



MILWAUKEE
PUBLIC SCHOOLS

2018 –19 Proposed Budget

Fiscal Year: July 1, 2018 – June 30, 2019

Submitted to the Milwaukee Board of School Directors on April 24, 2018

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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 2018-19 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 district-wide 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 Pro Forma (chart 3.11) shows the current budget for each fund by the object (or type) of expenditure. The District Use of Funds (chart 3.8) shows the budget by the organizational functions which manage the funded activity. 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, refers to actual revenues received and actual expenditures incurred for the fiscal year indicated. 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 which 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 of these funds are identified in 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.

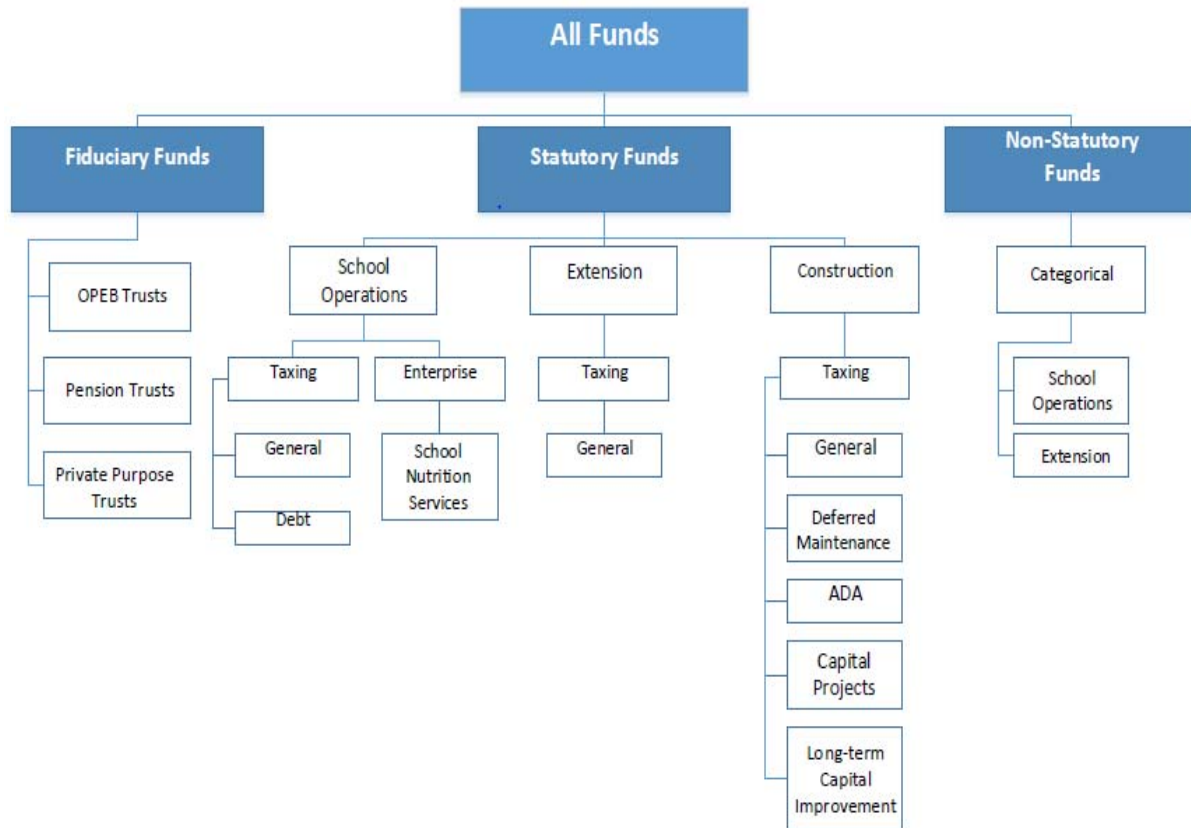
The **Extension Fund** is used to record financial transactions related to recreational activities and is jointly managed by the Office of Operations with support from the Offices of Finance, Chief of Staff, and Academics.

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 2018–19 is balanced. A balanced budget is one in which authorized expenditures for the School Operations Fund match the projected revenues. Specific financial strategies and plans to support the district’s strategic plan 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 2018-19 MPS 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. The CAFR 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

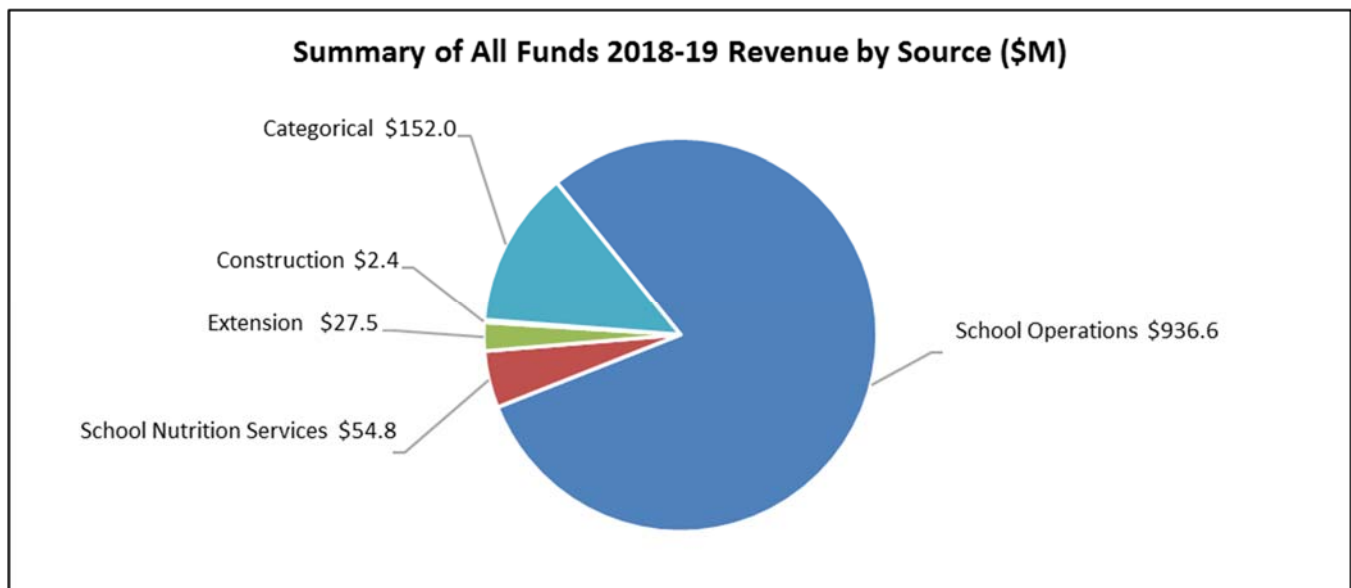
For historical perspective, this first summary intentionally shows budgeted revenues rather than actual. The foundation of budget planning is built within the confines of predictable resources and then augmented with categorical funding. While all resources are directed to district needs, it is particularly those revenues which are known in advance of the school year that sustain the district’s operations.

Chart 3.2 shows a summary of district revenue by source. Information includes a) the amended adopted budget for 2015–16, b) the amended adopted budget for 2016–17, c) the amended adopted budget for 2017–18, d) the proposed budget for 2018–19 and e) the change from 2017–18 to 2018–19.

Chart 3.2 2018-19 Summary of All Funds – Revenues by Source

Summary of All Funds - Revenues by Source (\$M)					
	2015-16 F.A.	2016-17 F.A.	2017-18 F.A.	2018-19 P.B.	Inc / (Dec)
School Operations Fund					
Property Tax Levy /Equalization Aids	\$825.7	\$822.4	\$816.0	\$798.2	(\$17.8)
State Handicapped Aids	50.0	47.6	49.2	47.5	(1.7)
Other State Aids	21.6	29.5	44.0	61.0	17.0
Federal Aids	15.9	15.5	14.9	15.3	0.4
Local Revenues (Non-Property Tax)	17.6	13.3	14.6	14.7	0.1
Subtotal	\$930.9	\$928.3	\$938.7	\$936.6	(\$2.1)
School Nutrition Services Fund					
Federal Aids, Commodities	\$46.7	\$48.9	\$47.1	\$51.0	\$3.9
State, Sales, and Other Aid	2.0	1.7	4.4	3.8	(0.6)
Subtotal	\$48.6	\$50.6	\$51.5	\$54.8	\$3.3
Extension Fund					
Property Tax Levy	\$17.1	\$20.0	\$20.0	\$20.0	\$0.0
Applied Surplus	2.7	1.0	2.8	5.5	2.7
Other	2.0	2.0	2.0	2.0	-
Subtotal	\$21.8	\$23.0	\$24.8	\$27.5	\$2.7
Construction Fund					
Property Tax Levy	\$10.6	\$1.1	\$3.9	\$1.3	(\$2.6)
Other	\$0.5	\$33.0	\$1.6	\$1.1	(0.5)
Subtotal	\$11.1	\$34.1	\$5.5	\$2.4	(\$3.1)
Categorical Fund					
Federal	\$128.8	\$134.6	\$135.4	\$126.5	(\$8.9)
State	27.5	28.4	29.4	29.1	(0.3)
Private	3.5	3.6	4.1	1.7	(2.4)
Subtotal	\$159.8	\$166.6	\$168.9	\$157.3	(\$11.6)
Less Indirect	(4.8)	(5.4)	(5.1)	(5.2)	(0.1)
Subtotal	\$155.1	\$161.1	\$163.8	\$152.0	(\$11.7)
Total	\$1,167.4	\$1,197.1	\$1,184.2	\$1,173.3	(\$10.9)

Chart 3.3 Summary of All Funds – Revenues by Source



Expenditures by Object – All Funds

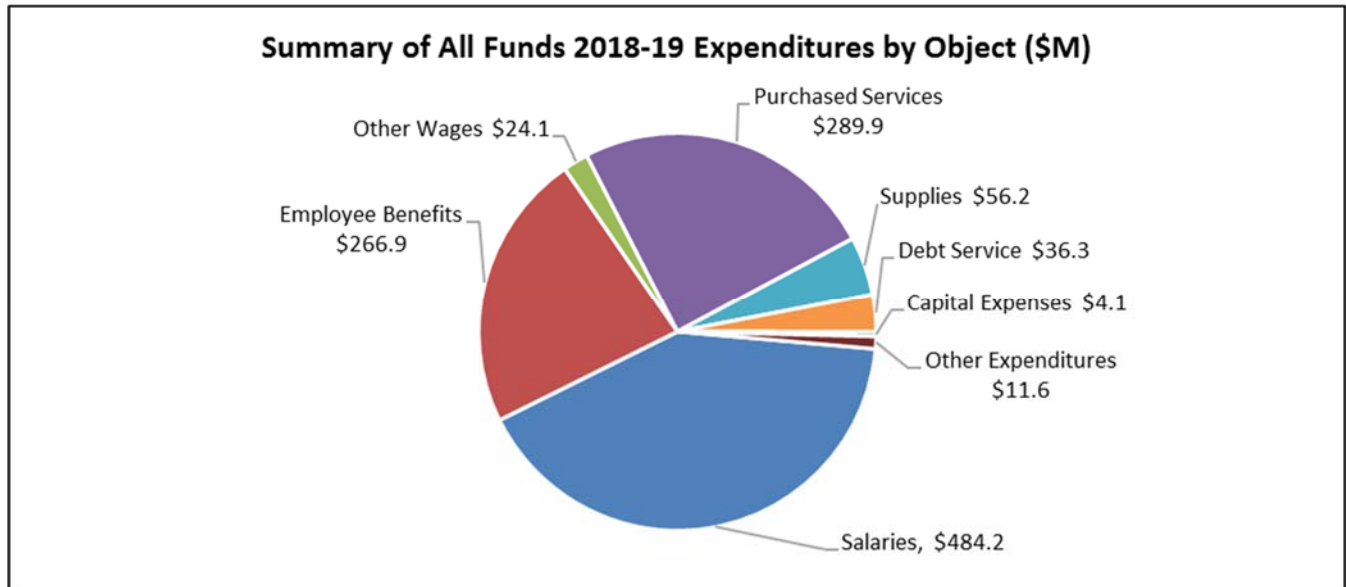
Chart 3.4 shows a summary of district expenditures by object. Information includes a) the amended adopted budget for 2015–16, b) the amended adopted budget for 2016–17, c) the amended adopted budget for 2017–18, d) the proposed budget for 2018–19, and e) the change from 2017–18 to 2018–19.

