.6	4.1	2.3	2.1	(0.2)
Subtotal	\$166.6	\$168.9	\$166.5	\$173.9	\$7.4
Less Indirect	(5.4)	(5.1)	(5.5)	(5.7)	(0.2)
Subtotal	\$161.1	\$163.8	\$161.0	\$168.2	\$7.2
Total	\$1,197.1	\$1,184.2	\$1,188.3	\$1,200.0	\$11.7

For historical perspective, this summary intentionally shows budgeted revenues rather than actual. The district’s strategic plan is necessarily built within the confines of predictable resources. While all resources are directed to district needs, it is particularly those revenues that are awarded in advance of the school year that sustain the district’s operations. Chart 3.3 shows the revenue sources for the 2019–20 proposed budget.

Chart 3.3 Summary of All Funds – Revenues by Source



Expenditures by Object – All Funds

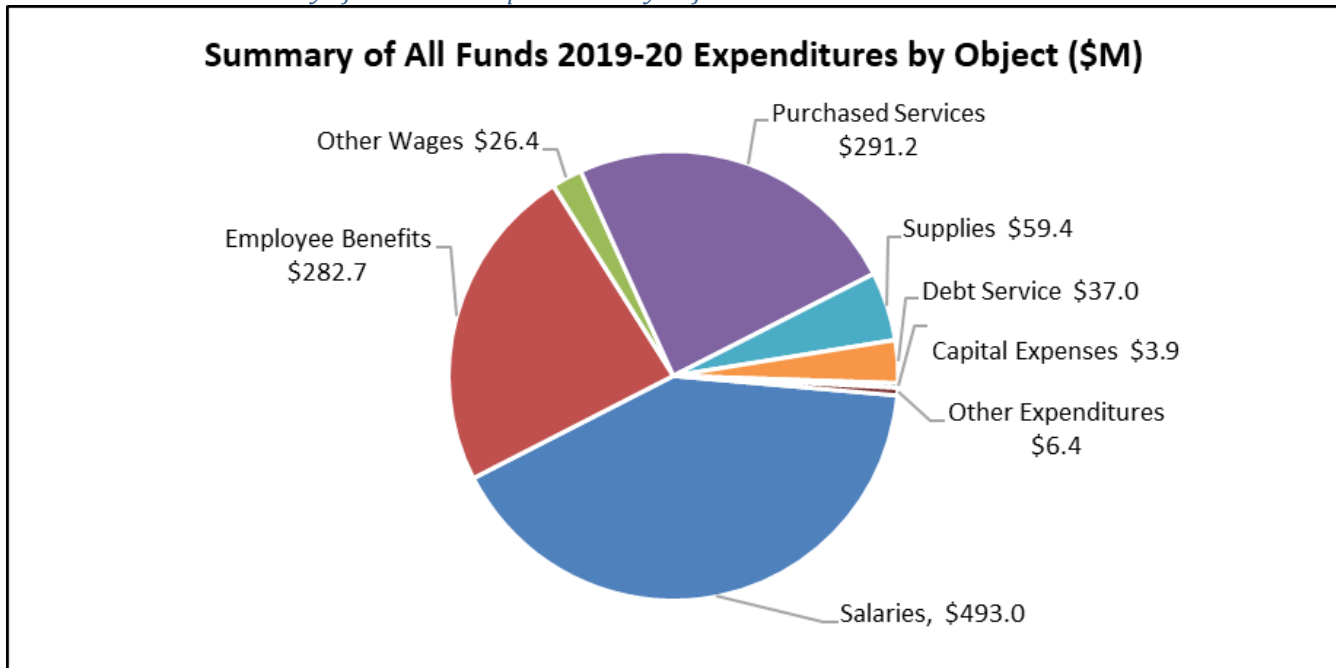
Chart 3.4 shows a summary of district expenditures by object. Information includes a) the amended adopted budget for 2016–17, b) the amended adopted budget for 2017–18, c) the amended adopted budget for 2018–19, d) the proposed for 2019–20, and e) the change from 2018–19 to 2019–20.

Chart 3.4 Summary of All Funds – Expenditures by Object

Summary of All Funds - Expenditures by Object (\$M)					
Object	2016-17 F.A.	2017-18 F.A.	2018-19 F.A.	2019-20 P.B.	Inc / (Dec)
Salaries	\$487.3	\$475.5	\$485.9	\$493.0	\$7.1
Employee Benefits	249.2	273.1	273.6	282.7	9.1
Other Wages	30.2	28.2	26.9	26.4	(0.5)
Purchased Services	342.5	294.5	289.9	291.2	1.3
Supplies	73.3	62.2	60.6	59.4	(1.2)
Debt Service	16.8	35.0	36.3	37.0	0.7
Capital Expenses	7.7	5.0	4.0	3.9	(0.1)
Other Expenditures	(9.9)	10.7	11.2	6.4	(4.8)
Total	\$1,197.1	\$1,184.2	\$1,188.4	\$1,200.0	\$11.7

Chart 3.5 shows the types of expenditures for the 2019–20 proposed budget.

Chart 3.5 2019-20 Summary of All Funds - Expenditures by Object



Five-Year Projection – All Statutory Funds

The district prepares five-year projections by statutory fund as part of the spring budget process for the following fiscal year. The district also develops a forecast in November/December, in part to help set the parameters for budget planning. The five-year projection tables shown in the individual fund sections below and a summary thereof were created in January of 2019.

See Charts 3.16 (School Operations Fund), 3.29 (School Nutrition Services Fund), 3.34 (Construction Fund), and 3.44 (Extension Fund) for individual fund five-year projections.

Chart 3.6 is the summary of individual fund projections and shows the five-year projection for district revenues and expenditures. Information includes a) the amended adopted budget for 2018–19, b) the proposed budget for 2019–20, c) an early estimate of revenues and expenditures for each year 2020–21, 2021–22, 2022–23, 2023–24, and; d) the change from the proposed 2019-20 budget to the estimated 2023–24 budget.

Chart 3.6 All Statutory Funds – Five-Year Projection

All Statutory Funds - Five-Year Projection (\$M)							
	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	FY24 vs. FY20
	F.A.	P.B.	Estimated	Estimated	Estimated	Estimated	Inc / (Dec)
Total Revenue	\$1,027.3	\$1,031.8	\$1,035.2	\$1,039.4	\$1,021.7	\$1,026.8	(\$5.0)
Total Expenditures	1,027.3	1,031.8	1,088.6	1,108.5	1,132.6	1,156.1	124.3
Use of prior year funds for legacy costs	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Surplus/ (Deficit)	\$0.0	\$0.0	(\$53.4)	(\$69.0)	(\$110.9)	(\$129.3)	
Cumulative Surplus / (Deficit)	\$94.2	\$94.2	\$40.8	(\$28.2)	(\$139.1)	(\$268.4)	

Summation of Five-Year Projections

The district's financial realities, as seen in the forecast summary, demonstrate that the district needs to proceed with a high degree of fiscal caution. Concerns about enrollment and continued revenue pressures remain.

It is important to note that general purpose revenues for 2020-21 and 2021-22 are projected to increase but then start to decline in 2022-23 (see Chart 3.16 in the School Operations Fund section).

The district has responded to demands for high-quality programs in suitable facilities by authorizing a few remodel expansion sites. While there is more need for such strategic investments, revenue trends point toward limited options.

Long-Term Financial Plan

Previous sections of this publication have presented the district's strategic plan, including the "Five Priorities for Success". Through determined focus on its core mission, the district intends to earn the support of the Milwaukee community and key stakeholders who will join us in ensuring that students in Milwaukee Public Schools receive excellent preparation for their futures. Specific strategies to guard the district's financial viability are as follows:

1. By providing a variety of quality educational environments, sensitive to the demand that families are demonstrating in their choices, MPS intends to maintain or grow its enrollment. As explained in keys at the end of this section, enrollment is a key driver of revenues.
2. By continuing to build business and other community partnerships, MPS is leveraging talents and donations (financial and "in-kind") that are available from people who demonstrate care for the city's children.
3. As a school district, our success is entirely dependent on the day-to-day work of staff. Careful recruitment and hiring, well-researched professional development, and competitive compensation will enable talents to be deployed at all levels.
4. Disciplined budgeting and spending will continue to ensure that the district's fund balance is preserved, and that debt is at a manageable level for the level of revenues received by MPS. Forecasts are developed to adequately prepare for predictable ebbs and flows of resources, and expenditures are authorized to the level of available revenues. Expenditure monitoring and adjustment is part of the culture of MPS, with school and Central Services leaders accountable for managing the resources in their scope of responsibility. An internal audit division is in place to guard against fraud or waste of the funds entrusted to MPS's care.
5. A proactive and enterprise-wide risk management strategy is in place to limit financial exposures for the district.
6. The district has a formal process of setting priorities for lobbying. Since public school districts are funded primarily through government funds, the board, superintendent, and others work in concert to make sure legislators are aware of the special challenges of providing education in a high-poverty urban setting.
7. The administration is actively seeking ways to improve the efficiency and effectiveness of operations. MPS looks to other school districts and other industries for best-practice methodologies that will allow for meeting the needs of students with available resources.

Fund Balance

The district's policy regarding fund balance is as follows:

- Use of the unassigned fund balance shall require a two-thirds majority vote of the board and shall not impair interim financing (cash-flow borrowing) arrangements. Fund balance is a critical factor in the district's financial planning and budget process. The board will strive to maintain a fiscally responsible fund balance.
- A sufficient fund balance shall be maintained in order to:
 - avoid excessive borrowing,
 - accumulate sufficient assets to make designated purchases or cover unforeseen expenditure needs, and
 - demonstrate financial stability to preserve or enhance the district's bond rating, thereby lowering the debt-issuance costs.

In 2016-17, as summarized in Chart 3.7 below, the district fund balance increased overall, primarily due to receipt of borrowed proceeds in the Construction Fund*.

A five-year view of the district's fund balance is provided in Chart 3.7. The district has proposed a balanced 2019-20 budget for the following funds: School Operations, School Nutrition Services, and Categorical. Projects funded in the Extension Fund and School Nutrition Services from prior year revenues are estimated to reduce fund balance by \$6.9 million in 2019-20.

* The Construction Fund provides resources for multi-year projects and carries a significant portion of assigned fund balance for previously authorized projects.

Chart 3.7 shows a) the district fund balance for years ended June 30, 2016, June 30, 2017, June 30, 2018, and the projected fund balance for June 30, 2019, and b) the projected fund balance for June 30, 2020.

Chart 3.7 Fund Balance - Five Year

Fund Balance - Five Year (\$M)					
Description	Fund Ending Balance 2015-2016 Actual	Fund Ending Balance 2016-2017 Actual	Fund Ending Balance 2017-2018 Actual	Fund Ending Balance 2018-2019 F.A.	Fund Ending Balance 2019-2020 P.B.
School Operations	\$37.8	\$11.3	\$14.2	\$14.2	\$14.2
School Nutrition	4.5	11.4	16.0	13.7	12.2
Construction	47.3	94.7	96.7	81.7	81.7
Extension	11.9	15.2	18.2	12.7	7.3
Categorical	1.1	1.2	1.2	1.2	1.2
Total	\$102.6	\$133.7	\$146.2	\$123.4	\$116.5

Expenditures by Schools and Office (District Use of Funds Summary)

Chart 3.8 shows a districtwide summary of expenditures by the organizational unit or category that uses the funds. For context, School Allocations are funds directly distributed to the schools. In School Allocations are funds that are centralized by the district but identified to assist schools. Information includes a) actual expenditures from 2015-16, b) actual expenditures from 2016-17, c) actual expenditures from 2017-18, d) the 2018-19 amended adopted budget, e) the 2019-20 proposed budget, and f) the change from 2018-19 to 2019-20.

Chart 3.8 District Use of Funds Summary

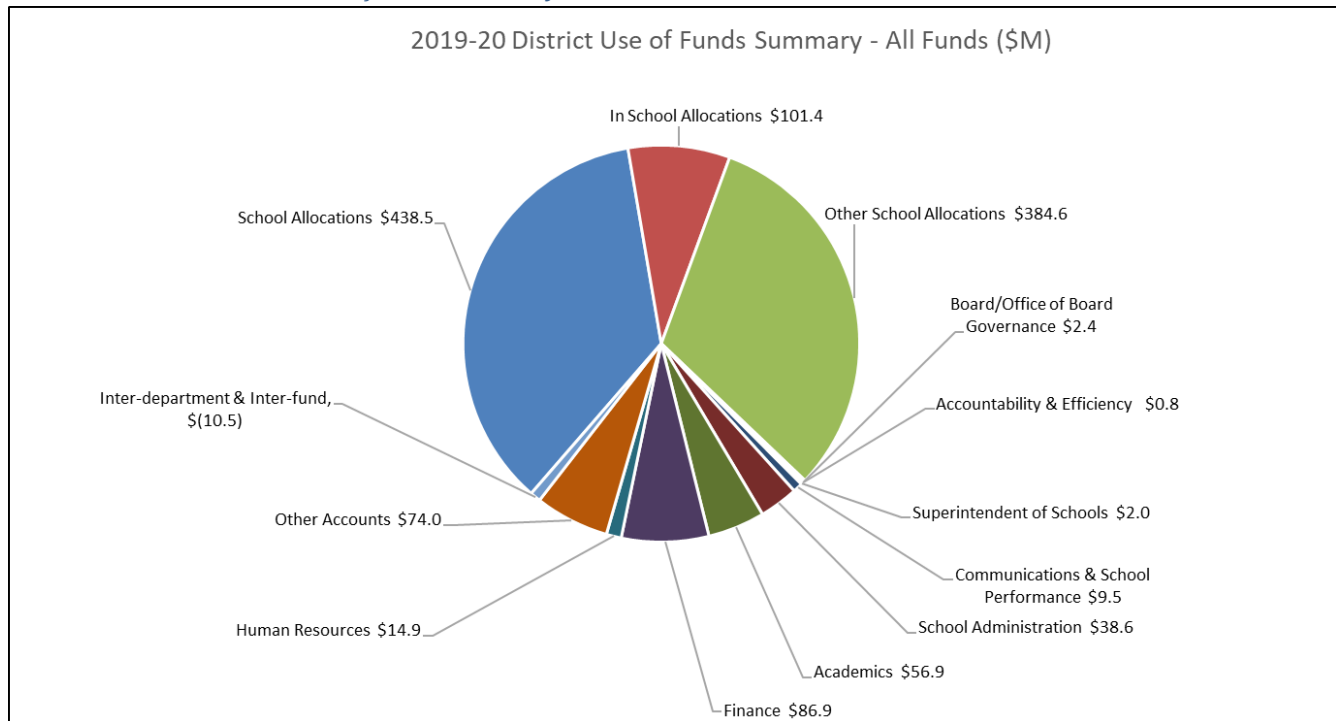
District Use of Funds Summary - All Funds (\$M)						
School/Department	2015-16 Actual	2016-17 Actual	2017-18 Actual	2018-19 F.A.	2019-20 P.B.	Inc / (Dec)
School Allocations	\$414.0	\$453.9	\$424.1	\$426.8	\$438.5	\$11.8
In School Allocations	92.0	104.9	105.4	100.9	101.4	0.5
Other School Allocations	245.9	275.8	375.9	374.7	384.6	9.8
Schools Subtotal	\$751.9	\$834.6	\$905.4	\$902.4	\$924.4	\$22.1
Board/Office of Board Governance	\$2.6	\$2.5	\$2.4	\$2.6	\$2.4	(\$0.1)
Accountability & Efficiency	0.9	1.0	1.0	0.9	0.8	(0.1)
Superintendent of Schools	0.8	0.9	1.5	1.8	2.0	0.2
Chief of Staff	3.3	4.2	-	-	-	-
Communications & School Performance	-	-	7.2	8.8	9.5	0.6
School Administration	9.7	9.9	42.8	42.9	38.6	(4.4)
Academics	46.0	51.3	55.0	57.0	56.9	(0.1)
Finance	5.7	5.9	70.6	84.6	86.9	2.3
Operations	88.6	88.3	-	-	-	-
Human Resources	5.2	5.6	14.3	14.7	14.9	0.3
Innovation	22.2	22.1	-	-	-	-
Offices Subtotal	\$185.1	\$191.8	\$194.7	\$213.3	\$212.1	(\$1.2)
Other Accounts	\$240.8	\$215.8	\$107.3	\$83.3	\$74.0	(\$9.3)
Inter-department & Inter-fund	(7.8)	(10.5)	(7.3)	(10.6)	(10.5)	0.1
Total	\$1,170.0	\$1,231.7	\$1,200.1	\$1,188.3	\$1,200.0	\$11.7