Chart 3.4 Summary of All Funds – Expenditures by Object

Summary of All Funds - Expenditures by Object (\$M)					
Object	2015-16	2016-17	2017-18	2018-19	Inc / (Dec)
	F.A.	F.A.	F.A.	P.B.	
Salaries	\$496.2	\$487.3	\$475.5	\$484.2	\$8.7
Employee Benefits	242.5	249.2	273.1	266.9	(6.2)
Other Wages	26.5	30.2	28.2	24.1	(4.1)
Purchased Services	319.6	342.5	294.5	289.9	(4.6)
Supplies	71.1	73.3	62.2	56.2	(6.0)
Debt Service	29.8	16.8	35.0	36.3	1.3
Capital Expenses	3.2	7.7	5.0	4.1	(0.9)
Other Expenditures	(21.6)	(10.6)	10.7	11.6	0.9
Total	\$1,170.4	\$1,196.4	\$1,184.2	\$1,173.3	(\$10.9)

Chart 3.5 shows the expenditures by object for the 2018–19 proposed budget.

Chart 3.5 2018–19 Summary of All Funds - Expenditures by Object



Five-Year Projection – All Statutory Funds

The district updates five-year projections by statutory fund as part of the annual strategic planning process for the following fiscal year. The district also develops enrollment and financial forecasts 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 the spring of 2018. Categorical Funds are not part of this projection. Categorical Funds are reviewed but a five-year projection is not formally prepared due to the volatility of the data.

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 2017–18, b) the proposed budget for 2018–19, c) an early estimate of revenues and expenditures for each year 2019–20, 2020–21, 2021–22, 2022–23, and d) the change from the proposed 2018–19 budget to the estimated 2022–23 budget.

Chart 3.6 All Statutory Funds – Five-Year Projection

All Statutory Funds - Five-Year Projection (\$M)							
	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	FY23 vs. FY19
	F.A.	P.B.	Estimated	Estimated	Estimated	Estimated	Inc / (Dec)
Total Revenue	\$1,017.7	\$1,013.7	\$1,012.6	\$1,001.8	\$1,003.0	\$1,004.2	(\$9.5)
Total Expenditures	1,020.5	1,021.3	1,071.2	1,101.7	1,129.3	1,157.3	136.0
Surplus/ (Deficit)	(\$2.8)	(\$7.6)	(\$58.6)	(\$99.8)	(\$126.3)	(\$153.1)	
Cumulative Surplus / (Deficit)	\$114.7	\$107.1	\$48.5	(\$51.3)	(\$177.6)	(\$330.7)	

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.

General purpose revenues for 2019-20 are projected to be stagnant or declining, see chart 3.16 in the School Operations Fund section. Allowing for modest inflationary increases and recognizing medical inflation at a higher rate results in projected expenditures exceeding revenues by over \$41.6 million in the School Operations Fund.

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 Eight Big Ideas. By 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 include:

1. 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. 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. Recruiting and hiring qualified staff, well-researched professional development, and competitive compensation will enable talents to be implementing at all levels.
4. Forecasting 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 service 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’ care. 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 managed by MPS.
5. Implementing proactive and enterprise-wide risk management strategy to limit financial exposures for the district.
6. Utilizing a formal process of setting priorities for lobbying. Since public school districts are funded primarily through governmental 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. 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.
8. Developing a long range capital funding plan to support implementation of the Long-Range Facilities Master Plan described later in the section.



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. The Construction Fund provides resources for multi-year projects and also carries a significant portion of assigned fund balance for previously authorized projects. The district has adopted a balanced 2017–18 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 \$7.6 million in 2018-19.

Chart 3.7 shows a) the district fund balance for years ended June 30, 2015, June 30, 2016, and June 30, 2017, b) projected fund balance for June 30, 2018, and c) the projected fund balance for June 30, 2019.

Chart 3.7 Fund Balance - Five Year

Fund Balance - Five Year (\$M)					
Description	Fund Ending Balance 2014-2015 Actual	Fund Ending Balance 2015-2016 Actual	Fund Ending Balance 2016-2017 Actual	Fund Ending Balance 2017-2018 F.A.	Fund Ending Balance 2018-2019 P.B.
School Operations	\$42.4	\$37.8	\$11.3	\$11.3	\$11.3
School Nutrition	0.1	4.5	11.4	11.4	9.3
Construction	53.7	47.3	94.7	79.7	64.7
Extension	11.6	11.9	15.2	12.4	6.9
Categorical	1.2	1.1	1.2	1.2	1.2
Total	\$109.0	\$102.6	\$133.7	\$115.9	\$93.3

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

Chart 3.8 shows a district-wide summary of expenditures by the organizational unit or category which uses the funds. Information includes a) actual expenditures from 2014-15, b) actual expenditures from 2015-16, c) actual expenditures from 2016-17, d) the 2017-18 amended adopted budget, e) the 2018-19 proposed budget and f) the change from 2017-18 to 2018-19.

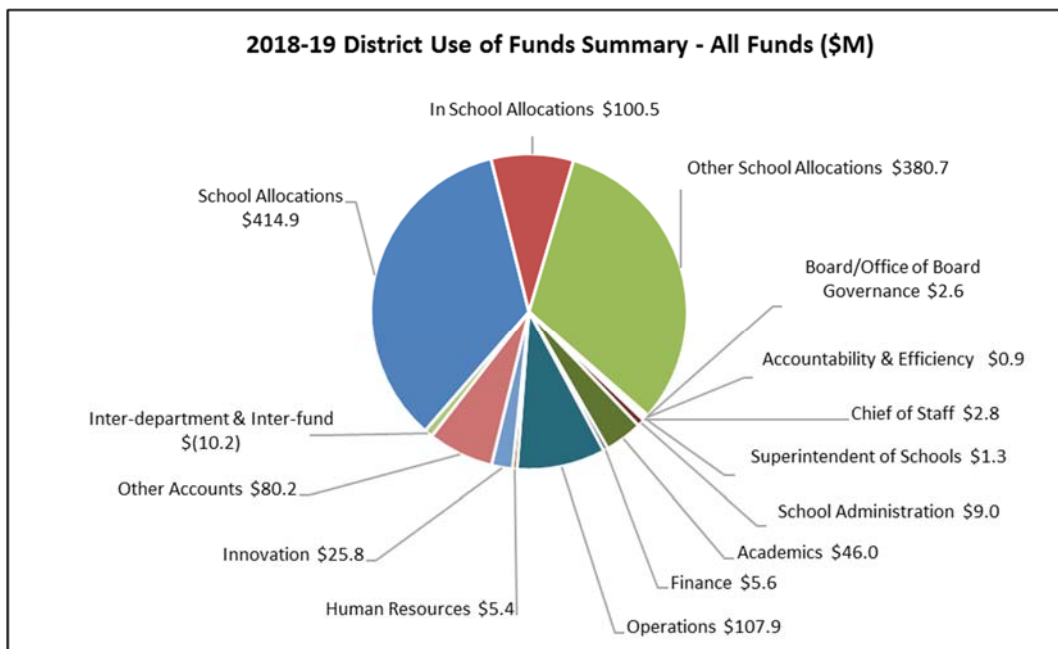
Chart 3.8 District Use of Funds Summary

District Use of Funds Summary - All Funds (\$M)						
School/Department	2014-15 Actual	2015-16 Actual	2016-17 Actual	2017-18 F.A.	2018-19 P.B.	Inc / (Dec)
School Allocations	\$464.5	\$414.0	\$453.9	\$427.8	\$414.9	(\$12.9)
In School Allocations	79.6	92.0	104.9	99.2	100.5	1.3
Other School Allocations	277.0	245.9	275.8	285.3	380.7	95.5
Schools Subtotal	\$821.1	\$751.9	\$834.6	\$812.3	\$896.2	\$83.9
Board/Office of Board Governance	\$2.7	\$2.6	\$2.5	\$2.9	\$2.6	(\$0.4)
Accountability & Efficiency	1.2	0.9	1.0	1.1	0.9	(0.2)
Superintendent of Schools	1.2	0.8	0.9	1.4	1.3	-
Chief of Staff	3.4	3.3	4.2	2.6	2.8	0.2
School Administration	9.7	9.7	9.9	9.6	9.0	(0.6)
Academics	48.5	46.0	51.3	50.5	46.0	(4.5)
Finance	6.1	5.7	5.9	5.6	5.6	0.1
Operations	86.8	88.6	88.3	103.5	107.9	4.5
Human Resources	5.9	5.2	5.6	5.8	5.4	(0.4)
Innovation	22.7	22.2	22.1	27.0	25.8	(1.2)
Offices Subtotal	\$188.2	\$185.1	\$191.8	\$209.8	\$207.3	(\$2.5)
Other Accounts	\$184.8	\$240.8	\$215.8	\$171.9	\$80.2	(\$91.7)
Inter-department & Inter-fund	(8.9)	(7.8)	(10.5)	(9.7)	(10.2)	(0.5)
Total	\$1,185.1	\$1,170.0	\$1,231.7	\$1,184.2	\$1,173.3	(\$10.9)

Notes: “Actual” expenditures in this chart do not include the district’s commitments at year end, which are paid in the next fiscal year. Also, some major categories of student-related spending are reflected in the school categories for the first time in 2018-19. They were previously identified as “other accounts”.

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

Chart 3.9 2018–19 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 Milwaukee Board of School Directors’ and superintendent’s unwavering focus on students and schools at the core of our spending.

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, results in a budget aligned to our strategic plan and district priorities.

Summaries by Fund

The district’s total projected revenue for 2018–19 is \$1.2 billion, down \$10.9 million compared to the budget for the previous year. That decrease is due to the reduced revenues in categorical funding where we project Federal funding to decrease by \$11.7 million. With general operating revenues in the School Operations Fund decreased as well, the district has limited resources to keep up with inflationary pressures.

Specifically, the district needs to attract, retain, train and deploy 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 southeast 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, demonstrated in part by the low academic achievement of some students, MPS continues to prioritize areas that show promise for future success of students.

Chart 3.10 shows a revenue comparison between the 2018–19 proposed budget and the 2017–18 amended adopted budget for the district’s five funds.

Chart 3.10 District Revenue Overview

District Revenue Overview: 2018-19 Proposed Budget Compared to 2017-18 Amended Adopted Budget (\$M)						
	Operations	Nutrition	Extension	Construction	Categorical	Total
<i>2017-18 Amended Adopted Budget</i>	\$938.7	\$51.5	\$24.8	\$5.5	\$163.8	\$1,184.2
<i>2018-19 Proposed Budget</i>	936.6	54.8	27.5	2.4	152.0	1,173.3
Year-to-Year Increase/(Decrease)	(\$2.1)	\$3.3	\$2.7	(\$3.1)	(\$11.7)	(\$10.9)
	-0.2%	6.4%	10.9%	-56.5%	-7.2%	-0.9%

Chart 3.11 shows the Pro Forma Budgeted Revenues and Expenditures for the 2018–19 proposed budget. The purpose of this pro forma summary is to display the district wide budget in a manner that gives readers a summary of 2018–19 projected expenditures by fund, showing the types of costs budgeted.

Chart 3.11 2018–19 Pro Forma Summary

2018-19 Pro Forma Budgeted Revenues and Expenditures (\$M)						
	School Operations	School Nutrition	Categorical	Extension	Construction	Total
Revenues	\$936.6	\$54.8	\$152.0	\$27.5	\$2.4	\$1,173.3
Expenditures						
Salaries and Wages	\$409.0	\$13.3	\$74.3	\$11.7	\$0.0	\$508.3
Employee Benefits	214.4	9.3	39.2	3.9	-	266.8
Total Salary and Benefits	\$623.5	\$22.7	\$113.5	\$15.6	\$0.0	\$775.2
Student Transportation	\$63.8	\$0.0	\$0.2	\$0.1	\$0.0	\$64.1
Contracted Services	103.7	1.9	31.1	6.0	-	142.6
Construction Contracts	-	-	-	2.9	2.2	5.1
Interdistrict Student Tuition	42.2	-	-	-	-	42.2
Utilities	19.4	-	-	0.3	-	19.7
Maintenance Contracts	8.2	-	-	0.0	-	8.3
Telephone	2.3	0.0	-	0.0	-	2.4
Postage	1.1	-	0.0	0.1	-	1.2
Other Purchased Services	1.5	0.3	1.3	1.3	-	4.4
Total Purchased Services	\$242.3	\$2.1	\$32.6	\$10.7	\$2.2	\$289.9
Debt Service	\$36.3	\$0.0	\$0.0	\$0.0	\$0.0	\$36.3
Textbooks	\$1.2	\$0.0	\$0.0	\$0.0	\$0.0	\$1.2
Non-Text Books	4.1	-	-	-	-	4.1
Consumable Supplies	11.6	2.4	3.8	0.4	-	18.2
Other Supplies	4.8	25.4	2.2	0.3	-	32.7
Total Supplies	\$21.7	\$27.8	\$6.0	\$0.7	\$0.0	\$56.2
Insurance	\$9.5	\$0.1	\$0.0	\$0.3	\$0.0	\$9.9
Capital Expenses	\$1.6	\$1.8	\$0.0	\$0.1	\$0.2	\$3.7
Building Modifications	0.1	0.3	-	0.1	-	0.5
Total Capital Expenses	\$1.7	\$2.1	\$0.0	\$0.2	\$0.2	\$4.1
Other Accounts	\$1.7	\$0.0	\$5.2	\$0.1	\$0.0	\$7.0
Less Indirect Costs	\$0.0	\$0.0	(\$5.2)	\$0.0	\$0.0	(\$5.2)
Total	\$936.6	\$54.8	\$152.0	\$27.5	\$2.4	\$1,173.3

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 2018–19 is \$799.4 million, which is \$20.5 million lower than 2017–18. This loss is partially offset by a \$204.0 increase (from \$450.0 to \$654.0) in per pupil categorical aid which will result in an MPS aid increase of \$15.6 million.

With an overall change of about one 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 which typically fund major maintenance projects in the Construction Fund. For 2018–19, the budget proposes a Construction Fund tax levy of \$1.3 million compared to \$3.9 million in 2017-18. Similar to the budget for 2017-18, 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 2018–19 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 with board approval. In addition, previously assigned funds can be redirected when projects are completed under budget or become unnecessary consistent with board policy.

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 2014–15, b) actual revenues from 2015–16, c) actual revenues from 2016–17, d) the amended adopted budget for 2017–18, e) the proposed budget for 2018–19, and f) the change from 2017–18 to 2018–19.

Chart 3.12 School Operations Fund – Revenues by Source

School Operations Fund - Revenues by Source (\$M)						
Description	2014-15 Actual	2015-16 Actual	2016-17 Actual	2017-18 F.A.	2018-19 P.B.	Inc / (Dec)
Property Tax Levy, Equalization and Integration Aids						
Property Tax Levy	\$275.6	\$273.0	\$260.1	\$248.2	} \$798.2	(\$7.8)
General Equalization Aid	571.0	570.7	577.2	576.4		(10.0)
Integration Aid	32.2	36.4	33.1	34.3		-
Poverty Aid	4.8	5.3	5.3	6.3		-
Computer Aid	6.0	6.6	7.1	7.2		-
Deduction for Choice/Charter	(65.7)	(66.2)	(60.4)	(56.6)		-
Subtotal	\$823.9	\$825.8	\$822.4	\$816.0	\$798.2	(\$17.8)
State Handicapped Aids						
Handicapped Aids	\$53.3	\$50.4	\$48.3	\$49.2	\$47.5	(\$1.7)
Subtotal	\$53.3	\$50.4	\$48.3	\$49.2	\$47.5	(\$1.7)
Other State Aids						
Transportation Aid	\$2.4	\$2.0	\$2.3	\$2.7	\$2.7	\$0.0
Library Aid	4.7	5.0	4.0	4.1	4.1	-
Bilingual Aid	1.7	1.7	1.7	1.7	1.7	-
Summer School Aid	-	-	-	-	1.4	1.4
Tuition from State	0.4	0.7	0.4	0.5	0.5	-
General State Aid	12.2	12.0	19.7	35.0	50.6	15.6
Other State Aids	0.2	0.1	0.1	0.1	0.1	-
Subtotal	\$21.6	\$21.5	\$28.3	\$44.0	\$61.0	\$17.0
Federal Aids						
Other Federal Aids	\$0.5	\$0.1	\$0.0	\$0.0	\$0.0	\$0.0
Federal Reimbursement - QSCB	1.8	3.3	3.5	3.8	3.7	(0.1)
Indirect Cost Aids	5.1	4.9	5.4	6.0	6.0	-
Medicaid Reimbursements	10.4	6.2	6.5	5.0	5.5	0.5
Subtotal	\$17.8	\$14.5	\$15.5	\$14.9	\$15.3	\$0.4
Local Revenues						
TIF and Other City Related	\$1.9	\$0.8	\$1.8	\$0.5	\$0.5	\$0.0
Student Programs Reimbursement	-	-	0.3	0.3	0.3	-
Student Fees / Admissions	0.1	0.1	0.7	-	-	-
Tuition	6.2	7.2	10.3	11.7	12.0	0.3
Interest Earned	0.3	0.4	0.2	0.2	0.2	-
Debt Proceeds	7.5	-	32.3	-	-	-
Rental	2.8	4.1	3.3	1.3	1.1	(0.2)
Refunds/Ins. Proceeds	1.3	15.6	4.2	0.3	0.3	-
Miscellaneous	0.5	0.6	0.4	0.3	0.3	-
Subtotal	\$20.7	\$28.7	\$53.5	\$14.6	\$14.7	\$0.1
Total without Carryover	\$937.3	\$941.0	\$968.0	\$938.7	\$936.6	(\$2.1)
Carryover	24.6	34.8	34.8	-	-	-
Total with Carryover	\$961.9	\$975.8	\$1,002.8	\$938.7	\$936.6	(\$2.1)

For 2018-19, revenue estimates for major sources have been made in accordance with the state's budget as approved in September 2017. The district will adjust its budget in fall 2018 when state aids are certified, fall enrollment is determined, and updated estimates of costs or revenues are incorporated.

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 has 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 educational 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 the computer aid, poverty aid, bilingual education aid, transportation aid, library aid and general aid.

Federal Aids

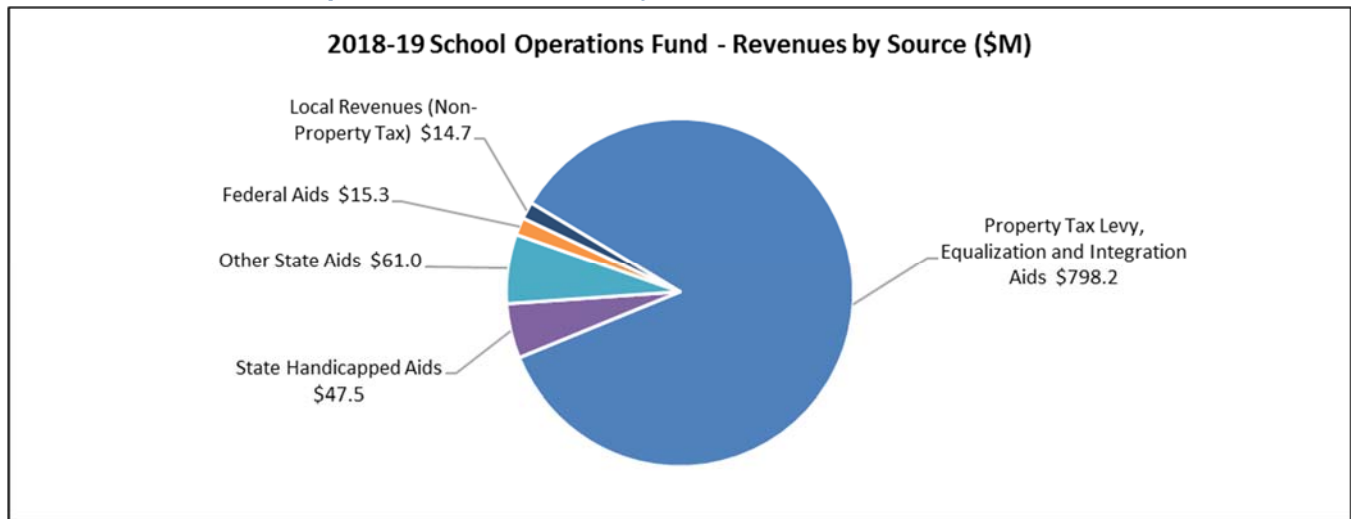
Federal aids include school nutrition aid, Medicaid billing aid and indirect aid. The school nutrition aid is distributed through the state as reimbursement for food service programs operated by the district. Medicaid billing aid is the reimbursement for health-related services being provided by schools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

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 2018–19 amended adopted budget.

Chart 3.13 2018–19 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 2014–15, b) actual expenditures from 2015–16, c) actual expenditures from 2016–17, d) the amended adopted budget for 2017–18, e) the proposed budget for 2018–19, and f) the change from 2017–18 to 2018–19.