Note: "Actual" expenditures in this chart do not include the district's commitments at year end - bills that are paid in the next fiscal year. MPS also went through a reorganization in FY19 to better fit the needs of the district.



Chart 3.9 shows the proposed budget districtwide summary of expenditures by the organizational unit or category using the funds.

Chart 3.9 2019-20 District Use of Funds Summary – All Funds



Overview of the Budget Process

The district’s financial planning and budget development is a year-round process, kicked off in August and continuing through the following June for the next fiscal year. The process is guided by the MPS Strategic Plan and the Board of School Directors’ and superintendent’s unwavering focus on students and schools.

This document and the spending plans herein have been developed by hundreds of stakeholders: community members, business partners, MPS families, grant coordinators, school and district staff, etc. Their insights over the budget development time period, coupled with significant internal deliberation and debate on the most prudent investment of resources, result in a budget aligned to our strategic plan and district priorities.

Summaries by Fund

The district’s total projected revenue for 2019–20 is \$1.2 billion, up \$11.7 million compared to the budget for the previous year. That increase is due to increased revenues in the School Operations Fund, Extension Fund, and Categorical Fund. Despite funding on the rise in FY20, the district has limited resources to keep up with inflationary pressures.

Specifically, the district needs to attract, train, deploy and retain its staff in the most effective manner to meet student achievement goals. Compensation is an important part of employee morale and motivation. Like many employers in southeastern Wisconsin, MPS faces medical cost increases year after year. Other cost increases include further investment in projects and activities that are showing promise. Given the challenges faced by our community, MPS continues to prioritize areas that show promise for future success of students.

Chart 3.10 shows a revenue comparison between the 2019–20 proposed budget and the 2018-19 amended adopted budget for the district’s five funds.

Chart 3.10 District Revenue Overview

District Revenue Overview: 2018–19 Amended Adopted Budget Compared to 2019–20 Proposed Budget						
	Operations	Nutrition	Extension	Construction	Categorical	Total
2019–20 Proposed Budget	\$944.7	\$52.7	\$31.8	\$2.6	\$168.2	\$1,200.0
2018–19 Amended Adopted Budget	943.2	54.0	27.5	2.6	161.0	1,188.3
Year-to-Year Increase/(Decrease)	\$1.5	(\$1.3)	\$4.3	\$0.0	\$7.2	\$11.7
	0.2%	-2.6%	13.5%	0.0%	4.3%	1.0%

Chart 3.11 shows the pro forma budgeted revenues and expenditures for the 2019–20 proposed budget. The purpose of this pro forma summary is to display the districtwide budget in a manner that gives readers a summary of 2019–20 projected expenditures by fund, showing the types of costs budgeted.

Chart 3.11 2019-20 Pro Forma Summary

2019–20 Pro Forma Budgeted Revenues and Expenditures (\$M)						
	School Operations	School Nutrition	Categorical	Extension	Construction	Total
Revenues	\$944.7	\$52.7	\$168.2	\$31.8	\$2.6	\$1,200.0
Expenditures						
Salaries and Wages	\$416.4	\$12.8	\$78.3	\$11.9	\$0.0	\$519.4
Employee Benefits	227.7	8.9	42.1	4.0	-	282.7
Total Salary and Benefits	\$644.1	\$21.7	\$120.4	\$15.9	\$0.0	\$802.1
Student Transportation	\$63.8	\$0.0	\$0.3	\$0.2	\$0.0	\$64.3
Contracted Services	100.8	1.9	36.4	6.2	-	145.2
Construction Contracts	-	-	-	6.6	2.6	9.3
Interdistrict Student Tuition	37.9	-	0.1	-	-	38.0
Utilities	22.9	-	-	0.5	-	23.4
Maintenance Contracts	6.8	-	-	0.0	-	6.8
Telephone	2.3	0.0	-	0.0	-	2.3
Postage	0.9	-	0.0	0.1	-	1.0
Other Purchased Services	-	0.3	1.4	1.0	-	2.7
Total Purchased Services	\$235.4	\$2.1	\$38.1	\$14.5	\$2.6	\$292.8
Debt Service	\$37.0	\$0.0	\$0.0	\$0.0	\$0.0	\$37.0
Textbooks	\$1.2	\$0.0	\$0.0	\$0.0	\$0.0	\$1.2
Non-Textbooks	4.1	-	0.1	-	-	4.2
Consumable Supplies	12.4	2.4	7.2	0.4	-	22.4
Other Supplies	3.7	25.4	2.3	0.3	-	31.7
Total Supplies	\$21.4	\$27.8	\$9.6	\$0.7	\$0.0	\$59.5
Insurance	\$4.3	\$0.1	\$0.0	\$0.4	\$0.0	\$4.8
Capital Expenses	\$1.8	\$0.7	\$0.1	\$0.1	\$0.0	\$2.7
Building Modifications	0.8	0.3	-	0.3	-	1.4
Total Capital Expenses	\$2.6	\$0.9	\$0.1	\$0.3	\$0.0	\$3.9
Other Accounts	\$0.0	\$0.0	\$5.7	\$0.0	\$0.0	\$5.7
Less Indirect Costs	\$0.0	\$0.0	(\$5.7)	\$0.0	\$0.0	(\$5.7)
Total	\$944.7	\$52.7	\$168.2	\$31.8	\$2.6	\$1,200.0

Summary Data by Fund

School Operations Fund

The majority of district revenues are capped by the state’s revenue limit regulations in place since 1993. For MPS, the revenue limit for 2019–20 is \$804.9 million, which is \$2.1 million lower than 2018–19.

With only an overall increase of 0.2 percent in the district’s operating fund, difficult choices have been made to provide services to children without eroding the district’s limited fund balance. Initiatives that show promise for moving the district forward can be funded only with difficult reductions in other areas.

Another method used to preserve general resources in the budget is the redirection of funds that typically fund major maintenance projects in the Construction Fund. For 2019–20, this budget plans a Construction Fund tax levy at \$1.5 million which is equal to the \$1.5 million tax levy in 2018-19. This allows the district to use more of its tax levy authority for instructional and support services.

The district will be able to continue major maintenance work in 2019-20 by use of revenue from prior years. Fund balance in the Construction Fund includes assigned and unassigned funds. Unassigned funds (e.g., applied surplus) can be used for new projects. In addition, previously assigned funds can be redirected when projects are completed under budget or become unnecessary.



Revenues by Source – School Operations Fund

Chart 3.12 shows a summary of the School Operations Fund revenues by source and type. Information includes a) actual revenues from 2015–16, b) actual revenues from 2016–17, c) actual revenues from 2017–18, d) the amended adopted budget for 2018-19, e) the proposed budget for 2019–20 and f) the change from 2018–19 to 2019–20.

Chart 3.12 School Operations Fund – Revenues by Source

School Operations Fund - Revenues by Source (\$M)						
Description	2015-16 Actual	2016-17 Actual	2017-18 Actual	2018-19 F.A.	2019-20 P.B.	Inc / (Dec)
Property Tax Levy, Equalization and Integration Aids						
Property Tax Levy	\$273.0	\$260.1	\$248.2	\$228.9	\$228.9	\$0.0
General Equalization Aid	570.7	577.2	580.4	579.5	577.5	(2.0)
Integration Aid	36.4	33.1	30.4	35.5	35.5	-
Poverty Aid	5.3	5.3	6.3	6.3	6.3	-
Computer Aid	6.6	7.1	7.2	7.4	7.4	-
Deduction for Choice/Charter	(66.2)	(60.4)	(56.6)	(52.0)	(52.0)	-
Subtotal	\$825.8	\$822.4	\$816.0	\$805.5	\$803.5	(\$2.0)
State Handicapped Aids						
Handicapped Aids	\$50.4	\$48.3	\$46.1	\$46.5	\$48.5	\$2.0
Subtotal	\$50.4	\$48.3	\$46.1	\$46.5	\$48.5	\$2.0
Other State Aids						
Transportation Aid	\$2.0	\$2.3	\$2.5	\$2.7	\$2.7	\$0.0
Library Aid	5.0	4.0	4.7	4.1	4.1	-
Bilingual Aid	1.7	1.7	1.6	1.7	1.7	-
Summer School Aid	-	-	-	1.4	1.4	-
Tuition from State	0.7	0.4	0.3	0.5	0.5	-
General State Aid	12.0	19.7	35.0	50.6	50.6	-
Other State Aids	0.1	0.1	0.1	0.1	0.1	-
Subtotal	\$21.5	\$28.3	\$44.2	\$61.0	\$61.0	\$0.0
Federal Aids						
Other Federal Aids	\$0.1	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Federal Reimbursement - QSCB	3.3	3.5	3.8	3.8	4.3	0.6
Indirect Cost Aids	4.9	5.4	5.4	6.0	6.0	-
Medicaid Reimbursements	6.2	6.5	5.9	5.5	5.5	-
Subtotal	\$14.5	\$15.5	\$15.1	\$15.3	\$15.9	\$0.6
Local Revenues						
TIF and Other City Related	\$0.8	\$1.8	\$0.6	\$0.5	\$0.3	(\$0.2)
Student Programs Reimbursement	-	0.3	0.2	0.3	0.3	-
Student Fees / Admissions	0.1	0.7	1.8	0.0	0.0	-
Tuition	7.2	10.3	12.5	12.0	12.0	-
Interest Earned	0.4	0.2	0.7	0.2	0.2	-
Debt Proceeds	-	32.3	-	0.0	0.0	-
Rental	4.1	3.3	2.0	1.1	2.3	1.2
Refunds/Ins. Proceeds	15.6	4.2	5.9	0.5	0.5	-
Miscellaneous	0.6	0.4	0.8	0.3	0.3	-
Subtotal	\$28.7	\$53.5	\$24.5	\$14.9	\$15.8	\$1.0
Total without Carryover	\$941.0	\$968.0	\$945.9	\$943.2	\$944.7	\$1.5
Carryover	34.8	34.8	-	-	-	-
Total with Carryover	\$975.8	\$1,002.8	\$945.9	\$943.2	\$944.7	\$1.5

For 2019-20, revenue estimates for major sources were made in accordance with the current state biennial budget. The district adjusted its budget in fall when state aids were certified, fall enrollment was determined and updated estimates of costs or revenues were available.

Other aids and revenues are estimated on the basis of recent trends and/or specific information available from funding sources. For example, handicapped aids are based on prior-year expenditures. Spring projections for this revenue rely on estimates of a year-end level of costs, but the amended adopted budget uses prior-year actuals (unaudited) as the basis for the projection.

Major revenue sources for the School Operations and School Nutrition Services Funds are described below. Descriptions for other revenue categories are included in the glossary.

Equalization Aid

Equalization aid is based on the following: (1) expenditures and enrollment of the prior year; (2) district property values, which the state considers to be a measure of community wealth; and (3) the cost of the Milwaukee Parental Choice Program (MPCP), which the district is required to subsidize.

Integration Aid

The state makes payments to school districts to encourage racial and cultural balance by means of intra- and inter-district transfers. MPS operates an *intra-district program*, making it legally responsible for transporting both city and suburban pupils in the *inter-district program*. This is declining since the state legislature stopped enrollment as of 2015–16.

State Handicapped Aid

Handicapped aid is paid by the state to assist districts with the education and transportation of children with special education needs. The aid is calculated as a percentage of prior years' special need transportation, salary, and benefit costs.

State Other Aids

Other aids paid by the state include computer aid, poverty aid, bilingual education aid, transportation aid, library aid, and general aid.