Chart 3.14 School Operations Fund – Expenditures by Object

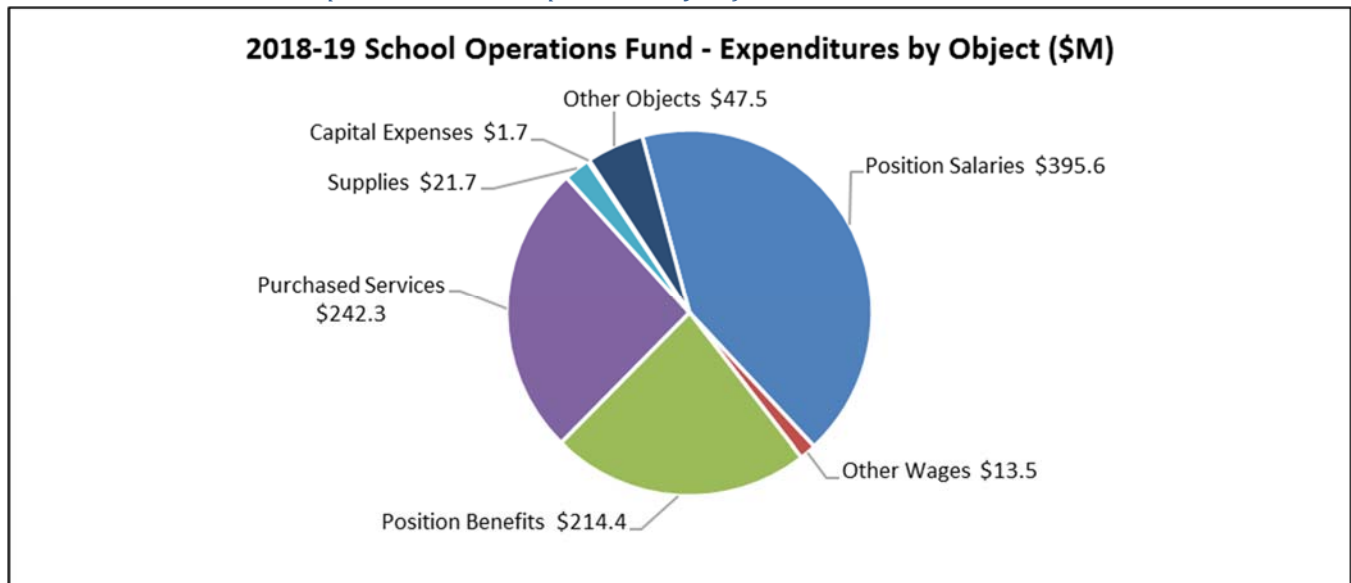
School Operations Fund - Expenditures by Object (\$M)						
Object	2014-15	2015-16	2016-17	2017-18	2018-19	FY18 vs. FY19
	Actual	Actual	Actual	F.A.	P.B.	Inc / (Dec)
Position Salaries	\$382.6	\$388.8	\$394.5	\$388.5	\$395.6	\$7.1
Other Wages	21.8	24.7	26.9	16.1	13.5	(2.7)
Benefits	232.1	199.2	188.3	223.1	214.4	(8.6)
Purchased Services	226.5	248.0	264.4	237.4	242.3	4.8
Supplies	31.4	36.8	49.6	25.9	21.7	(4.2)
Capital Expenses	5.9	2.9	4.2	2.5	1.7	(0.7)
Other Objects	39.6	47.7	66.6	45.1	47.5	2.4
Total	\$940.0	\$948.1	\$994.5	\$938.7	\$936.6	(\$2.1)

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

- An increase in funding for non-instrumentality charter (NIC) schools due to the following changes: an increase in the state per pupil rate for charter schools; the opening of Carmen Middle School South; and, adding eighth grade at Milwaukee Excellence Charter (reflected as purchased services).
- An increase in salaries from a reserve set aside for raises in the 2018–19 proposed budget.
- Decreases in categories such as supplies and other wages, where school leaders and office staff are planning to spend less than the current year due to budget constraints.
- An increase in projected costs of employee benefits. The current year claims data, employee and retiree demographics, and anticipated plan design all add up to the likelihood of increased costs.

Chart 3.15 shows the expenditures by object for the School Operations Fund 2018-19 proposed budget.

Chart 3.15 2018–19 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 2022–23. Information includes a) the amended adopted budget for 2017–18, b) the proposed budget for 2018–19, c) an early estimate of revenues and expenditures for each year 2019–20, 2020–21, 2021–22, 2022–23 and d) the change from the proposed 2018–19 budget to the estimated 2022–23 budget.

Chart 3.16 School Operations Fund – Five-Year Projection

School Operations Fund - Five-Year Projection (\$M)							
	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	FY23 vs FY19
	F.A.	P.B.	Estimated	Estimated	Estimated	Estimated	Inc / (Dec)
Revenues (without applied surplus)	\$938.7	\$936.6	\$924.2	\$912.3	\$912.3	\$912.3	(\$24.3)
Expenditures							
Salaries/Wages	\$404.7	\$409.0	\$417.1	\$425.4	\$433.8	\$442.4	\$33.4
Benefits	223.1	214.4	228.6	243.9	256.6	269.8	55.3
Purchased Services	237.4	242.3	248.1	252.3	256.2	259.8	17.5
Supplies/Materials	25.9	21.7	22.3	22.6	22.9	23.1	1.5
Capital Purchases	2.5	1.7	1.7	1.8	1.8	1.8	0.1
Other Objects	45.1	47.5	47.8	48.2	48.6	49.0	1.6
Total Expenditures	\$938.7	\$936.6	\$965.8	\$994.2	\$1,019.9	\$1,046.0	\$109.4
Final Surplus/ (Deficit)	\$0.0	\$0.0	(\$41.6)	(\$81.9)	(\$107.6)	(\$133.7)	
Cumulative Surplus / (Deficit)	\$11.3	\$11.3	(\$30.2)	(\$112.1)	(\$219.7)	(\$353.4)	

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 \$109.4 million between 2018–19 and 2022–23. The primary driver of the cost increase remains medical inflation (combined medical and prescription), which is projected to be approximately seven 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

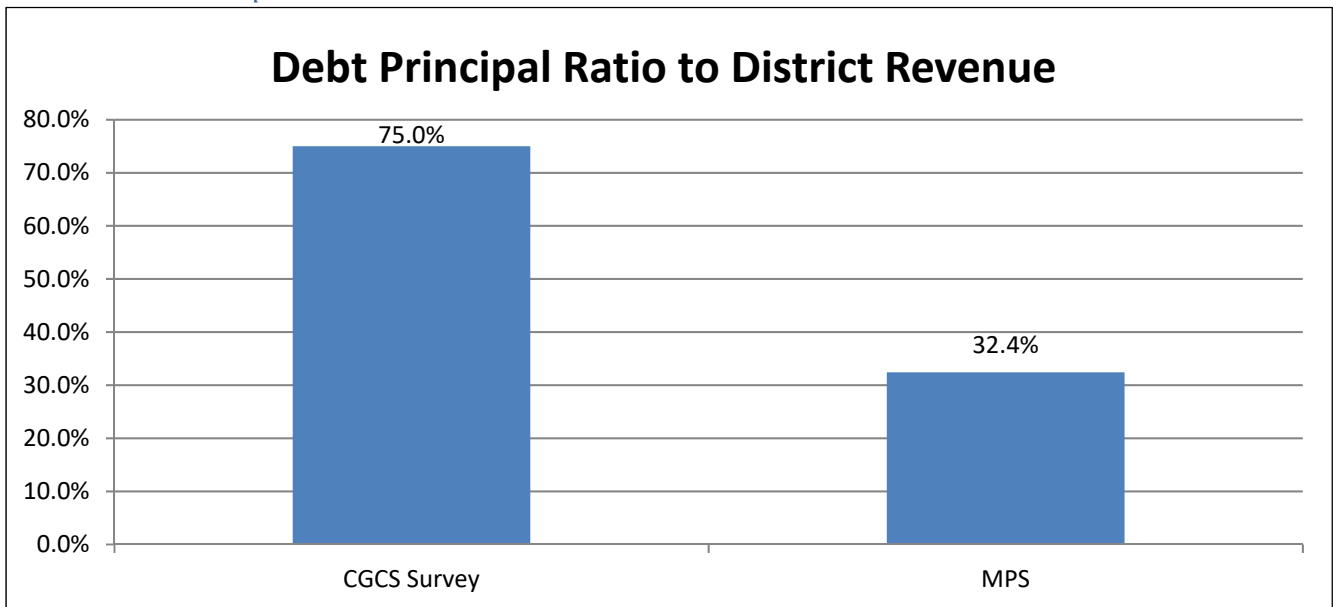
Debt service refers to financial resources that are restricted, committed or assigned to expenditures for the payment of general long-term debt principal, interest and related costs. These costs are reported in the School Operations Fund for budgeting purposes. The 2018–19 proposed budget for debt totals \$36.3 million, a \$1.3 million increase over 2017–18 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 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 2016–17 (the most recent CGCS year of data), the median debt principal ratio to district revenue for urban school districts was 75 percent while MPS’s was 32.4 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 2016–17 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 2017.

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: AA from Standard & Poor's Corporation, AA 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 which 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 begins 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 estimates \$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 compared to prior years.

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 provides a ten fiscal year summary of MPS’s outstanding debt. Debt amounts for the 2007–2017 fiscal years are stated in the 2017 Comprehensive Annual Financial Report (CAFR).

Chart 3.18 Outstanding Debt – 10 years

Outstanding Debt	
Fiscal Year	Debt Outstanding (\$M)
2008	\$333.5
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

Debt Capacity

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

Wisconsin Statute § 67.12(1)(a) limits issuance of the 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 2017-18	\$990.2
Statutory Borrowing Limit of 60 percent of Estimated School Operations Revenue	\$594.1
Less Outstanding School Revenue Anticipation Notes, Series 2017 M11	\$180.0
Unused Short-term Borrowing Capacity	\$414.1

Chart 3.20 Short-Term Borrowing Percentages

Description	Percentage
Percentage of Borrowing Limit Used	30.3%
Percentage of Borrowing to Estimated Revenues	18.2%

Chart 3.21 Short-Term Borrowing – Statutory Borrowing Limitations

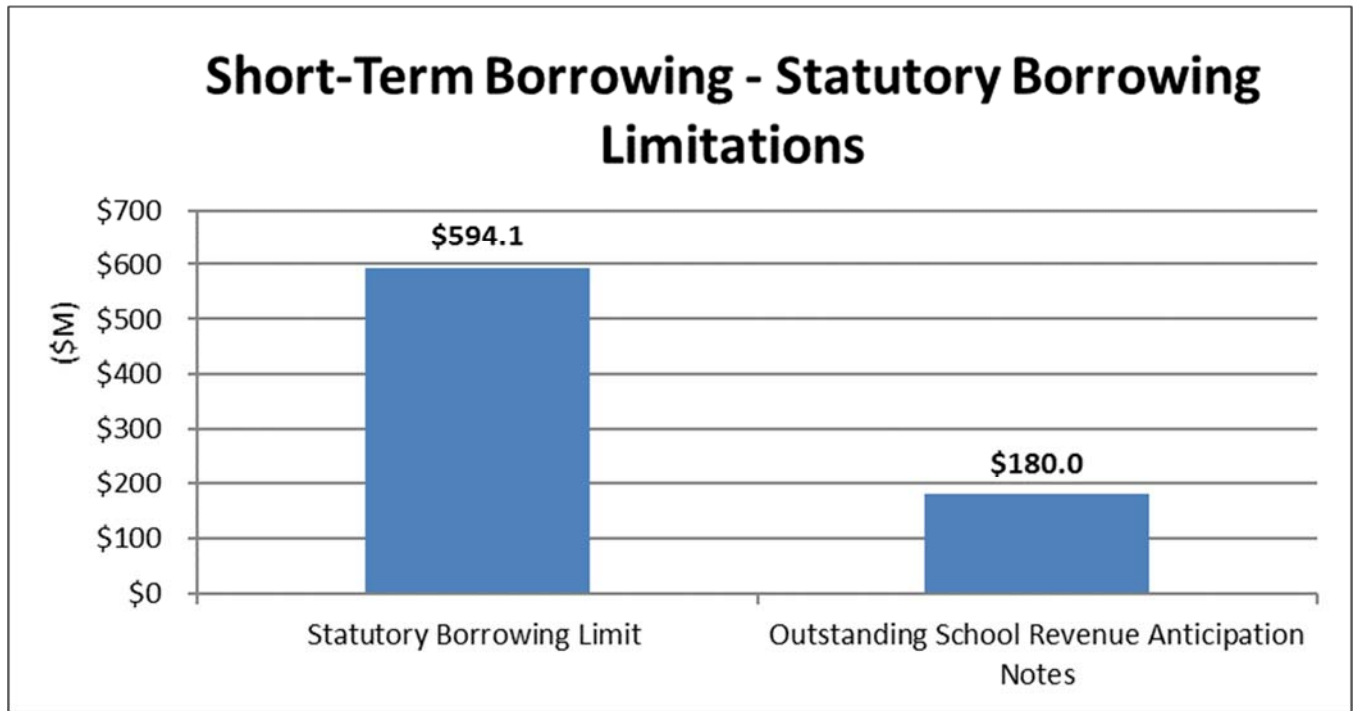


Chart 3.22 Long-Term Borrowing – Legal Debt Limitation for School Purpose Borrowing