Federal Aids

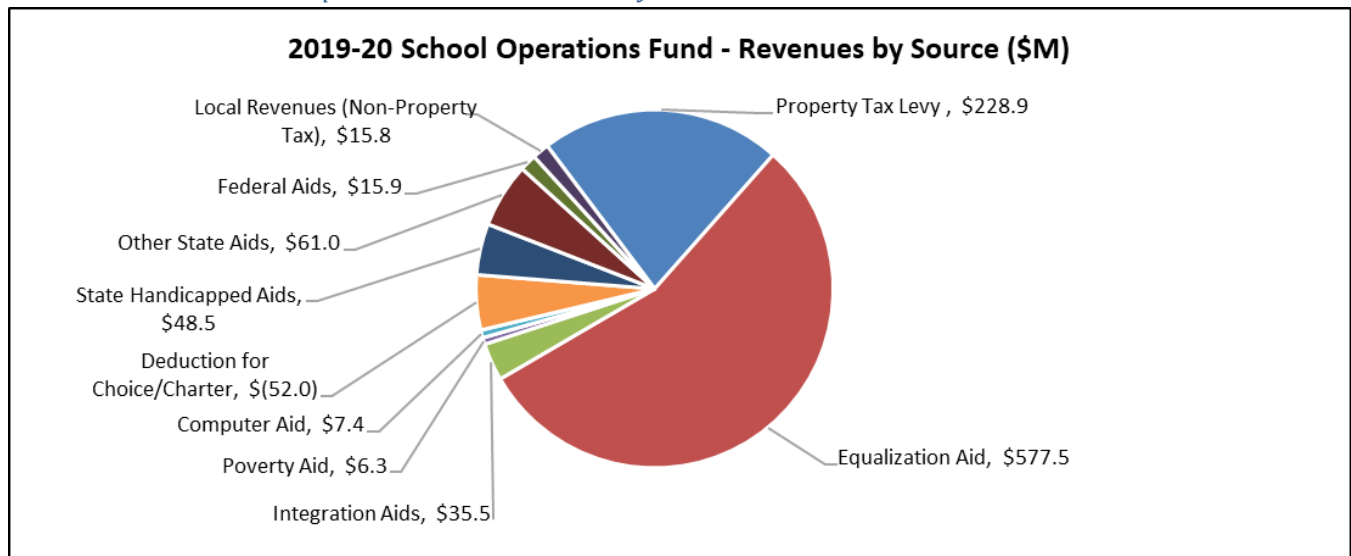
Federal aids include school nutrition aid, Medicaid billing aid and indirect aid. The school nutrition aid is distributed through the state as reimbursement for food service programs operated by the district. Medicaid billing aid is the reimbursement for health-related services being provided by schools to Medicaid-eligible special education students. Indirect aid is the reimbursement for costs that are required to operate a program but are not directly identifiable to a specific program.

Local Revenues

Local revenues include the revenues received from the sale of à la carte food items to students and meals to adults as well as interest earned on the district's checking accounts, mobile home fees, rental income and tuition.

Chart 3.13 shows the major revenue sources for the School Operations Fund 2019-20 proposed budget.

Chart 3.13 2019-20 School Operations Fund – Revenues by Source



Expenditures by Object – School Operations Fund

Chart 3.14 shows the School Operations Fund expenditures by object. Information includes a) actual expenditures from 2015–16, b) actual expenditures from 2016–17, c) actual expenditures from 2017–18, d) the amended adopted budget for 2018–19, e) the proposed budget for 2019–20, and f) the change from 2018–19 to 2019–20.

Chart 3.14 School Operations Fund – Expenditures by Object

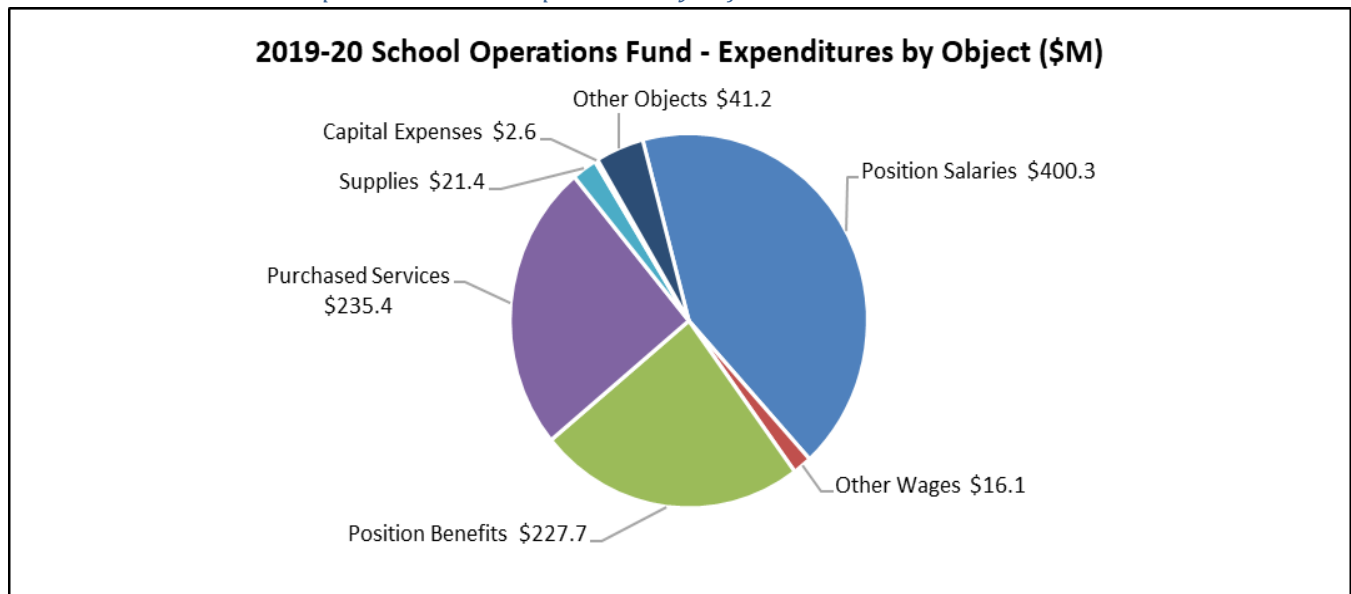
School Operations Fund - Expenditures by Object (\$M)						
Object	2015-16	2016-17	2017-18	2018-19	2019-20	FY19 vs. FY20 Inc / (Dec)
	Actual	Actual	Actual	F.A.	P.B.	
Position Salaries	\$388.8	\$394.5	\$389.2	\$395.4	\$400.3	\$4.9
Other Wages	24.7	26.9	22.6	16.4	16.1	(0.3)
Benefits	199.2	188.3	219.6	220.3	227.7	7.4
Purchased Services	248.0	264.4	249.5	238.2	235.4	(2.8)
Supplies	36.8	49.6	29.7	23.0	21.4	(1.6)
Capital Expenses	2.9	4.2	4.1	2.7	2.6	(0.1)
Other Objects	47.7	66.6	34.0	47.1	41.2	(5.9)
Total	\$948.1	\$994.5	\$948.7	\$943.2	\$944.7	\$1.5

Chart 3.14 above shows significant changes in year-to-year expenditures, including the following:

- An increase in salaries as the district has set aside a reserve for raises in the proposed budget for 2019-20
- A decrease in supplies; this is due to budget constraints and the district’s ongoing efforts to recruit and retain quality employees by offering competitive pay rates and raises

Chart 3.15 shows the expenditures by object for the School Operations Fund 2019-20 proposed budget.

Chart 3.15 2019-20 School Operations Fund – Expenditures by Object



Five-Year Projection – School Operations Fund

Chart 3.16 shows an estimate of revenues and expenditures in the School Operations Fund (general and debt) for each year through 2023–24. Information includes a) the amended adopted budget for 2018–19; b) the proposed budget for 2019–20; c) an early estimate of revenues and expenditures for each year 2020–21, 2021–22, 2022–23, 2023–24; and d) the change from the proposed 2019-20 budget to the estimated 2023–24 budget.



Chart 3.16 School Operations Fund – Five-Year Projection

School Operations Fund - Five-Year Projection (\$M)							
	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	FY24 vs. FY20
	F.A.	P.B.	Estimated	Estimated	Estimated	Estimated	Inc / (Dec)
Revenues (without applied surplus)	\$943.2	\$944.7	\$946.0	\$948.9	\$929.9	\$933.6	(\$11.1)
Expenditures							
Salaries/Wages	\$411.8	\$416.4	\$424.6	\$431.2	\$437.8	\$444.6	\$28.2
Benefits	220.3	227.7	232.5	239.2	246.6	254.7	27.0
Purchased Services	238.2	235.4	247.3	252.5	257.7	263.1	27.7
Supplies/Materials	23.0	21.4	24.4	25.1	25.8	26.6	5.2
Capital Purchases	2.7	2.6	2.9	2.9	3.0	3.1	0.5
Other Objects	47.1	41.2	48.5	47.3	49.5	50.0	8.8
Total Expenditures	\$943.2	\$944.7	\$980.2	\$998.2	\$1,020.5	\$1,042.1	\$97.4
Balance (before use of prior year funds)	-	-	(34.2)	(49.3)	(90.6)	(108.5)	
Use of prior year funds for legacy costs	-	-	-	-	-	-	
Final Surplus/ (Deficit)	\$0.0	\$0.0	(\$34.2)	(\$49.3)	(\$90.6)	(\$108.5)	
Cumulative Surplus / (Deficit)	(\$1.6)	(\$1.6)	(\$35.8)	(\$85.1)	(\$175.6)	(\$284.1)	

Revenue projections for the School Operations Fund are conservative. The district’s revenue limit will only increase if the state repairs the revenue limit formula or MPS enrollment grows. The per-pupil categorical aid has grown in recent years but may be stagnant going forward. MPS also needs to allocate more tax levy authority to the Construction Fund in future years.

School operations expenditures, projected as if operations remain largely the same, are expected to increase by \$97.4 million between 2019-20 and 2023–24. The primary driver of the cost increase continues to be medical inflation, which is projected to increase five percent, compounded annually, over the next five years. The administration is pursuing options and alternatives to stabilize enrollment and contain costs, which will help MPS avoid the projected deficits if the status quo is maintained.



Debt Service

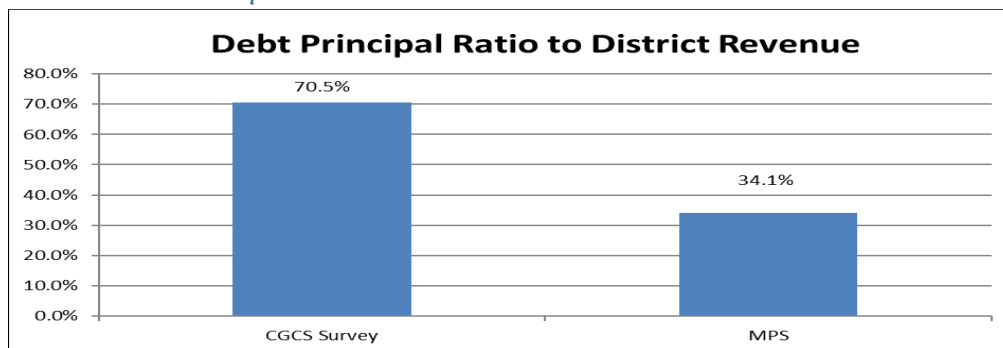
Debt service refers to financial resources that are restricted, committed or assigned to expenditures for the payment of general long-term debt principal, interest and related costs. These costs are reported in the School Operations Fund for budgeting purposes. The 2019--20 proposed budget for debt totals \$36.9 million, a \$0.6 million increase over 2018–19 due to increased principal and interest payments. New debt was issued in December 2017, to fund major maintenance projects at numerous schools.

The Council of The Great City Schools (CGCS) conducts an annual survey of urban school districts. From this survey, information on debt principal ratio is collected. The ratio measures the outstanding principal debt at a point in time as a portion of the entity’s annual revenues for that year.

For comparative purposes, in fiscal year 2017–18 (the most recent CGCS year of data), the median debt principal ratio to district revenue for urban school districts was 70.5 percent while MPS’s was 34.1 percent. This indicates that MPS is leveraged at a much lower level than many other school districts, making more funds available for learning resources.

Chart 3.17 shows MPS’s 2017–18 ratio (the most recent year for data) compared to a survey of CGCS districts.

Chart 3.17 Debt Principal Ratio to District Revenue



Source: Managing For Results in America’s Great City Schools, CGCS, October 2018

Debt Management

MPS was established on February 3, 1846, and operates under Chapter 119 of Wisconsin Statutes. MPS is effectively treated as a department of the City of Milwaukee but authorized by law to adopt its own budget. The city is required to levy and collect property taxes to support the MPS budget.

MPS does not have authority to issue debt. The City of Milwaukee has authority under Chapters 67 and 119 of Wisconsin Statutes to issue municipal obligations for specific school purposes. Bonded indebtedness issued by the city under Chapter 119 for school purposes is limited to two percent of the full value of taxable property in Milwaukee. Bonded indebtedness issued by the city under Chapter 67 for school purposes counts against the city's debt limit of five percent of the full value of taxable property in the city. The City of Milwaukee continues to maintain high bond ratings from three major agencies: A+ from Standard & Poor's Corporation, A from Fitch Ratings, and Aa2 from Moody's Investors Service, Inc. In March 2018, S&P Global Ratings and Fitch Ratings issued ratings of "A+" with a "stable outlook" and "A" with a "stable outlook", respectively, for the Series 2017 lease revenue bonds". This, along with favorable reviews of the district's financial management, allows for borrowing at competitive rates that minimize debt service costs.

When debt financing is contemplated, MPS enters into an intergovernmental cooperation agreement with the City of Milwaukee for any issuance. Projects chosen to be financed with debt are considered in light of the MPS strategic plan. Financing structures are formulated to provide the most effective cost and maturity structure for the district while enabling achievement of the desired project goals. The Redevelopment Authority of the City of Milwaukee (RACM) is the entity that has issued debt on behalf of MPS for some of the district's financing needs. Tables below include notation of RACM where appropriate.

An example of debt issuance directed by strategic goals was the revenue bonds for the Neighborhood Schools Initiative. The bonds were issued to improve neighborhood school attendance and thereby reduce transportation costs. Another example is taxable pension funding bonds, which financed unfunded actuarial accrued liability to save the district millions of dollars in interest annually.

MPS conforms to all state and local statutes governing the investment of public funds as well as applicable federal and state regulatory requirements. All issuance of debt, whether short-term or long-term, is approved by the MPS board.

The par value of all bonds issued in FY17 was \$56,185,000. The bonds issued provided construction fund proceeds of \$1.4 million for arts and culinary academies and \$61.2 million in proceeds for energy efficiency projects at schools which will reduce energy consumption and address infrastructure maintenance needs. The related 20-year debt service cost began to come due in 2017–18.

In FY17 the district issued \$29.1 million of refunding revenue bonds to refund \$31.9 million of Neighborhood Schools Initiative bonds. The district projects to realize \$3.0 million of net savings over the remaining life of the bonds from the refunding. The district also implemented a new reporting standard in 2016-17, GASB 86, which results in a higher reportable amount of debt outstanding compared to prior years.

Chart 3.18 Outstanding Debt – 10 years

Outstanding Debt	
Fiscal Year	Debt Outstanding (\$M)
2009	328.3
2010	369.3
2011	358.1
2012	349.8
2013	342.2
2014	337.3
2015	367.2
2016	359.3
2017	382.8
2018	402.8

Debt costs are budgeted and managed in the School Operations Fund and recorded as a non-major fund in the district’s annual financial report. Chart 3.18 on the previous page provides an ten-fiscal-year summary of MPS’s outstanding debt. Debt amounts for the 2008–2018 fiscal years are stated in the 2018 Comprehensive Annual Financial Report (CAFR).

Debt Capacity

Short-Term and Long-Term Borrowing – Statutory Borrowing Limitations

Wisconsin Statute § 67.12(1)(a) limits issuance of short-term notes, borrowing that lasts less than two years, to 60 percent of the estimated School Operations Fund revenues for the respective fiscal year. Charts 3.19–3.22 highlight the district’s short- and long-term borrowing.

Chart 3.19 Short-Term Borrowing – Statutory Borrowing Limitations

Description	Amount (\$M)
Total School Operation Fund Revenues for 2019-20	\$997.4
Statutory Borrowing Limit of 60 percent of Estimated School Operations Revenue	\$598.4
Less Outstanding School Revenue Anticipation Notes, Series 2018 M10	\$180.0
Unused Short-term Borrowing Capacity	\$418.4

Chart 3.20 Short-Term Borrowing Percentages

Description	Percentage
Percentage of Borrowing Limit Used	30.1%
Percentage of Borrowing to Estimated Revenues	18.0%

Chart 3.21 Short-Term Borrowing – Statutory Borrowing Limitations

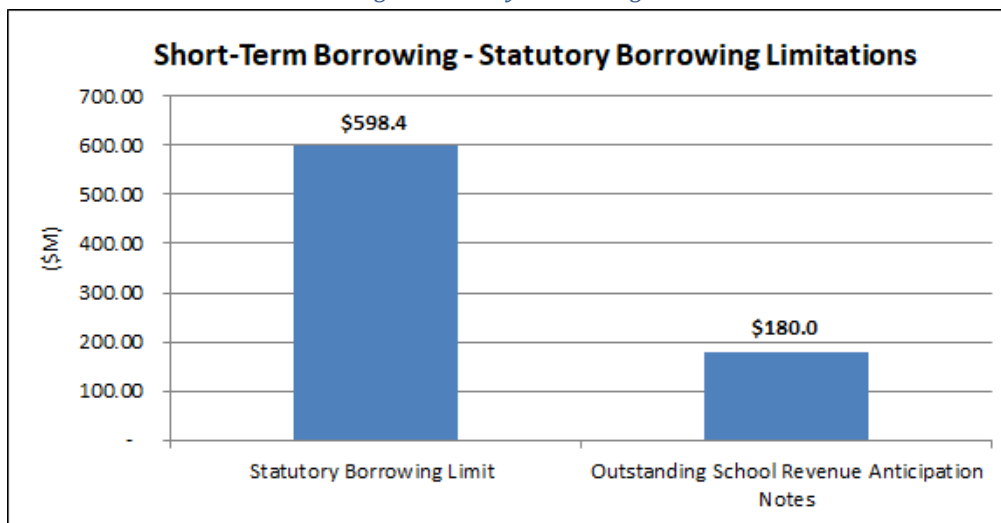


Chart 3.22 Short-Term Borrowing – Statutory Borrowing Limitations

Description	Amount (\$M)
2 Percent of City of Milwaukee Equalized Value for 2018	\$566.8
Outstanding General Obligation Debt Subject to 2 percent Limit at 10/1/2016	(\$7.9)
Total Unused Debt Capacity for School Purpose Borrowing	\$558.9
Total Unused Debt Capacity for School Purpose Borrowing percent	98.6%

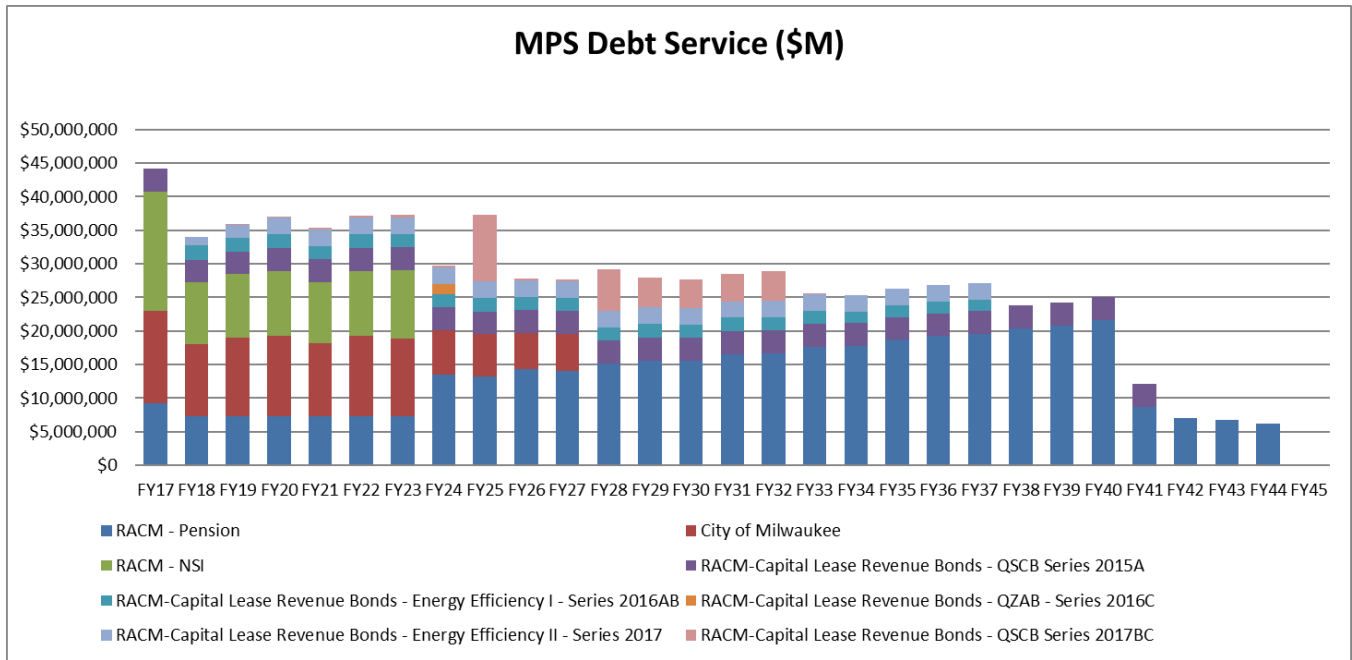
Chart 3.23 is a table of MPS’s existing debt service requirements, assuming no IRS subsidy rebate and no interest earnings on the sinking fund payments (annual payments to a trustee for future debt principal obligations).

Chart 3.23 Milwaukee Public Schools Debt

Milwaukee Public Schools Debt as of 6/30/2018				
Purpose	Name of bond issue	Maturity	Original Amount	Outstanding Principal Balance at 6/30/2018
Americans with Disabilities Act Loans:				
ADA loans for improvements and modifications to comply with provisions of the Americans with Disabilities Act.	Series 2009 N1 Notes	Feb, 2019	2,700,000	270,000
	Series 2009 B2 bonds	Feb, 2024	1,350,000	1,350,000
	Series 2012 N2 bonds (partially refund ADA Series W & Y)	May, 2019	443,810	67,000
Qualified School Construction Bonds:				
Provide financing for various school construction projects.	Series 2009 M6 bonds (QSCBs)	Dec, 2025	12,000,000	6,278,125
	Series 2010 M6 bonds (QSCBs)	Feb, 2027	37,300,000	25,050,000
RACM Lease Revenue Bonds:				
To fund additions and improvements at:				
Athletic Facilities and various MPS Schools.	RACM Series 2015A (from QSCB Allocation)	June, 2041	38,000,000	33,615,385
Energy Efficiency - I at various MPS Schools	RACM Series 2016A	Nov, 2032	18,710,000	18,270,000
Energy Efficiency - I at various MPS Schools	RACM Series 2016B (QECBs)	Nov, 2036	6,275,000	6,275,000
Culinary and Arts Academies	RACM Series 2016C (from QZAB Allocation)	Nov, 2051	1,470,000	1,470,000
Energy Efficiency - II at various MPS Schools	RACM Series 2017	Nov, 2036	29,730,000	29,730,000
To fund additions and improvements at various MPS Schools.	RACM Series 2017B (from QSCB Allocation)	Nov, 2050	10,000,000	10,000,000
	RACM Series 2017C (from QSCB Allocation)	Nov, 2050	24,933,000	24,933,000
General Obligation Bonds:				
GO Bonds to refinance a portion of the RACM Series 2005A bonds	Series 2013 N2 bonds (partially refund RACM Series 2005)	May, 2021	4,095,000	2,172,602
GO Bonds to refinance a portion of the ADA GO Series 2005 A5 refunding GO Series T,W & Y	2015 N2 (Refunding of Series 2005 A5 Refunding Issued June 7, 2005 refunding partial Series T, W and Y)	Mar, 2018	217,444	0
GO Bonds to refinance a portion of the ADA Series A5 Bonds issued for Schools June 7, 2005 "Refunded".	2015 N2 (Refunding of Series A5 Bonds issued for Schools June 7, 2005 "Refunded")	Mar, 2020	3,515,347	1,405,960
GO Bonds to refinance a portion of the RACM Series 2005A Lease Revenue Bonds.	2015 N2 (Refunding of RACM Series 2005A, refinanced 2013)	Mar, 2025	3,175,000	3,380,759
RACM Revenue Bonds:				
Provide funds in conjunction with the Neighborhood Schools Initiative, the district's multifaceted program that enhances district facilities and programs while positively impacting district transportation.	RACM Series 2002A and 2003A issued 2002 & 2003, refinanced 2007, 2013, and 2017 for the Neighborhood Schools Initiative Bonds.	Aug, 2023	218,570,000	49,159,666
Pension Debt Refinancing:				
Provide funds to retire an unfunded actuarial accrued liability owed to the Wisconsin Retirement System with respect to retirement benefits for MPS employees.	RACM Series 2003D index bonds (pension obligation bonds)	Oct, 2043	130,850,000	130,850,000
	RACM Series 2003C Capital Appreciation Bonds	Apr, 2041	110,525,000	38,985,065
	GO Series 2003 M10 Capital Appreciation Bonds	Apr, 2023	46,715,000	19,571,925
Total				\$402,834,487
¹⁾ MPS implemented GASB 86 in FY 17. Principal balance reflects reductions resulting from the Sinking Fund contributions and other payments that are held with Trustees, in advance of final bond maturity dates. ²⁾ MPS has \$19,876,518 of Principal and Sinking Fund contributions required in 2018-19.				

Chart 3.24 shows a graphical representation of MPS's existing debt service requirements to fiscal year 2045, assuming no IRS subsidy rebate and no interest earnings on the sinking fund payments.

Chart 3.24 Milwaukee Public Schools Debt Service



*Note: As described earlier, RACM refers to the Redevelopment Authority of the City of Milwaukee and NSI is the Neighborhood Schools Initiative.

Chart 3.24 above also shows how various existing debt obligations will grow or shrink in future years. For example, in 2023-24 MPS is scheduled to retire the RACM-NSI debt, have lower obligations for funds borrowed directly from the City of Milwaukee, and face a significant increase in payments due for pension financing.

School Nutrition Services Fund

The School Nutrition Services Fund is an enterprise fund, which accounts for the breakfast, lunch and other meal programs operated by the district for students. The fund is managed by the Department of Nutrition Services within the Office of Finance, which administers the National School Lunch and Breakfast programs (NSLB) in all MPS schools as well as the After-School Snack program, child and adult care food program, Summer Food Services program, and the Fresh Fruits and Vegetables program. Revenues for the fund include federal and state aids and revenue earned from cafeteria sales.

The 2019-20 proposed budget for the School Nutrition Services Fund anticipates revenue and expenditures totaling \$52.7 million. The \$1.3 million decrease in revenue is due to the district’s declining enrollment and decrease in the applied surplus from prior year.

Revenues by Source – School Nutrition Services Fund

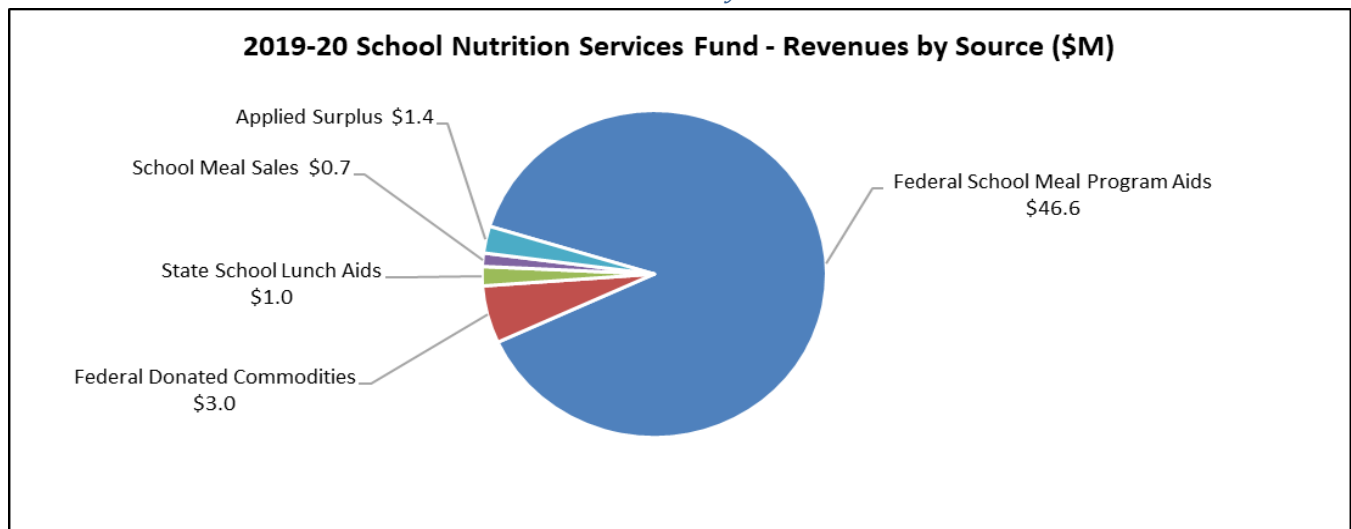
Chart 3.25 shows the revenues by type in the School Nutrition Services Fund. Information includes a) actual revenues from 2015–16, b) actual revenues from 2016–17, c) actual revenues from 2017–18, d) the amended adopted budget for 2018–19, e) the proposed budget for 2019–20, and f) the change from 2018–19 to 2019–20.