Description	Amount (\$M)
2 Percent of City of Milwaukee Equalized Value for 2017	\$538.1
Outstanding General Obligation Debt Subject to 2 percent Limit at 10/1/2016	(\$9.3)
Total Unused Debt Capacity for School Purpose Borrowing	\$528.8
Total Unused Debt Capacity for School Purpose Borrowing percent	98.3%



Chart 3.23 is a table of MPS's existing debt service requirements, assuming no Internal Revenue Service (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

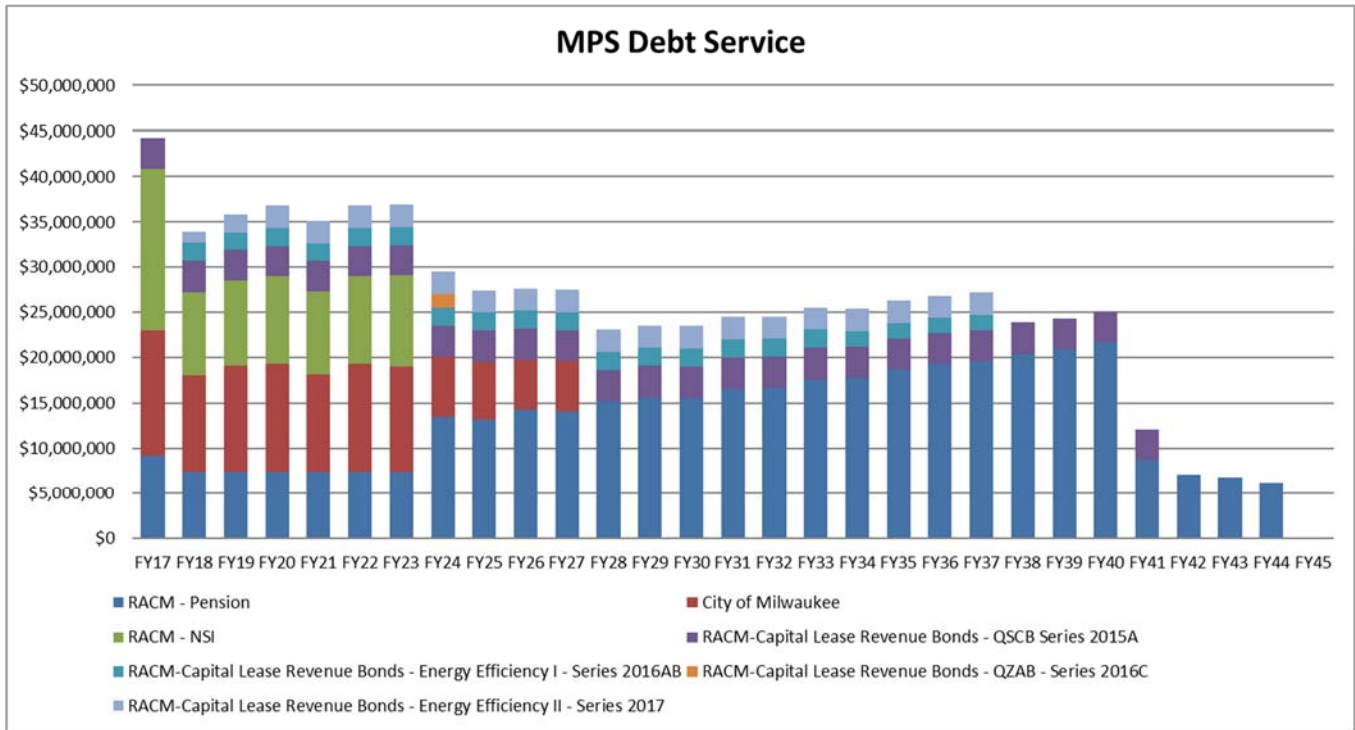
Milwaukee Public Schools Debt as of 6/30/2017				
Purpose	Name of bond issue	Maturity	Original Amount	Outstanding Principal Balance at 6/30/2017
Americans with Disabilities Act loans:				
ADA loans for improvements and modifications to comply with provisions of the Americans with Disabilities Act.	2002A Refund (Trust Loans & C5, O, R & T)	Sept, 2016	\$5,395,000	\$0
	Series 2009 N1 Notes	Feb, 2019	2,700,000	540,000
	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	134,000
Qualified School Construction Bonds:				
Provide financing for various school construction projects.	Series 2009 M6 bonds (QSCBs)	Dec, 2025	12,000,000	7,175,000
	Series 2010 M6 bonds (QSCBs)	Feb, 2027	37,300,000	27,500,000
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	35,076,923
Energy Efficiency - I at various MPS Schools	RACM Series 2016A	Dec, 2016	18,710,000	18,710,000
Energy Efficiency - I at various MPS Schools	RACM Series 2016B (QECBs)	Dec, 2016	6,275,000	6,275,000
Culinary and Arts Academies	RACM Series 2016C (from QZAB Allocation)	Dec, 2016	1,470,000	1,470,000
Energy Efficiency - II at various MPS Schools	RACM Series 2017	June, 2017	29,730,000	29,730,000
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	2,840,136
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	36,493
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	2,108,940
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	3,426,084
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	114,645,000	57,518,609
Pension debt refinancing:				
Provide funds to retire an unfunded actuarial accrued liability owed to the Wisconsin Retirement System with respect to retirement	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	36,621,244
	GO Series 2003 M10 Capital Appreciation Bonds	Apr, 2023	46,715,000	21,411,502
Qualified Zone Academy Bonds:				
Construct improvements and purchase and install equipment at various MPS schools.	QZAB—Qualified Zone Academy Bonds issued 2002, 2003, 2005, 2006	Dec, 2022	19,318,100	0
Total			\$382,773,931	

¹ MPS implemented GASB 86 in FY 17. Principal balance reflects reductions resulting from the Sinking Fund contributions and other payments in advance of final

² MPS has \$17,213,012 of Principal and Sinking Fund contributions required in 2017-18.

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



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, 2023-24 is the year 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 Operations, 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 2018–19 proposed budget for the School Nutrition Services Fund anticipates revenue and expenditures totaling \$54.8 million. The \$3.3 million increase in revenue is due to a rise in the federal reimbursement rate for meals served and the applied surplus from prior years.

Revenues by Source – School Nutrition Services Fund

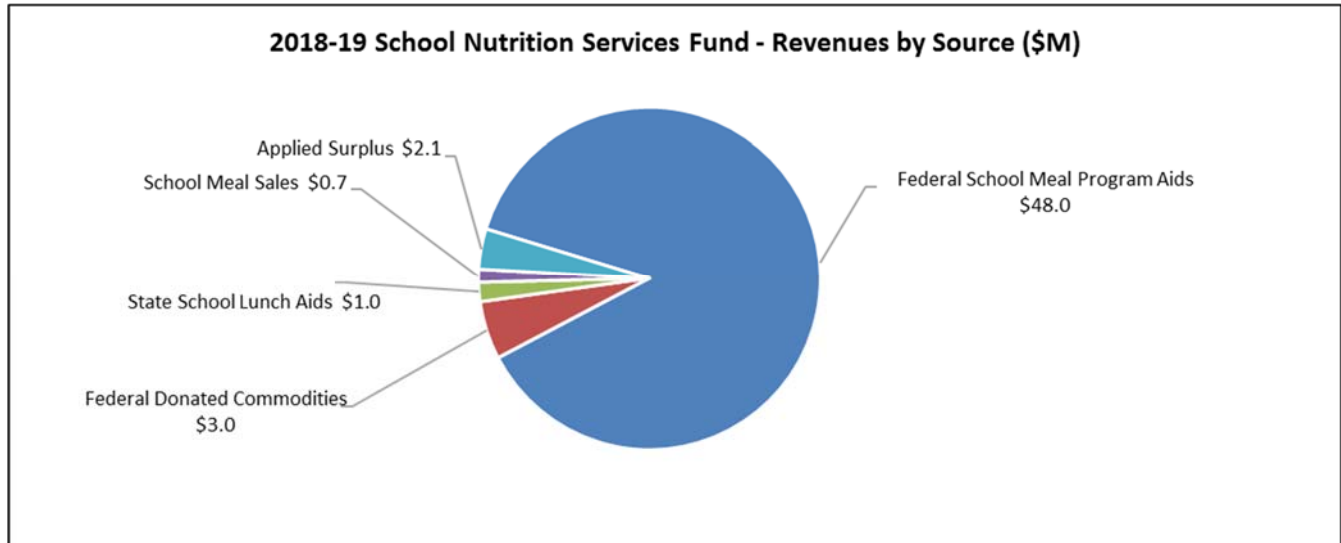
Chart 3.25 shows the revenues by type in the School Nutrition Services Fund. Information includes a) actual revenues from 2014–15, b) actual revenues from 2015–16, c) actual revenues from 2016–17, d) amended adopted budget for 2017–18, e) proposed budget for 2018–19, and f) the change from 2017–18 to 2018–19.

Chart 3.25 School Nutrition Services Fund – Revenues by Source

School Nutrition Services Fund - Revenues by Source (\$M)						
Description	2014-15 Actual	2015-16 Actual	2016-17 Actual	2017-18 F.A.	2018-19 P.B.	Inc / (Dec)
Federal School Meal Program Aids	\$43.0	\$45.4	\$46.0	\$47.1	\$48.0	\$0.9
Federal Donated Commodities	2.6	2.9	3.3	2.8	3.0	0.2
State School Lunch Aids	0.9	1.0	1.0	1.0	1.0	-
School Meal Sales	0.8	1.3	0.7	0.7	0.7	-
Applied Surplus	-	-	-	-	2.1	2.1
Total	\$47.3	\$50.5	\$50.9	\$51.5	\$54.8	\$3.3

Chart 3.26 shows the revenues by source for the School Nutrition Services Fund 2018–19 proposed budget.