Chart 3.25 School Nutrition Services Fund – Revenues by Source

School Nutrition Services Fund - Revenues by Source (\$M)						
Description	2015-16 Actual	2016-17 Actual	2017-18 Actual	2018-19 F.A.	2019-20 P.B.	Inc / (Dec)
Federal School Meal Program Aids	\$45.4	\$46.0	\$45.6	\$47.1	\$46.6	(\$0.5)
Federal Donated Commodities	2.9	3.3	3.4	3.0	3.0	-
State School Lunch Aids	1.0	1.0	1.0	1.0	1.0	-
School Meal Sales	1.3	0.7	0.7	0.7	0.7	-
Applied Surplus	-	-	-	2.3	1.4	(0.9)
Total	\$50.5	\$50.9	\$50.8	\$54.0	\$52.7	(\$1.3)

Chart 3.26 shows the revenues by source for the School Nutrition Services Fund 2019-20 proposed budget.

Chart 3.26 2019-20 School Nutrition Services Fund – Revenues by Source



Expenditures by Object – School Nutrition Services Fund

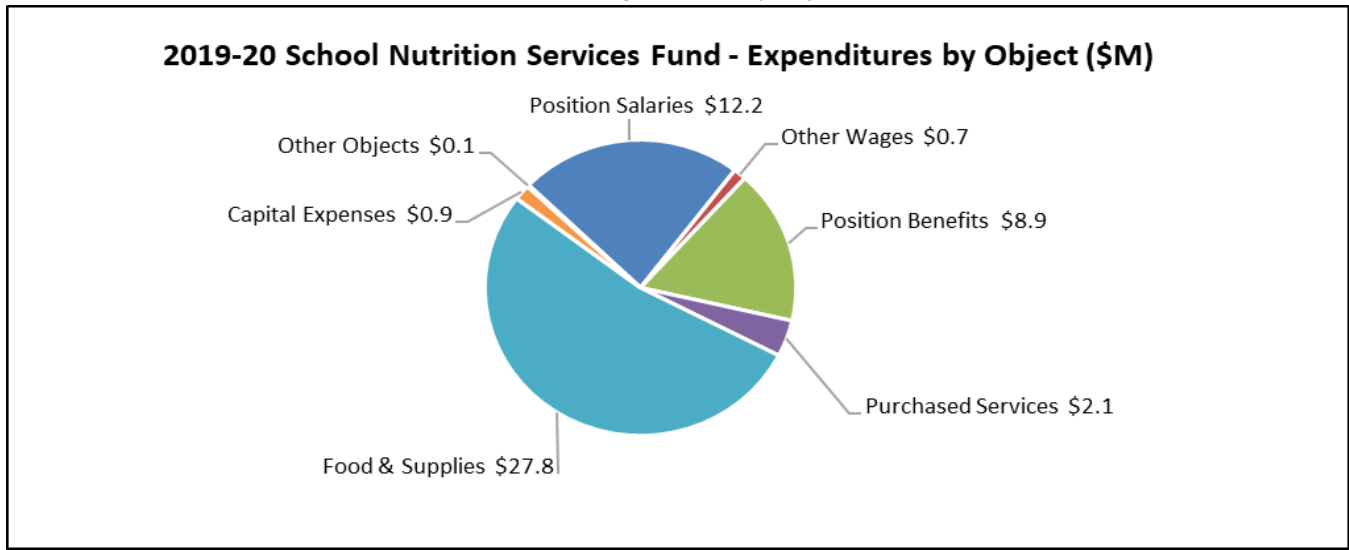
Chart 3.27 shows the School Nutrition Services Fund expenditures by object. Information includes a) actual expenditures from 2015–16, b) actual expenditures from 2016–17, c) actual expenditures from 2017–18, d) the amended adopted budget for 2018–19, e) the proposed budget for 2019–20, and f) the change from 2018–19 to 2019–20.

Chart 3.27 School Nutrition Services Fund – Expenditures by Object

School Nutrition Services Fund - Expenditures by Object (\$M)						
Object	2015-16 Actual	2016-17 Actual	2017-18 Actual	2018-19 F.A.	2019-20 P.B.	Inc / (Dec)
Position Salaries	\$9.0	\$9.3	\$9.5	\$12.9	\$12.2	(\$0.7)
Other Wages	0.5	0.5	0.6	0.7	0.7	0.0
Position Benefits	8.5	6.3	6.8	9.5	8.9	(0.6)
Purchased Services	2.3	2.3	2.9	2.1	2.1	0.0
Food & Supplies	25.4	25.8	26.2	27.8	27.8	0.0
Capital Expenses	0.4	0.4	0.1	0.9	0.9	0.0
Other Objects	0.1	(0.6)	-	0.1	0.1	0.0
Total	\$46.2	\$44.1	\$46.2	\$54.0	\$52.7	(\$1.3)

Chart 3.28 shows the expenditures by object for the School Nutrition Services Fund 2019-20 proposed budget.

Chart 3.28 2019-20 School Nutrition Services Fund – Expenditures by Object



Five-Year Projection – School Nutrition Services Fund

In 2019–20, MPS will be in its sixth year of participating in the Community Eligibility Provision (CEP), wherein high-poverty districts serve free meals to all students. The number of students eating meals has increased significantly under the CEP program. Revenues are projected to increase modestly in future years, due to increased student participation and the rate of reimbursement has kept pace with inflation. Like the School Operations Fund, the School Nutrition Services Fund must cover the cost of employee medical coverage. The program also includes a major component, food, where general inflation and more stringent nutritional requirements may outpace the rate of reimbursement. The Department of Nutrition Services staff will continue to develop operational efficiencies to maintain a balanced budget.

Chart 3.29 shows an estimate of revenues and expenditures in the School Nutrition Services Fund for each year through 2023–24. Information includes a) the amended adopted budget for 2018–19; b) the proposed budget for 2019–20; c) an early estimate of revenues and expenditures for each year 2020–21, 2021–22, 2022–23, 2023-24; and d) the change from the proposed 2019-20 budget to the estimated 2023–24 budget.

Chart 3.29 School Nutrition Services Fund – Five-Year Projection

School Nutrition Services Fund - Five-Year Projection (\$M)							
	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	FY24 vs FY20
	F.A.	P.B.	Estimated	Estimated	Estimated	Estimated	Inc/(Dec)
Revenues (without applied surplus)	\$54.0	\$52.7	\$53.5	\$54.3	\$55.1	\$55.9	\$3.2
Expenditures							
Salaries/Other Wages	\$13.6	\$12.8	\$13.1	\$13.3	\$13.6	\$13.9	\$1.0
Benefits	9.5	8.9	9.4	9.9	10.5	11.0	2.1
Purchased Services	2.1	2.1	2.2	2.2	2.2	2.3	0.1
Supplies/Materials	28.9	28.8	29.2	29.5	29.9	30.2	1.4
Total Expenditures	\$54.0	\$52.7	\$53.9	\$55.0	\$56.2	\$57.4	\$4.7
Final Surplus/ (Deficit)	\$0.0	\$0.0	(\$0.4)	(\$0.8)	(\$1.1)	(\$1.5)	
Cumulative Surplus / (Deficit)	\$15.9	\$15.9	\$15.4	\$14.7	\$13.6	\$12.1	

Construction Fund

The Construction Fund is used to account for and report financial resources that are intended for the acquisition or construction of capital facilities and the additions or remodeling of existing buildings. The fund is managed by the Department of Facilities and Maintenance Services within the Office of School Administration and provides services to maintain district facilities and grounds in a safe, clean and environmentally compliant manner.

In January and May 2017, the MPS board approved resolutions to exceed the revenue limit by the amount needed to finance energy efficiency projects. The resolutions note that this action is under authority granted in Wisconsin Statute 121.91 (4) (o). In December 2017, the board approved the amount above the revenue limit which remained at \$4.3 million.

The 2019–20 proposed budget for the Construction Fund anticipates revenues and authorizes expenditures of only \$2.6 million. Notably, the district’s use of local tax levy for the Construction Fund will remain below \$2 million to reserve limited funds for instructional and support services in the School Operations Fund.

Due to the nature of capital projects, funding is carried over from year to year as needed to complete authorized projects. The district is currently in a position to fund much of the 2019–20 maintenance projects through the use of carryover funds.

The district maintains a Long-Term Capital Improvement Trust Fund which DPI has identified as Fund 46. Fund 46 is for the purpose of accumulating funds for future capital projects. The district established this new fund in 2015, which is a portion of the Construction Fund. Under state guidelines, Wisconsin Statute § 120.137, the district deposited \$250,000 in Fund 46 as a 2014–15 aidable expenditure and an additional \$2.5 million in 2015–16 in the same manner. The funds can be used only for construction/maintenance purposes and may be accessed after five years from the initial deposit.

Revenues by Source – Construction Fund

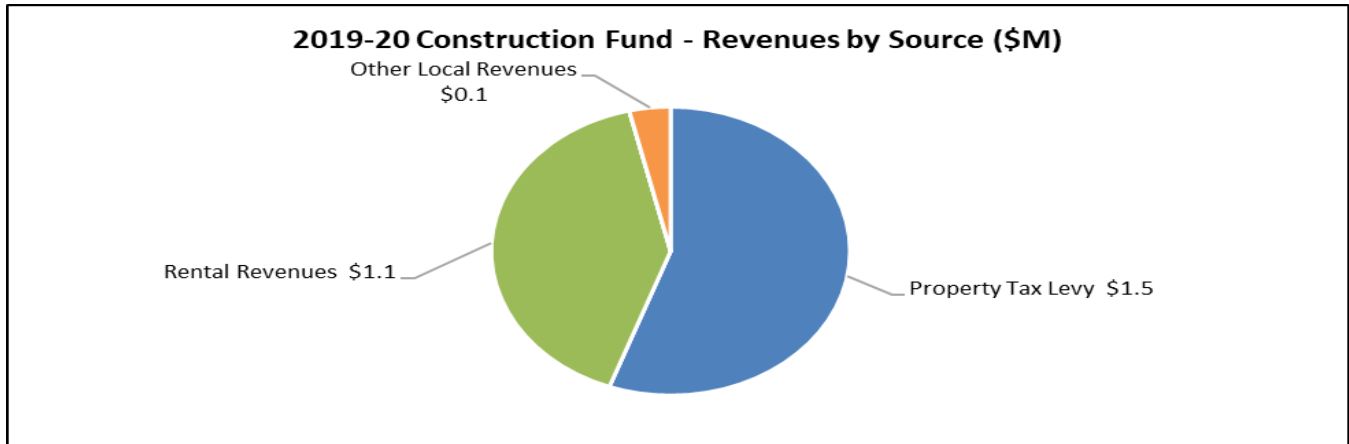
Chart 3.30 shows the revenues by type for the Construction Fund. Information includes a) actual revenues from 2015–16, b) actual revenues from 2016–17, c) actual revenues from 2017–18, d) the amended adopted budget for 2018–19, e) the proposed budget for 2019–20, and f) the change from 2018–19 to 2019–20.

Chart 3.30 Construction Fund – Revenues by Source

Construction Fund - Revenues by Source (\$M)						
Description	2015-16 Actual	2016-17 Actual	2017-18 Actual	2018-19 F.A.	2019-20 P.B.	Inc / (Dec)
Property Tax Levy	\$10.6	\$1.1	\$3.9	\$1.5	\$1.5	\$0.0
Proceeds from Borrowing	-	63.4	34.9	-	-	0.0
Rental Revenues	0.9	2.0	2.0	1.1	1.1	0.0
Capital/Fixed Asset Sale	0.1	2.9	0.4	-	-	0.0
Applied Surplus	-	-	-	-	-	0.0
Other Local Revenues	-	0.3	0.6	0.1	0.1	0.0
Total	\$11.7	\$69.7	\$41.8	\$2.6	\$2.6	\$0.0

Chart 3.31 shows the revenues by source for the Construction Fund 2019-20 proposed budget.

Chart 3.31 2019-20 Construction Fund – Revenues by Source



Expenditures by Project – Construction Fund

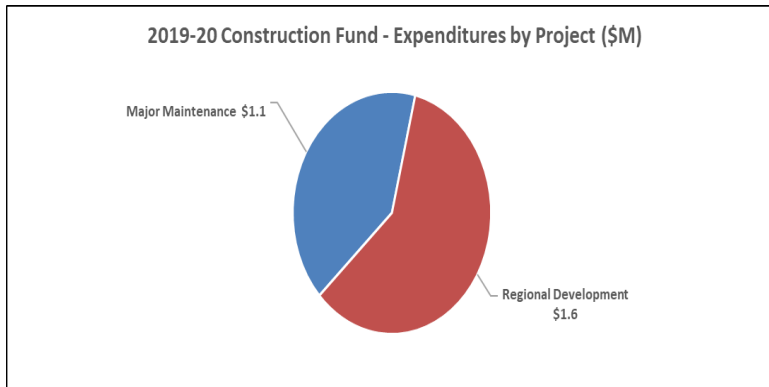
Chart 3.32 shows the Construction Fund expenditures by project. Information includes a) actual expenditures from 2015–16, b) actual expenditures from 2016–17, c) actual expenditures from 2017–18, d) the amended adopted budget for 2018–19, e) the proposed budget for 2019–20, and f) the change from 2018–19 to 2019–20.

Chart 3.32 Construction Fund – Expenditures by Project

Construction Fund - Expenditures by Project (\$M)						
Project	2015-16 Actual	2016-17 Actual	2017-18 Actual	2018-19 F.A.	2019-20 P.B.	Inc / (Dec)
Environmental Code Compliance	\$0.2	\$1.2	\$1.5	\$0.4	\$0.0	(\$0.4)
Security Projects	0.1	0.1	0.3	0.5	-	(0.5)
Major Maintenance	13.9	13.8	16.0	0.8	1.1	0.2
Major Remodeling	3.6	1.0	1.2	-	-	-
Vehicle Replacement	0.2	0.3	0.2	0.2	-	(0.2)
Regional Development	-	-	0.3	0.3	1.6	1.3
Energy Conservation	-	5.8	19.5	-	-	-
OSHA/ST Mandates	-	0.1	0.3	0.5	-	(0.5)
Turnaround Arts/Culinary Programs	-	0.2	0.7	-	-	-
Total	\$18.0	\$22.4	\$39.8	\$2.6	\$2.6	\$0.0

Chart 3.33 shows the expenditures by project for the Construction Fund 2019–20 proposed budget.

Chart 3.33 2019–20 Construction Fund – Expenditures by Project



Five-Year Projection – Construction Fund

The Construction Fund projection allocates limited resources available for maintenance and remodeling. The Construction Fund is used to account for and report financial resources that are intended for the acquisition or construction of capital facilities and the additions or remodeling of existing buildings.

The forecast estimates approximately \$18 million of major maintenance annually based on the district’s capacity to complete quality repairs and improvements. With a cumulative surplus of \$73.6 million into the 2023–24 school year, the assumptions of the forecast result in solvent operations.

Chart 3.34 shows an estimate of revenues and expenditures in the Construction Fund for each year through 2023–24. Information includes a) the amended adopted budget for 2018–19; b) the proposed budget for 2019–20; c) an early estimate of revenues and expenditures for each year 2020–21, 2021–22, 2022–23, 2023-24; and d) the change from the 2019-20 budget to the estimated 2023–24 budget.

Chart 3.34 Construction Fund – Five-Year Projection

Construction Fund - Five-Year Projection (\$M)							
	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	FY24 vs FY20
	F.A	P.B.	Estimated	Estimated	Estimated	Estimated	Inc/(Dec)
Revenues							
Property tax	\$1.5	\$1.5	\$1.5	\$1.5	\$1.5	\$1.5	\$0.0
Other revenues	1.1	1.1	2.0	2.0	2.0	2.0	0.9
Total Revenues	\$2.6	\$2.6	\$3.5	\$3.5	\$3.5	\$3.5	\$0.9
Expenditures							
Preservation of Capacity							
Environmental/Safety/Vehicle/Security	1.6	-	1.6	1.6	1.6	1.6	1.6
Major Maintenance/Deferred Maintenance	0.8	1.1	18.0	18.0	18.0	18.0	16.9
Expansion of Capacity							
Program Consolidation/Relocations	0.3	1.6	1.6	1.6	1.6	1.6	-
Total Expenditures	\$2.6	\$2.6	\$21.1	\$21.1	\$21.1	\$21.1	\$18.5
Final Surplus/ (Deficit)	\$0.0	\$0.0	(\$17.6)	(\$17.6)	(\$17.6)	(\$17.6)	
Cumulative Surplus / (Deficit)	\$144.1	\$144.1	\$126.5	\$108.9	\$91.3	\$73.6	

Capital Expenditures and the Construction Fund

The district’s primary annual capital spending is for the proper maintenance of its facilities. Its facilities serve a student enrollment of over 75,000 as well as administrative and maintenance needs. MPS currently manages over 17 million square feet of facilities on 170 sites. Wisconsin Statute. §65.07(1)(f) provides for taxes not exceeding \$0.6 million on each dollar of the assessed valuation of all taxable property in the city to fund MPS’s Construction Fund, as constituted and for the purposes specified in Wisconsin Statute § 119.48, including constructing and maintaining school buildings, additions thereto or remodeling of existing buildings.

In October of 2017, MPS contracted with MGT of America Consulting, LLC (MGT) to develop recommendations for long-range facility master planning to address the future facility needs of the district. Using input from the community, the goal of a master plan was to create a blueprint or road map, based on best-practice facility standards, that identified and prioritized facility needs, and presented strategies for effective and efficient facility improvement and usage over the planning period. For this project, the MGT team gathered facility and community data.

A long-range facilities master plan provides a cost-effective, actionable plan to address the short- and long-term facility needs of the district. The plan includes a comprehensive analysis of education trends, school programming, capacity, building standards, operating costs, and other factors. This information will be used to allocate resources and make decisions for the long-term, best interests of our students and community.

The community input/feedback sessions included a total of eight large-group meetings held at various locations across the district and two informal opportunities at scheduled recreation program events. An online survey that was open to the community at large and open to high school students during a social studies class allowed even greater participation. A total of more than 8,000 responded to the online survey, including nearly 4,000 students.

The district’s 2019–20 proposed budget for the Construction Fund projects revenues totaling \$2.6 million. Chart 3.35 shows the major maintenance capital projects that are budgeted in the Construction Fund.

Chart 3.35 Major Maintenance Capital Projects – Construction Fund

FY20 Facilities and Maintenance Capital Projects - Construction Fund	
Project Description	Estimate (\$)
OSHA/ST Mandates	\$0
Environmental Code Compliance including water fountain replacements and filters	0
Fire alarm inspections, radiator covers, coating, roofs	1,068,203
Security Projects	0
Regional Development	1,569,000
Vehicle replacement	0
Total	\$2,637,203

Routine Capital Spending

The district adopted a cyclic maintenance plan in 1999 that guides the annual prioritization of facility improvements such as window replacements and boiler repairs. The plan identifies 36 primary components which the Department of Facilities and Maintenance Services replaces and repairs to keep district buildings safe, attractive and efficient.

Non-Routine Capital Spending

Based on the strategic plan, enrollment trends and specific educational or operational goals, the district periodically identifies remodeling and refurbishing projects. New construction for instructional school buildings has not been funded in the district for several years given an inventory of buildings that is available for a smaller student population. Energy savings performance contract firms are working on energy savings and infrastructure improvements in the 2019–20 fiscal year.

Impact of Capital Spending on the Annual Budget

The cyclic maintenance plan is designed and executed to maximize the useful life of facility components. The Department of Facilities and Maintenance Services uses repair data and expertise to minimize investment in, for example, boiler or roof repairs when the frequency of repairs will cost more than a replacement. Therefore, the capital spending as listed in Chart 3.35 represents an investment that reduces routine repair costs and/or energy consumption. This enables the district to use more resources for classroom-focused spending.

When borrowed funds are used for capital improvement, the subsequent debt costs are an annual draw on the district’s operating revenues. When the district is paying for annual debt service related to a capital improvement, the cost of that improvement is effectively spread over the number of years it is being used by the district.

Capital Assets

The child-bearing-age population in Milwaukee is not growing; the Milwaukee population is getting older and the live birth rate is declining. Therefore, unless programmatic or facility changes lead to higher student recruitment and retention rates, MPS can reasonably expect that its enrollment will decline over the next ten years.

In Milwaukee, many schools are inefficient in regard to their use of space for enrollment and programming. There are forty-two schools that have enrollment efficiency ratings of less than 70 percent. These schools are significantly underutilized. They may have empty spaces or may have expanded people/programs to occupy the spaces. They may or may not have created spaces for all required programs – e.g., art and music – because they may not have staff to lead these programs.

There are also forty-two schools that have enrollment efficiency ratings of more than 110 percent. These schools are significantly overutilized. They have no empty spaces and likely have expanded people and programs into every possible location in the building. The buildings with overcapacity likely lack core space – restrooms, media center, cafeteria, hall spaces - to accommodate the enrollment. They may have to operate with multiple lunch periods and may be moving students at different times to reduce overcrowding in corridors.

Milwaukee has many old buildings, with the average age of 76.4 years. Many buildings may have difficulty meeting the district’s goal of offering schools that provide 21st-Century learning opportunities and support the needs of diverse learners. Despite the age of district schools, the average building condition score of 79 is at the top of the “fair” category and indicates that many buildings have been well maintained. The highest average score is for technology readiness which reflects how well the district’s infrastructure supports the standards in place. The high technology-readiness scores are likely due to the significant emphasis the district has placed on technology for both student and teacher support.

The district defines capital assets as listed in Chart 3.36 below and uses a straight-line depreciation method over the useful life of the asset.

Chart 3.36 Capital Asset Depreciation

Asset Type	Capitalization Threshold	Estimated Useful Life
Buildings	\$5,000	50 years
Furniture and Equipment	5,000	5-20 years
Vehicles	5,000	5-15 years
Computers and Related Equipment	5,000	5 years
Major Computer	50,000	7 years
Intangible Assets	50,000	7 years

Source: 2018 MPS CAFR

Charts 3.37 and 3.38 show that the district’s capital assets of \$655.8 million are primarily buildings.

Chart 3.37 Capital Assets

Capital Assets - 2018 (\$M)	
Asset Type	Balance
Buildings	\$ 610.4
Land	\$ 30.5
Construction in Progress	\$ 4.8
Leasehold Improvements	\$ 5.8
Furniture	\$ 4.3
Total	\$655.8

Source: 2018 MPS CAFR

Chart 3.38 Capital Assets

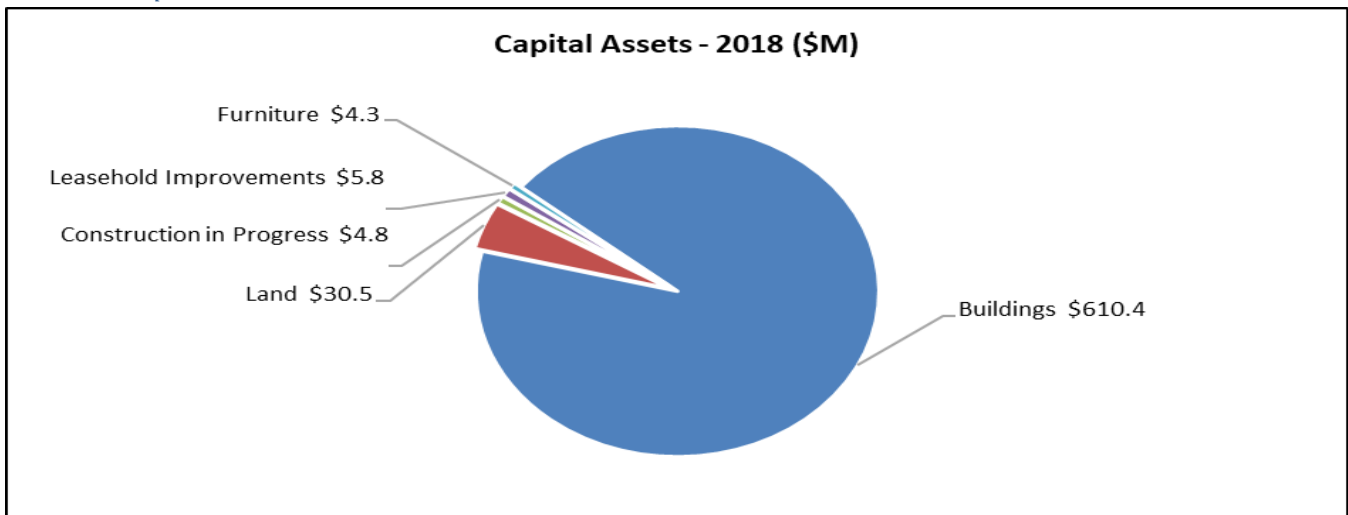
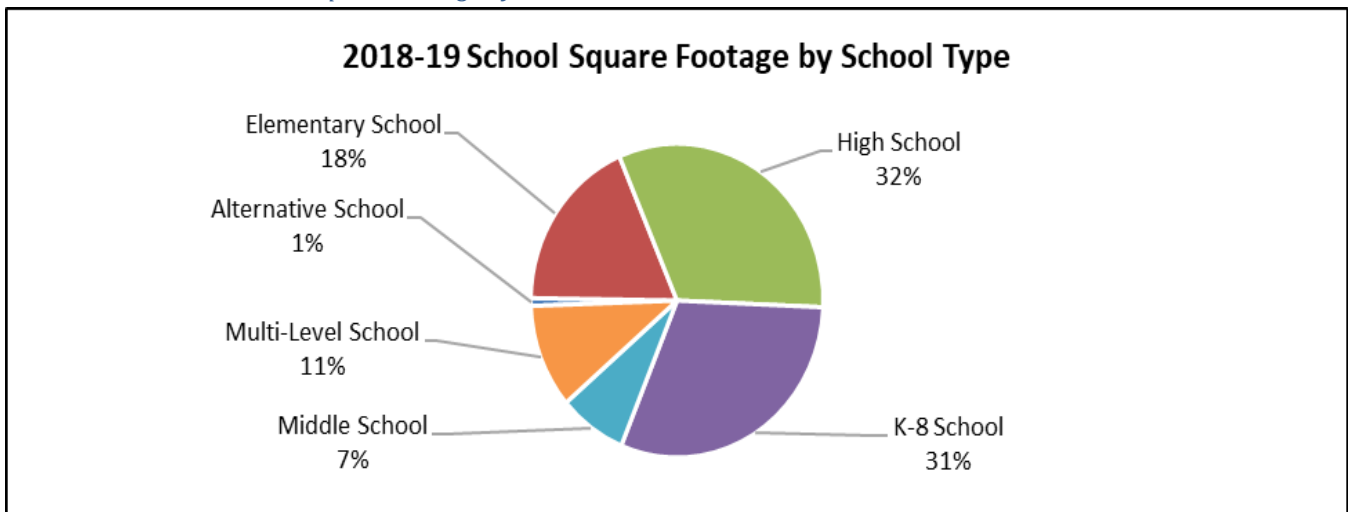


Chart 3.39 illustrates the breakdown of square footage by school type for MPS traditional and instrumentality charter schools.

Chart 3.39 2018-19 School Square Footage by School



Extension Fund

The Extension Fund is used to record financial transactions related to recreational activities and is jointly managed by the Offices of Finance and Academics. The 2019–20 proposed budget for the Extension Fund totals \$31.8 million. The proposed budget assumes an increase in the related tax levy.

Revenues by Source – Extension Fund

Chart 3.40 shows the revenues for the Extension Fund. Information includes a) actual revenues from 2015–16, b) actual revenues from 2016–17, c) actual revenues from 2017–18, d) the amended adopted budget for 2018–19, e) the proposed budget for 2019–20, and f) the change from 2018–19 to 2019–20.