Chart 3.26 2018–19 School Nutrition Services Fund – Revenues by Source



Expenditures by Object – School Nutrition Services Fund

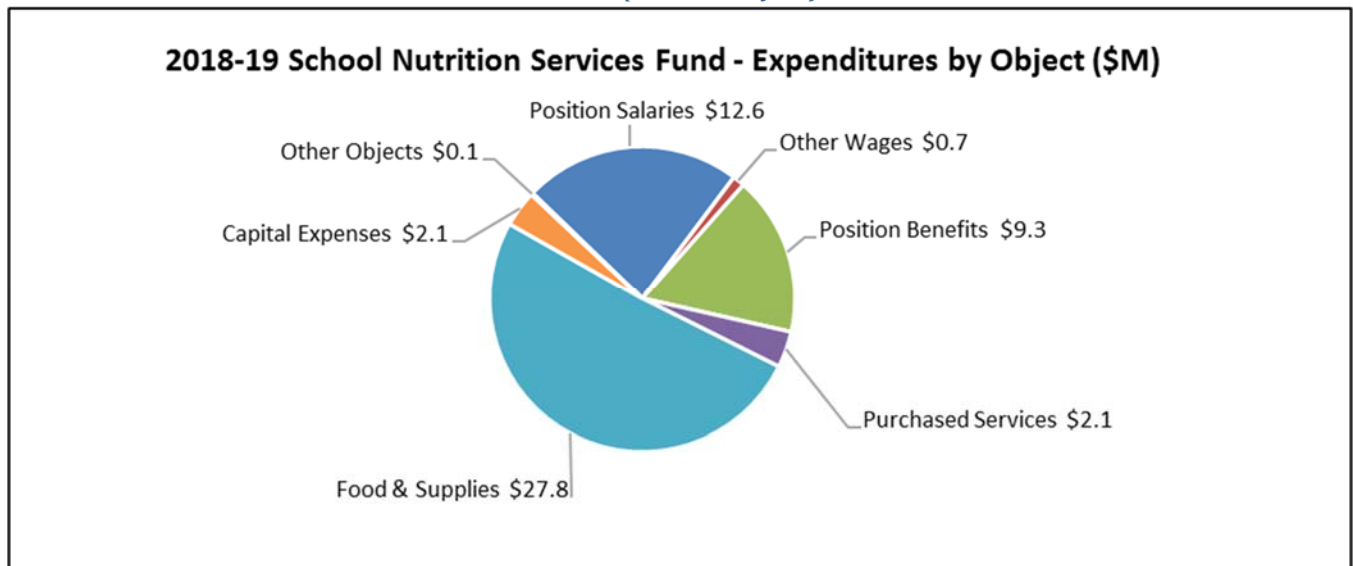
Chart 3.27 shows the School Nutrition Services Fund expenditures by object. Information includes a) actual expenditures from 2014–15, b) actual expenditures from 2015–16, c) actual expenditures from 2016–17, d) the amended budget for 2017–18, e) the proposed budget for 2018–19, and f) the change from 2017–18 to 2018–19.

Chart 3.27 School Nutrition Services Fund – Expenditures by Object

School Nutrition Services Fund - Expenditures by Object (\$M)						
Object	2014-15 Actual	2015-16 Actual	2016-17 Actual	2017-18 F.A.	2018-19 P.B.	Inc / (Dec)
Position Salaries	\$8.6	\$9.0	\$9.3	\$10.9	\$12.6	\$1.6
Other Wages	0.5	0.5	0.5	0.7	0.7	\$0.0
Position Benefits	8.2	8.5	6.3	7.7	9.3	\$1.6
Purchased Services	3.3	2.3	2.3	2.1	2.1	\$0.0
Food & Supplies	23.4	25.4	25.8	27.9	27.8	(\$0.1)
Capital Expenses	-	0.4	0.4	2.0	2.1	\$0.1
Other Objects	-	0.1	(0.6)	0.1	0.1	\$0.0
Total	\$44.0	\$46.2	\$44.1	\$51.5	\$54.8	\$3.3

Chart 3.28 shows the expenditures by object for the School Nutrition Services Fund 2018–19 proposed budget.

Chart 3.28 2017–18 School Nutrition Services Fund – Expenditures by Object



Five-Year Projection – School Nutrition Services Fund

In 2018–19, MPS will be in its fifth 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 increased salary and 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 2022–23. Information includes a) the amended adopted budget for 2017–18, b) the proposed budget for 2018–19, c) an early estimate of revenues and expenditures for each year 2019–2020, 2020–21, 2021–22, 2022–23, and d) the change from the proposed 2018–19 budget to the estimated 2022–23 budget.

Chart 3.29 School Nutrition Services Fund – Five-Year Projection

School Nutrition Services Fund - Five-Year Projection (\$M)							
	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	FY23 vs FY19 Inc /
	F.A.	P.B.	Estimated	Estimated	Estimated	Estimated	(Dec)
Revenues (without applied surplus)	\$51.5	\$52.7	\$53.4	\$54.2	\$55.1	\$55.9	\$3.2
Expenditures							
Salaries/Other Wages	\$11.7	\$13.3	\$13.6	\$13.8	\$14.1	\$14.4	\$1.1
Benefits	7.7	9.3	10.0	10.6	11.2	11.8	2.4
Purchased Services	2.1	2.1	2.2	2.2	2.3	2.3	0.2
Supplies/Materials	30.0	30.0	30.9	31.3	31.6	32.0	2.0
Total Expenditures	\$51.5	\$54.8	\$56.6	\$58.0	\$59.2	\$60.5	\$5.7
Final Surplus/ (Deficit)	\$0.0	(\$2.1)	(\$3.2)	(\$3.7)	(\$4.1)	(\$4.6)	
Cumulative Surplus / (Deficit)	\$11.3	\$9.2	\$6.0	\$2.3	(\$1.9)	(\$6.5)	

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 & Maintenance Services within the Office of Operations 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 MBSD approved the amount above the revenue limit of \$4.3 million.

The 2018–19 proposed budget for the Construction Fund anticipates revenues and authorizes expenditures of only \$2.4 million. Notably, the district’s use of local tax levy for the Construction Fund will remain below \$4 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 2018–19 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. In the five year projection in chart 3.29, no anticipated use of this fund is projected because other funding is adequate to cover the level of expenditures.

Revenues by Source – Construction Fund

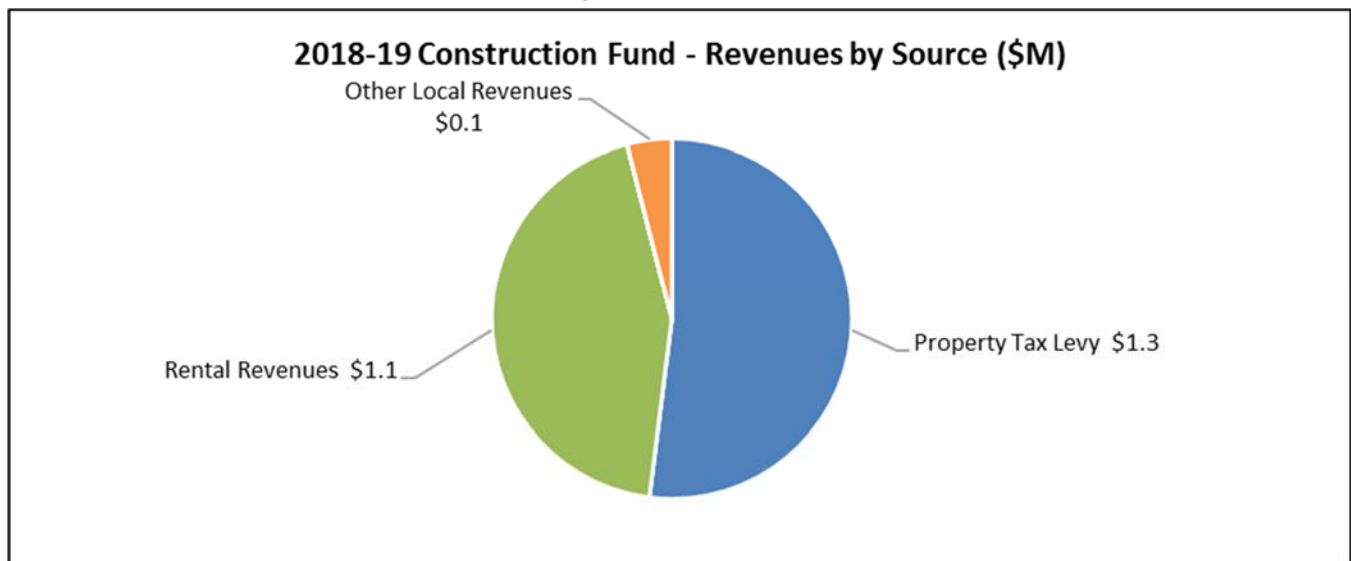
Chart 3.30 shows the revenues by type for the Construction Fund. Information includes a) actual revenues from 2014–15, b) actual revenues from 2015–16, c) actual revenues from 2016–17, d) the amended adopted budget for 2017–18, e) the proposed budget for 2018–19, and f) the change from 2017–18 to 2018–19.

Chart 3.30 Construction Fund – Revenues by Source

Construction Fund - Revenues by Source (\$M)						
Description	2014-15 Actual	2015-16 Actual	2016-17 Actual	2017-18 F.A.	2018-19 P.B.	Inc / (Dec)
Property Tax Levy	\$9.6	\$10.6	\$1.1	\$3.9	\$1.3	(\$2.6)
Proceeds from Borrowing	38.0	-	63.4	-	-	\$0.0
Rental Revenues	2.2	0.9	2.0	1.5	1.1	(\$0.5)
Capital/Fixed Asset Sale	1.5	0.1	2.9	-	-	\$0.0
Applied Surplus	-	-	-	-	-	\$0.0
Other Local Revenues	0.3	-	0.3	0.1	0.1	\$0.0
Total	\$51.5	\$11.7	\$69.7	\$5.5	\$2.4	(\$3.1)

Chart 3.31 shows the revenues by source for the Construction Fund 2018–19 proposed budget.

Chart 3.31 2017–18 Construction Fund – Revenues by Source



Expenditures by Project – Construction Fund

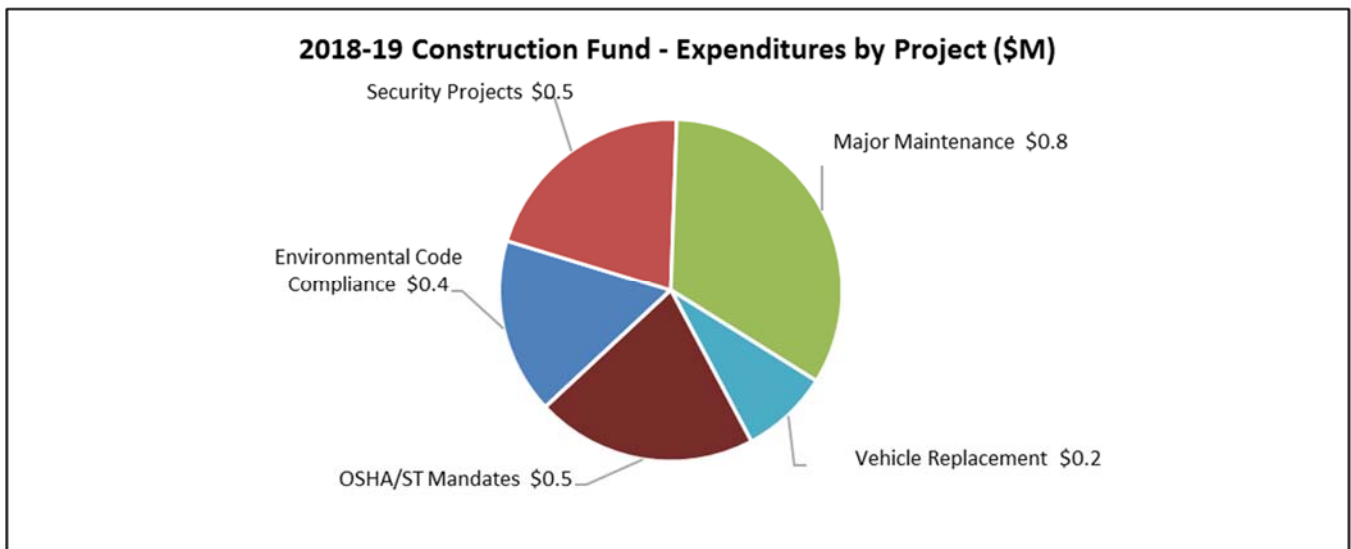
Chart 3.32 shows the Construction Fund expenditures by project. Information includes a) actual expenditures from 2014–15, b) actual expenditures from 2015–16, c) actual expenditures from 2016–17, d) the amended adopted budget for 2017–18, e) the proposed budget for 2018–19, and f) the change from 2017–18 to 2018–19.