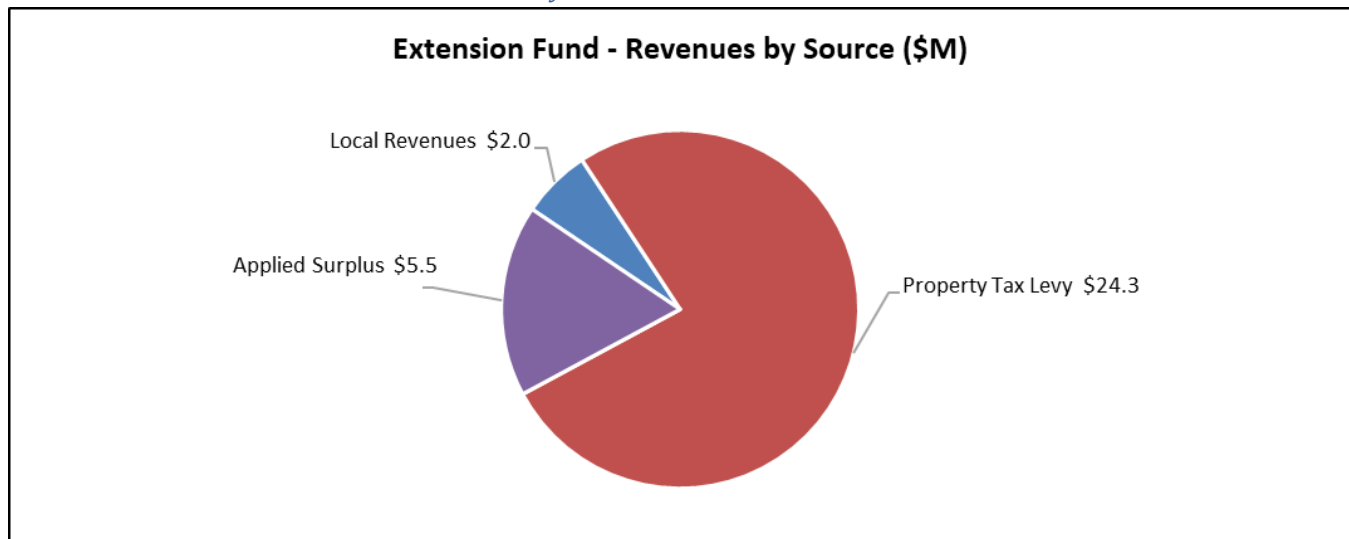
Chart 3.40 Extension Fund – Revenues by Source

Extension Fund - Revenues by Source (\$M)						
Description	2015-16 Actual	2016-17 Actual	2017-18 Actual	2018-19 F.A.	2019-20 P.B.	Inc / (Dec)
Local Revenues	\$2.0	\$2.1	\$2.0	\$2.0	\$2.0	\$0.0
Property Tax Levy	17.1	20.0	20.0	20.0	24.3	4.3
State/Federal Revenues	-	0.2	-	-	-	-
Applied Surplus	-	-	-	5.5	5.5	-
Total	\$19.1	\$22.3	\$22.0	\$27.5	\$31.8	\$4.3

Wisconsin Statutes § 120.13(19) and § 119.47 give the Milwaukee Board of School Directors (MBSD) authority to establish a fund to support community programs and services outside of the regular curricular and extracurricular programs. As stated in the statute, “The school board may establish and collect fees to cover all or part of the costs associated with such programs and services.”

Chart 3.41 shows the revenues by source for the Extension Fund 2019–20 proposed budget.

Chart 3.41 2019–20 Extension Fund – Revenues by Source



Expenditures by Project – Extension Fund

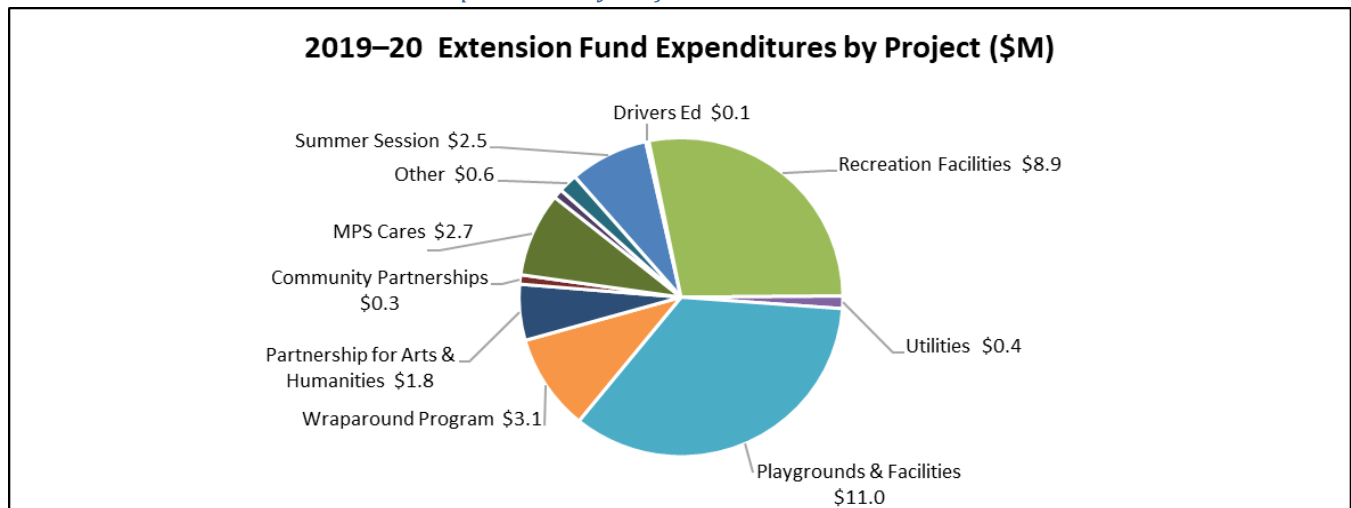
Chart 3.42 shows the Extension Fund expenditures by project. Information includes a) actual revenues from 2015–16, b) actual revenues from 2016–17, c) actual revenues from 2017–18, d) the amended adopted budget for 2018–19, e) the proposed budget for 2019–20, and f) the change from 2018–19 to 2019–20.

Chart 3.42 Extension Fund – Expenditures by Project

Extension Fund - Expenditures by Project (\$M)						
Project	2015-16 Actual	2016-17 Actual	2017-18 Actual	2018-19 F.A.	2019-20 P.B.	Inc / (Dec)
Summer Session	\$2.3	\$2.3	\$2.2	\$2.5	\$2.5	\$0.0
Drivers Education	0.4	0.2	0.1	0.1	0.1	-
Recreation Facilities	1.2	1.4	1.6	5.2	8.9	3.7
Utilities	0.4	0.4	0.4	0.4	0.4	-
Playgrounds & Facilities	9.7	9.1	9.8	11.1	11.0	(0.1)
Wraparound Program	2.8	2.5	2.6	3.1	3.1	-
Partnership for Arts & Humanities	1.5	1.3	1.4	1.5	1.8	0.3
Community Partnerships	0.3	0.3	0.2	0.3	0.3	-
MPS Cares	-	0.8	2.2	2.7	2.7	-
Music Festival	0.2	-	0.2	-	0.3	0.3
Other	(0.2)	0.6	(1.7)	0.5	0.6	0.1
Total	\$18.8	\$19.0	\$19.0	\$27.5	\$31.8	\$4.3

Chart 3.43 shows the expenditures by project for the Extension Fund 2019–20 proposed budget.

Chart 3.43 2019–20 Extension Fund – Expenditures by Project



Five-Year Projection – Extension Fund

For purposes of the five-year projection, the tax levy revenue and the projected revenue total have been held constant. In the fall of each year, the board has the opportunity to set the levy for this fund in the context of the district’s overall levy. The levy for the Extension Fund is not limited by the state’s revenue limit for school districts. Using fund balance (i.e., applied surplus) is feasible for a few years insofar as the Extension Fund balance exceeds 40 percent of the annual operating cost. Over time, use of fund balance would diminish the district’s overall financial position.

As with other MPS funds that include personnel costs, increased medical costs are a key factor in projected resource shortfalls. The administration will continue its efforts to identify revenue sources that support our high-quality community programs and examine all related cost drivers that might be managed more effectively.

Chart 3.44 shows an estimate of revenues and expenditures in the Extension Fund for each year through 2023–24. Information includes a) the amended adopted budget for 2018–19; b) the proposed budget for 2019–20; c) an

early estimate of revenues and expenditures for each year 2020–21, 2021–22, 2022–23, 2023-24; and d) the change from the proposed 2019-20 budget to the estimated 2023–24 budget.

Chart 3.44 Extension Fund – Five-Year Projection

Extension Fund - Five Year Projection							
	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	FY24 vs. FY20
	F.A.	P.B.	Estimated	Estimated	Estimated	Estimated	Inc / (Dec)
Revenues (without applied surplus)	\$27.5	\$31.8	\$32.3	\$32.7	\$33.2	\$33.7	\$2.0
Expenditures							
Salaries/Other Wages	\$11.8	\$11.9	\$12.1	\$12.4	\$12.6	\$12.9	\$1.0
Benefits	4.0	4.0	4.3	4.5	4.7	4.8	0.8
Purchased Services	10.6	14.5	14.8	15.0	15.2	15.5	1.0
Supplies/Materials	0.7	0.7	0.7	0.7	0.7	0.7	-
Capital Improvements	0.5	0.7	1.6	1.6	1.6	1.6	0.9
Total Expenditures	\$27.5	\$31.8	\$33.4	\$34.1	\$34.8	\$35.5	\$3.7
Final Surplus/ (Deficit)	\$0.0	\$0.0	(\$1.2)	(\$1.4)	(\$1.6)	(\$1.7)	
Cumulative Surplus / (Deficit)	\$18.2	\$18.2	\$17.1	\$15.7	\$14.1	\$12.3	

Categorically Aided Programs Fund

The Categorically Aided Programs Fund is used to account for proceeds from federal, state, and private grants that fund social and curriculum needs of special populations within the district. MPS uses the term “categorical” funding to refer to all grant resources, and these terms are used interchangeably. Most grants awarded to the district are for specific purposes within a specific time frame. The 2019-20 proposed budget for the Categorical Fund assumes total revenue and expenditures of \$168.2 million, which is an increase of \$7.2 million compared to 2018–19. The increase is due in part to increases in the federal Title IV grant and the school improvement grant. These grants alone account for \$6.3 million of the increase.

The district’s allocations for Every Student Succeeds Act (ESSA) funding depends on the relative economic status of all other districts in the state. The district will also be required to distribute more of its allocation to non-public schools.

Due to the varied timing of awards and periods of grants, summaries may vary by each snapshot in time. The reports for this publication were run as of April 2019.

Revenues by Source – Categorical Fund

Chart 3.45 shows the revenue received, or estimated to be received, from categorical resources. Information includes a) actual revenues from 2015–16, b) actual revenues from 2016–17, c) actual revenues from 2017–18, d) the amended adopted budget for 2018–19, e) the proposed budget for 2019–20, and f) the change from 2018–19 to 2019–20.

Chart 3.45 Revenue Categorical Fund – Revenues by Source

Categorical Fund - Revenues by Source (\$M)						
Description	2015-16 Actual	2016-17 Actual	2017-18 Actual	2018-19 F.A.	2019-20 P.B.	Inc / (Dec)
Federal						
ESEA, Title I-A	\$64.8	\$72.2	\$65.3	\$70.4	\$71.2	\$0.7
ESEA, Title II	8.3	7.5	6.9	9.1	6.4	(2.7)
ESEA, Title III	1.4	1.4	1.1	1.4	1.3	(0.1)
ESEA, Title IV	-	-	0.5	0.7	4.1	3.4
SIG ¹	3.8	3.9	5.6	4.5	7.4	2.9
IDEA ²	20.9	26.6	27.1	28.8	29.3	0.6
Head Start	2.4	3.3	3.3	9.8	9.8	-
Other	12.8	10.7	10.6	7.2	11.9	4.7
Subtotal Federal	\$114.5	\$125.6	\$120.5	\$131.8	\$141.4	\$9.6
State						
AGR ³	\$24.1	\$24.8	\$24.6	\$24.6	\$23.8	(\$0.7)
Other	2.5	3.2	3.9	7.8	6.6	(1.3)
Subtotal State	\$26.6	\$28.0	\$28.5	\$32.4	\$30.4	(\$2.0)
Private						
GE Foundation	\$2.0	\$2.0	\$2.4	\$1.3	\$1.7	\$0.5
Other	0.4	0.4	0.8	1.0	0.4	(0.6)
Subtotal Private	\$2.4	\$2.5	\$3.2	\$2.3	\$2.1	(\$0.2)
Subtotal Categorical Fund	\$143.5	\$156.0	\$152.2	\$166.5	\$173.9	\$7.4
Less: Indirect	(4.5)	(5.0)	(5.1)	(5.5)	(5.7)	(0.2)
Total Categorical Fund	\$138.9	\$151.0	\$147.1	\$161.0	\$168.2	\$7.2

¹School Improvement Grant; ²Individuals with Disabilities Education Act; ³Achievement Gap Reduction Grant

Keys to Understanding the Financial Environment and Plan of MPS

These keys are written to explain and summarize the financial environment of MPS without technical detail. The concepts and terms are presented in more detail in the previous pages and/or in other sections of the budget document.

Key 1: Major Revenue Sources

MPS receives its revenue from four major sources

While the fund overview on the previous pages demonstrate the many categories of funds (nearly \$1.2 billion) under the stewardship of the district, annual budgetary decisions are focused on general operating funds received from a limited number of sources. The four major sources are as follows.

- **State aid** – State aid is funding that MPS receives from the state and is paid directly to the district. The amount of state aid is estimated by the Department of Public Instruction (DPI) in July, and the amount is certified in October.
- **Property taxes** – The portion of total revenue that comes from local property taxes varies widely across Wisconsin’s school districts, due largely to the way the equalization aid is distributed. MPS does not estimate the local property taxes until DPI provides an estimate of the equalization/integration aids in July

of each year. In October, DPI certifies equalization and integration aids for school districts. Like all Wisconsin school boards, MPS's board adopted the local district tax levy for 2019-20 in late October.

- **Federal aid** – Most federal aid to schools comes through three channels: Individuals with Disabilities Education Act (IDEA), Every Student Succeeds Act (ESSA), or through distribution formulas and competitive grants. MPS's federal aid will be approximately 17.2 percent of its total 2019-20 revenue.
- **Local sources** – Another source of school funding comes from grants, local fees, interest earnings, and gifts. Additional sources of local non-property tax revenue include tuition from student learning options such as open enrollment tuition, intergovernmental agreements, and rental revenues for the use of school facilities. MPS will receive approximately 1.8 percent of its 2019-20 revenue from local sources.

Why this is important

A diversity of revenue sources is generally beneficial to an organization. To a limited extent, MPS leverages the flexibility it has in having multiple revenue sources. However, the vast majority of general operations funding (state aids and local property tax levy) are capped by the state's revenue limit as explained in the next key.

While there are a variety of benefits from local partnerships, one of them is financial support. The district is continuing its recently increased allocation of resources for the purpose of cultivating partnerships. This includes participation in a funder's collaborative to identify ways to match interested community investors with MPS student needs.

Key 2: MPS Enrollment Continues Downward Trend

District enrollment drives revenue

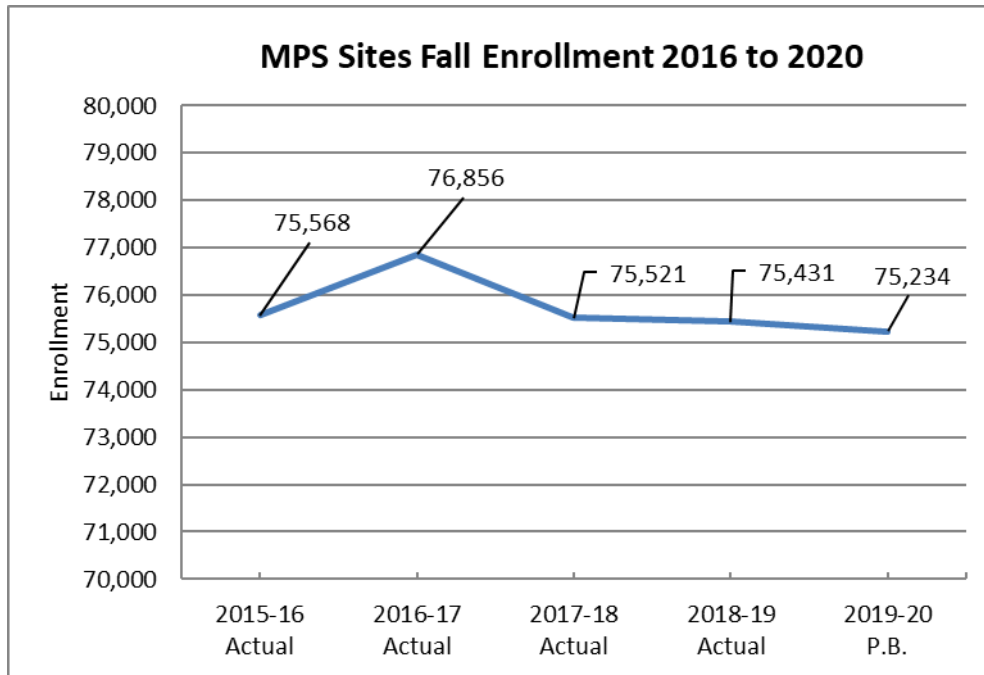
Student enrollment has a strong impact on school district finances, as many programs have allocation formulas predicated on numbers of students served. MPS projected enrollment has decreased in 2019-20, and enrollment drives revenue over time.

The current year's fall enrollment was down 0.6% percent compared to the prior year. While this decrease is not dramatic, it results in having fewer students and lesser revenues spread across an infrastructure of buildings and staff that could serve more students.

Competition from private schools and non-MPS charter schools contributes heavily to the district's enrollment challenges. Private school enrollment in Milwaukee – stimulated by the Milwaukee Parental Choice Program (MPCP) – grew from 15,035 students in 2004 to 30,643 students in 2018–19. Non-MPS charter schools have also played a role in enrollment competition.

Chart 3.46 below shows that MPS enrollment, after growing in the fall of 2016, suffered a decline in the fall of 2017 and continues to decline.

Chart 3.46 MPS Sites– Student Enrollment, 2016-2020



Source: MPS student count data for September enrollment each year.

Why this is important

Frequent school moves can have a negative impact on a student’s academic routine and potential success. Mobility and absenteeism are often associated with poor school performance. Improving enrollment stability supports consistency of school services and student success.

Larger student enrollment counts generally lead to economies of scale. The district’s fixed costs can be efficiently funded when there are more students to serve. As the number of students declined in earlier years, a greater percentage of revenues was needed for fixed costs. By attracting and retaining a stable number of students from year to year, the district stops the growth in fixed costs per pupil. Nonetheless, the district faces specific challenges in “right-sizing” operations. When schools are operating with large unused capacity, or a larger percentage of administrative costs relative to instruction, the district is challenged to identify more efficient ways to meet its mission.

Key 3: Revenue Limit

The state’s per-student revenue limit remains flat

In fall 1993, the Wisconsin legislature (§ 120.90) instituted a limit or control on the revenue a school district is entitled to receive each year. The control applies to revenue received from two sources:

- General state aid (equalization, special adjustment and integration aids)
- Select local levies (general operations, capital projects and non-referendum debt)

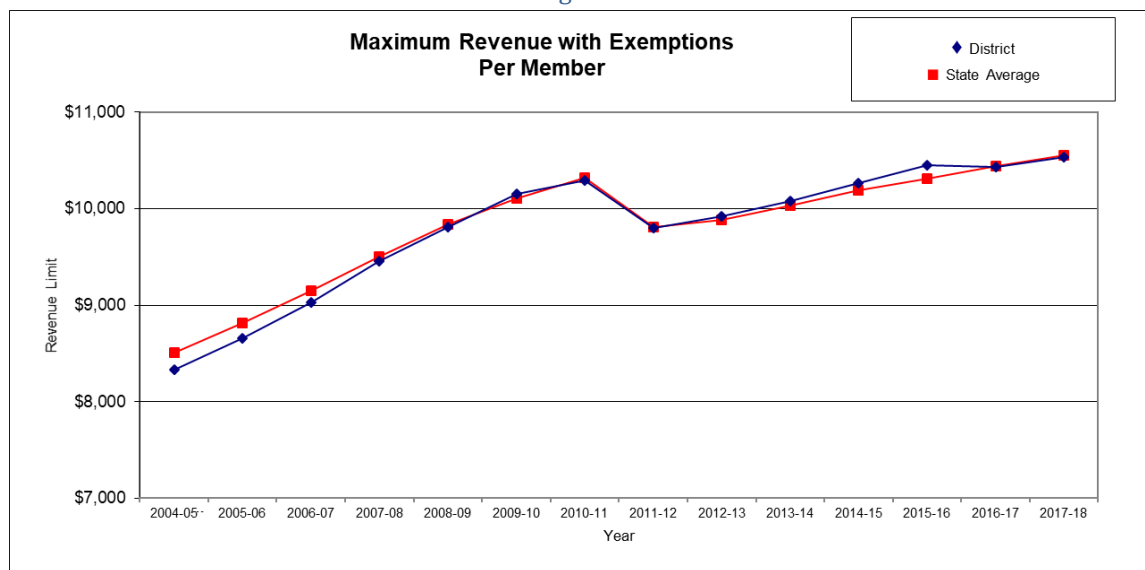
With each biennial budget, the Wisconsin legislature/governor set an amount that the revenue limit will change for school districts. MPS’s per-student revenue limit in 2018-19 is \$10,122, just \$109 (or 1.1 percent) more than it was in 2010–11. For comparison, the consumer price index rose by 16.6 percent from January 2010 to February 2019.

The current state budget includes no increase in the per-pupil amount of the revenue limit. It was also frozen for 2015–16 and 2016–17. With no increase in the per-pupil amount, technical provisions in the revenue limit formula would typically result in MPS losing general operating revenue. However, state handicapped aides increased by \$2.0 million, which results in MPS having a \$1.5 million increase in general operating revenue. This may not be the case moving forward and since there is a significant declining-enrollment exemption in the 2019-20 revenue limit, the district will need to plan for further revenue losses in 2019-20.

In fiscal year 2016-17, the MPS board approved a resolution to exceed the revenue limit by the amount needed to finance energy efficiency projects. The resolution noted that this action is under authority granted in Wisconsin Statute 121.91 (4) (o). For fiscal year 2019–20, the amount above the revenue limit is \$4,332,421.

Chart 3.47 demonstrates that MPS’s revenue limit per-pupil has followed the statewide average closely and that recent growth only returns the amount to a level similar to 2011. Note that this chart is “with exemptions”. The figures include non-recurring exemptions such as adjustments for declining enrollment or local property tax changes. The base per-pupil of \$10,122 for MPS has not increased since 2014–15.

Chart 3.47 Revenue Limit – MPS and State Average



Source: Wisconsin DPI

Why this is important

A district’s main source of general-purpose funding can exceed the revenue limit only when approved by public referendum or for other technical reasons.

Consequently, the revenue limit is the key factor governing increases in a school district’s combined amount of state equalization *and* local property tax levy. Together, these two revenues represent 85.1 percent of MPS’s 2019-20 school operations budget.

It is important to note that even when the state allocates additional money for equalization aid or the school tax credit, the new funds will not be used for K–12 education but instead will go for property tax relief unless the revenue limit is changed.

Key 4: Federal Aids Have Declined and Face an Uncertain Future.

Federal budget deliberations are underway

Federal-aid changes are driven by a reduction in Title I funds awarded to the State of Wisconsin, thus impacting the amount of Title I funds received by the district. The lower allocation to the district has resulted in the need to reduce related budgets. Carryover from 2018-19 funds allowed the district to maintain the per-pupil amount of \$385 as part of the proposed budget process for the 2019-20 fiscal year. Title I school spending power was further impacted by the increase in the fringe benefit rate (see key 5).

Why this is important

The administration in Washington can have a significant impact on MPS finances because federal funds provide the means to deliver various supplemental services that are critical to the low-income families MPS serves. As federal resources decrease, more pressures are placed on state and local sources if services are to be continued. Also, the use of carryover funds shapes the options available for making progress on student achievement. Knowing a portion of the funds will not be available the following year, administrators cannot build plans to show promise for lasting, sustainable student progress.



Understanding cost factors of the district is also important for the budgeting process; the following keys elaborate major issues driving expenditure projections.

Key 5: Rising Medical Costs

Medical costs for employees are on the rise

Projections for 2019-20 call for a higher level of medical claim costs with significant inflation on the horizon. MPS's actuarial consultants are projecting five percent inflation for medical costs and 12 percent for prescription drug expenses.

Why this is important

Starting in 2010, MPS began to bring its health care costs under control by instituting actions such as redesigning its medical, dental and pharmaceutical plans, hiring a new third-party administrator and differentiating premium costs by creating low- and high-cost plans. Subsequent changes followed, such as the district's decision to raise the employee threshold to receive fringe benefits from 20 to 30 hours a week and the closing of the district's supplemental teacher retirement plan to new employees. The district's unfunded "Other post-employment benefits" (OPEB) liability has dropped from \$2.8 billion a few years ago to 1.0 billion today. The proposed budget includes \$50.5 million for contributions to the OPEB trust.

The 2016–17 budget marked the end of five consecutive years of falling fringe benefit expenditures. The district's overall fringe benefit rate has increased from 43.2 percent of salary in 2016 to a 54.8 percent in 2019-20.

Key 6: Salaries Are Critical to the District's Operations.

Like any school district, the heart of the organization is people

Personnel costs represent 66.8 percent of the district's budget. Salaries alone are \$492.9 million of the \$1.2 billion budget. Even a small increase in salaries, for example one percent, represents an annual cost of over \$7.5 million when salary-driven benefits are included.

With revenues not rising, the district cannot afford to add positions that show promise for more effective services to children. In addition, the current staff cannot be provided with raises without reducing the number of personnel or canceling other critical activities.

Why this is important

MPS must remain competitive in its compensation package to attract and retain well-qualified staff to serve the children of Milwaukee. An \$8 million reserve for employee salary increases is included in the School Operations Fund section of the 2019-20 proposed budget.

Key 7: Strategic Initiatives

Finding solutions to entrenched problems

The budget continues to reflect the strategic plan as described in the preceding sections of this budget. A number of initiatives are continuing as planned since 2016, and a few new ones are funded in the 2019–20 budget. Extensive school budget planning and review was done to ensure that class size would not increase significantly, if at all. The several-year effort to fund art, music, and physical education (AMP) for every school is continuing. AMP position FTEs are up 8.7 in 2019–20, in addition to the expansion if the International Baccalaureate program.

Why this is important

As in 2019, the 2020 budget allows MPS to move forward with implementing its strategic plan, and it integrates that plan into the budget process. The plan is organized around “five priorities” for improving student outcomes that also include a school portfolio plan for increasing the number of high-performing schools. In essence, MPS is attempting to raise the level of student achievement in schools with high student poverty while at the same time seeking to increase the number of schools that can compete more successfully with private schools, thereby continuing services at a similar enrollment level.



Key 8: Fund Balance and Debt-to-Revenues Ratio

Fiscal integrity leads to strong bond rating

MPS has maintained a stable fund balance and received favorable bond ratings when debt is incurred; the district’s debt-to-revenues ratio is well below that of peer districts.

Just as a personal credit rating is used for a variety of purposes, a school district’s strong bond rating is advantageous. The most obvious reason is to lower the costs of borrowing.

Why this is important

The district’s history shows that MPS is capable of managing complex, unpredictable, and adverse financial conditions. Fiscal and societal realities point to a future where there will be a continued need for difficult decisions and prudent management of resources. With rigorous planning and collaborative efforts focused on student needs, the district will be able to pursue its vision while maintaining fiscal integrity.

The district defines a balanced budget as one where authorized expenditures in all funds do not exceed the level of projected revenues for the funds. The 2019–20 budget is balanced in this regard.

Key 9: Capital Asset Planning

Capital asset planning is being taken to a new level



In addition to the formulation of a long-range facilities master plan (described in the capital expenditures section), The board authorized borrowing in November 2017 to fund major maintenance projects that have been deferred from their planned schedule.

Why this is important

A growing body of research has found that school facilities can have a profound impact on both teacher and student outcomes. With respect to teachers, school facilities affect teacher recruitment, retention, commitment, and effort. With respect to students, school facilities affect health, behavior, engagement, learning, and growth in achievement. Thus, researchers generally conclude that without adequate facilities and resources it is extremely difficult to serve large numbers of children with complex needs.

Long-range capital planning will ensure that adequate resources are available when needed for renovations, repairs for failing systems, including HVAC, electrical systems, networking, equipment and school furniture replacement, and other major maintenance projects. The process will also embark upon facility planning, design and new construction should district needs warrant it.

Key 10: MPS's Additional Fiscal Responsibilities

Providing fiscal oversight to other programs

The district's annual budget includes \$144.2 million of funds for open enrollment, non-public schools, city-wide recreation programs and school nutrition.

Why this is important

The district takes responsibility as a fiscal agent for costs that include students not attending MPS, and for meeting non-academic needs (such as school nutrition). Failure to acknowledge this fact leads some critics to believe that the district has no need for additional funds. It is incumbent on all MPS supporters to use and share accurate information in advocating for the priority of K–12 education in the state's largest city.