Chart 3.32 Construction Fund – Expenditures by Project

Construction Fund - Expenditures by Project (\$M)						
Project	2014-15 Actual	2015-16 Actual	2016-17 Actual	2017-18 F.A.	2018-19 P.B.	Inc / (Dec)
Environmental Code Compliance	\$0.2	\$0.2	\$1.2	\$1.5	\$0.4	(\$1.1)
Security Projects	-	0.1	0.1	-	0.5	0.5
Major Maintenance	12.8	13.9	13.8	0.7	0.8	0.1
Major Remodeling	13.5	3.6	1.0	0.4	-	(0.4)
Vehicle Replacement	0.1	0.2	0.3	0.2	0.2	-
Regional Development	-	-	-	2.8	-	(2.8)
Energy Conservation	(0.1)	-	5.8	-	-	-
OSHA/ST Mandates	0.3	-	0.1	-	0.5	0.5
Turnaround Arts/Culinary Programs	-	-	0.2	-	-	-
Total	\$26.8	\$18.0	\$22.4	\$5.5	\$2.4	(\$3.1)

Chart 3.33 shows the expenditures by project for the Construction Fund 2018–19 proposed budget.

Chart 3.33 2018–19 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 over \$38 million into the 2022–23 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 2022–23. Information includes a) the amended adopted budget for 2017–18, b) the proposed budget for 2018–19, c) an early estimate of revenues and expenditures for each year 2019–20, 2020–21, 2021–22, 2022–23 and d) the change from the 2018–19 budget to the estimated 2022–23 budget.

Chart 3.34 Construction Fund – Five-Year Projection

Construction Fund - Five-Year Projection (\$M)							
	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	FY23 vs FY19
	F.A.	P.B	Estimated	Estimated	Estimated	Estimated	Inc / (Dec)
Revenues							
Property tax	\$3.9	\$1.3	\$10.6	\$10.6	\$10.6	\$10.6	\$9.3
Other revenues	1.6	1.1	2.0	2.0	2.0	2.0	0.9
Total Revenues	\$5.5	\$2.4	\$12.6	\$12.6	\$12.6	\$12.6	\$10.2
Expenditures							
Preservation of Capacity							
Environmental/Safety/Vehicle/Security	1.6	1.1	0.6	0.6	0.6	0.6	(0.5)
Major Maintenance/Deferred Maintenance	1.1	0.8	18.0	18.0	18.0	18.0	17.2
Expansion of Capacity							
Program Consolidation/Relocations	2.8	0.5	0.5	0.5	0.5	0.5	-
Total Expenditures	\$5.5	\$2.4	\$19.1	\$19.1	\$19.1	\$19.1	\$16.7
Final Surplus/ (Deficit)	\$0.0	(\$15.0)	(\$6.5)	(\$6.5)	(\$6.5)	(\$6.5)	
Cumulative Surplus / (Deficit)	\$79.7	\$64.7	\$58.2	\$51.7	\$45.2	\$38.7	

Capital Expenditures and the Construction Fund

The district’s primary annual capital spending is for the proper maintenance of facilities. District 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 mills 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.

The district’s 2018–19 proposed budget for the Construction Fund projects revenues totaling \$2.4 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

FY18 Facilities and Maintenance Capital Projects - Construction	
Project Description	Estimate (\$)
OSHA/ST Mandates	\$500,000
Environmental Code Compliance including water fountain replacements and filters	400,000
Fire alarm inspections, radiator covers, coating, roofs	837,203
Security Projects	500,000
Vehicle replacement	150,000
Total	2,387,203

Routine Capital Spending

The district adopted a cyclic maintenance plan in 1999 which 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 & 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 2018–19 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 & 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 which 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 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: 2017 MPS CAFR

Charts 3.37 and 3.38 show that the district’s capital assets of \$645.6 million are primarily buildings.

Chart 3.37 Capital Assets

Capital Assets - 2017 (\$M)	
Asset Type	Balance
Buildings	\$ 577.8
Land	30.6
Construction in Progress	27.1
Leasehold Improvements	6.3
Furniture	3.8
Total	\$645.6

Chart 3.38 Capital Assets

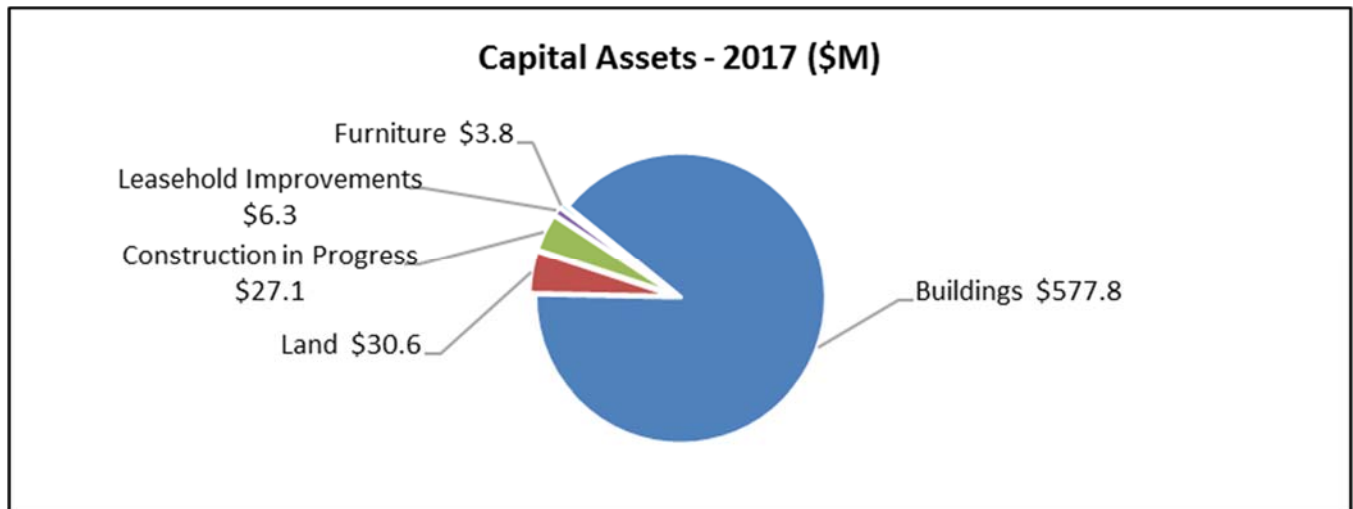
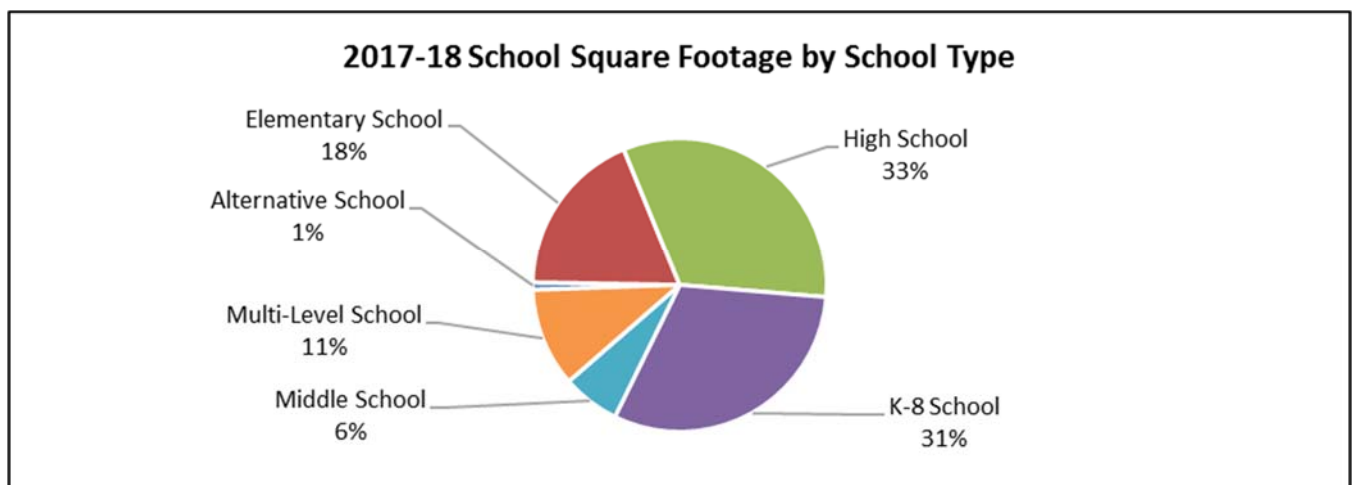


Chart 3.39 illustrates the breakdown of square footage by school type for MPS traditional and instrumentality charter schools.

Chart 3.39 2017-18 School Square Footage by School



Long-Range Facility Master Plan (LRFMP)

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 is to create a blueprint or road map, based on best practice facility standards, that identifies and prioritizes facility needs, and presents 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 (LRFMP) 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. See Key 9 below.

The following highlights are excerpted from the MGT executive summary of the LRFMP.

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 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 regards to their use of space for enrollment and programming. There are forty-two schools that have enrollment efficiency ratings of less than 70%. These schools are significantly under-utilized. 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%. These schools are significantly over-utilized. They have no empty spaces and likely have expanded people/programs into every possible location in the building. The buildings with over-capacity 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 over-crowding in corridors.

Milwaukee has many old buildings—average age is 75.4 years—thus, many buildings that 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.

Extension Fund

The Extension Fund is used to record financial transactions related to recreational activities and is managed by the Office of Operations with support from the Offices of Finance, Chief of Staff and Academics. The 2018–19 proposed budget for the Extension Fund totals \$27.5 million. The proposed budget assumes no change in the related tax levy at this time.

Revenues by Source – Extension Fund

Chart 3.40 shows the revenues for the Extension Fund. Information includes a) actual revenues from 2014–15, b) actual revenues from 2015–16, c) actual revenues from 2016–17, d) the amended adopted budget for 2017–18, e) the proposed budget for 2018–19, and f) the change from 2017–18 to 2018–19.

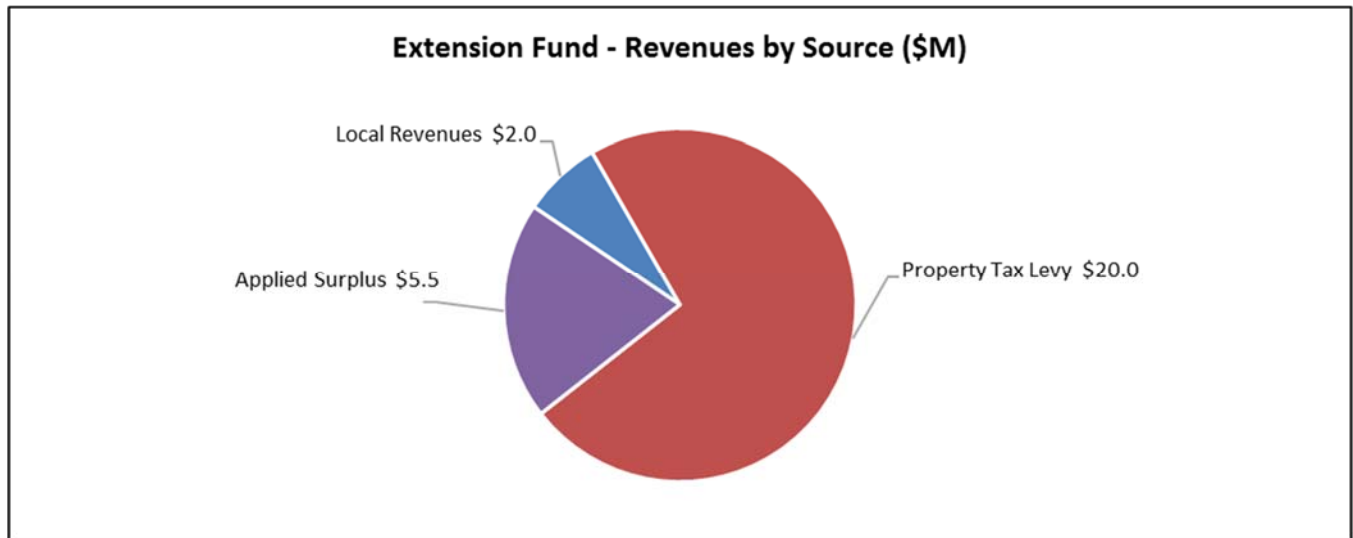
Chart 3.40 Extension Fund – Revenues by Source

Extension Fund - Revenues by Source (\$M)						
Description	2014-15 Actual	2015-16 Actual	2016-17 Actual	2017-18 F.A.	2018-19 P.B.	Inc / (Dec)
Local Revenues	\$2.0	\$2.0	\$2.1	\$2.0	\$2.0	-
Property Tax Levy	17.1	17.1	20.0	20.0	20.0	-
State/Federal Revenues	-	-	0.2	-	-	-
Applied Surplus	1.1	-	-	2.8	5.5	2.7
Total	\$20.1	\$19.1	\$22.3	\$24.8	\$27.5	\$2.7

Wisconsin Statutes § 120.13(19) and § 119.47 give the Milwaukee Board of School Directors (board) 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 2018–19 proposed budget.

Chart 3.41 2017–18 Extension Fund – Revenues by Source



Expenditures by Project – Extension Fund

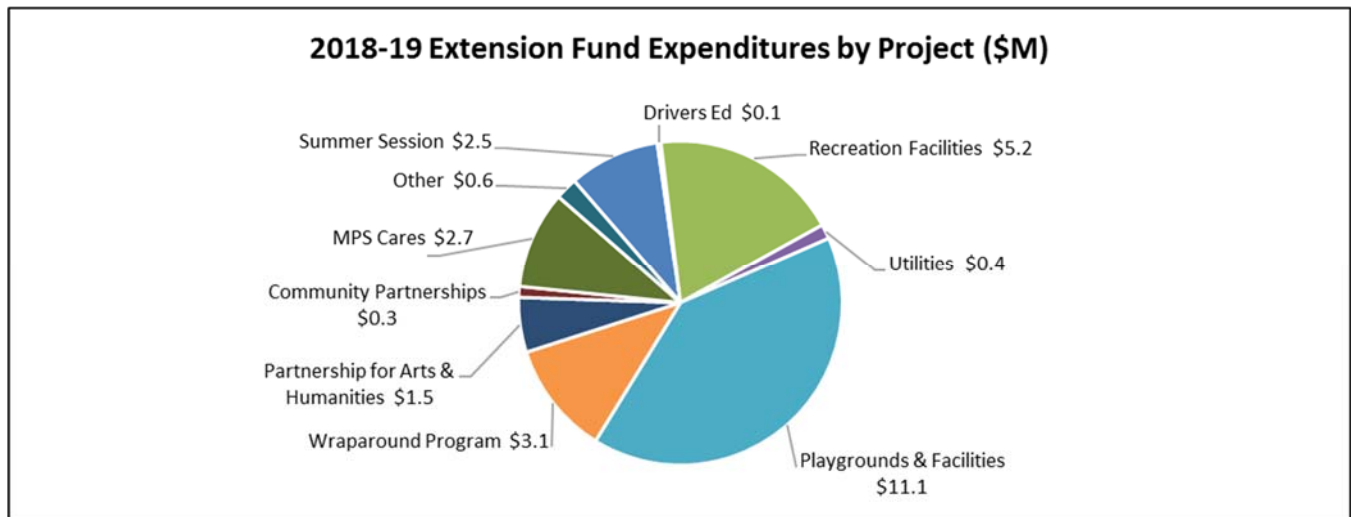
Chart 3.42 shows the Extension Fund expenditures by project. Information includes a) actual expenditures from 2014–15, b) actual expenditures from 2015–16, c) actual expenditures from 2016–17, d) the amended adopted budget for 2017–18, e) the proposed budget for 2018–19, and f) the change from 2017–18 to 2018–19.

Chart 3.42 Extension Fund – Expenditures by Project

Extension Fund - Expenditures by Project (\$M)						
Project	2014-15 Actual	2015-16 Actual	2016-17 Actual	2017-18 F.A.	2018-19 P.B.	Inc / (Dec)
Summer Session	\$2.6	\$2.3	\$2.3	\$2.5	\$2.5	-
Drivers Education	0.3	0.4	0.2	0.2	0.1	(0.1)
Recreation Facilities	1.2	1.2	1.4	3.3	5.2	1.8
Utilities	0.4	0.4	0.4	0.3	0.4	0.1
Playgrounds & Facilities	10.6	9.7	9.1	11.0	11.1	0.1
Wraparound Program	3.9	2.8	2.5	2.8	3.1	0.3
Partnership for Arts & Humanities	1.7	1.5	1.3	1.5	1.5	-
Community Partnerships	0.1	0.3	0.3	0.3	0.3	-
MPS Cares	-	-	0.8	2.9	2.7	(0.1)
Music Festival	-	0.2	-	0.2	-	(0.2)
Other	(0.6)	(0.2)	0.6	(0.3)	0.6	0.8
Total	\$20.1	\$18.8	\$19.0	\$24.8	\$27.5	\$2.7

Chart 3.43 shows the expenditures by project for the Extension Fund 2018–19 proposed budget.

Chart 3.43 2017–18 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 salary and 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 which might be managed more effectively.

Chart 3.44 shows an estimate of revenues and expenditures in the Extension Fund for each year through 2022–23. Information includes a) the amended adopted budget for 2017–18, b) the proposed budget for 2018–19, c) an early estimate of revenues and expenditures for each year 2019–20, 2020–21, 2021–22, 2022–23, and d) the change from the proposed 2018–19 budget to the estimated 2022–23 budget.

Chart 3.44 Extension Fund – Five-Year Projection

Extension Fund - Five Year Projection							
	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	FY23 vs. FY19
	F.A.	P.B.	Estimated	Estimated	Estimated	Estimated	Inc / (Dec)
Revenues (without applied surplus)	\$22.0	\$22.0	\$22.3	\$22.7	\$23.0	\$23.3	\$1.3
Expenditures							
Salaries/Other Wages	\$11.6	\$11.7	\$11.9	\$12.1	\$12.4	\$12.6	\$1.0
Benefits	2.8	3.9	4.2	4.5	4.7	\$4.9	1.0
Purchased Services	9.1	10.7	10.9	11.1	11.3	\$11.4	0.8
Supplies/Materials	1.0	1.0	1.1	1.1	1.1	\$1.1	0.1
Capital Improvements	0.3	0.2	1.6	1.6	1.6	\$1.6	1.4
Total Expenditures	\$24.8	\$27.5	\$29.7	\$30.4	\$31.0	\$31.7	\$4.2
Final Surplus/ (Deficit)	(\$2.8)	(\$5.5)	(\$7.3)	(\$7.7)	(\$8.0)	(\$8.3)	
Cumulative Surplus / (Deficit)	\$12.4	\$6.9	(\$0.4)	(\$8.2)	(\$16.2)	(\$24.5)	

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 2018–19 proposed budget for the Categorical Fund assumes total revenue and expenditures of \$152.0 million, which is an decrease of \$11.7 million compared to 2017–18.

The district’s allocations for Elementary and Secondary Education Act (ESEA) funding depend 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 school services.

A significant state funding resource, the Achievement Gap Reduction (AGR) grant is reflected at a slightly lower level.

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 2018.

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 2014–15, b) actual revenues from 2015–16, c) actual revenues from 2016–17, d) the amended adopted budget for 2017–18, e) the proposed budget for 2018–19, and f) the change from 2017–18 to 2018–19.

Chart 3.45 Revenue Categorical Fund – Revenues by Source

Categorical Fund - Revenues by Source (\$M)						
Description	2014-15 Actual	2015-16 Actual	2016-17 Actual	2017-18 F.A.	2018-19 P.B.	Inc / (Dec)
Federal						
ESEA, Title I-A	\$73.1	\$64.8	\$72.2	\$71.6	\$66.1	(\$5.5)
ESEA, Title II	8.5	8.3	7.5	10.8	8.0	(2.8)
ESEA, Title III	0.9	1.4	1.4	1.5	1.4	(0.1)
ESEA, Title IV	-	-	-	-	0.7	0.7
SIG ¹	4.0	3.8	3.9	3.9	5.0	1.1
IDEA ²	23.4	20.9	26.6	30.1	28.8	(1.3)
Head Start	8.0	2.4	3.3	9.1	9.8	0.7
Other	14.8	12.8	10.7	8.6	6.9	(1.6)
Subtotal Federal	\$132.8	\$114.5	\$125.6	\$135.4	\$126.5	(\$8.9)
State						
AGR ³	\$26.1	\$24.1	\$24.8	\$24.8	\$24.6	(\$0.3)
Other	0.6	2.5	3.2	4.6	4.5	(0.1)
Subtotal State	\$26.6	\$26.6	\$28.0	\$29.4	\$29.1	(\$0.3)
Private						
GE Foundation	\$2.3	\$2.0	\$2.0	\$3.0	\$1.3	(\$1.7)
Other	0.9	0.4	0.4	1.1	0.4	(0.6)
Subtotal Private	\$3.3	\$2.4	\$2.5	\$4.1	\$1.7	(\$2.4)
Subtotal Categorical Fund	\$162.8	\$143.5	\$156.0	\$168.9	\$157.3	(\$11.6)
Less: Indirect	(5.0)	(4.5)	(5.0)	(5.1)	(5.2)	(0.1)
Total Categorical Fund	\$157.7	\$138.9	\$151.0	\$163.8	\$152.0	(\$11.7)

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

Stable revenues are not enough to sustain the district’s operations as they are today. Modest inflationary pressures require growing revenues. The district also faces more significant inflationary pressure in employee compensation, medical costs and other employee benefits. Planning for 2018–19 has required careful reductions and reorganization efforts to effectively support the strategic plan while maintaining the fiscal health of the district. Despite continued budget challenges, the proposed budget provides staff and students with every opportunity possible, within our current means, to achieve success in their MPS journey.

Keys to Understanding the MPS Fiscal Landscape

MPS Financial Keys Overview

These keys serve as a high-level overview written to explain and summarize key fiscal information 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

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 integrations aids for school districts.* Like all Wisconsin school boards, MPS’s board adopted the local district tax levy for 2018-19 in late October.
- **Federal aid** – Most federal aid to schools comes through three channels: Individuals with Disabilities Education Act (IDEA), Elementary and Secondary Education Act (ESEA), or through distribution formulas and competitive grants. MPS’s federal aid will be approximately 16.4 percent of its total 2018–19 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 (open enrollment tuition, intergovernmental agreements and rental revenues for the use of school facilities). MPS will receive approximately two percent of its 2018–19 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. It is projected in 2018–19 that enrollment will increase by 0.7 percent due to expansion in charter schools, and enrollment drives revenue over time.

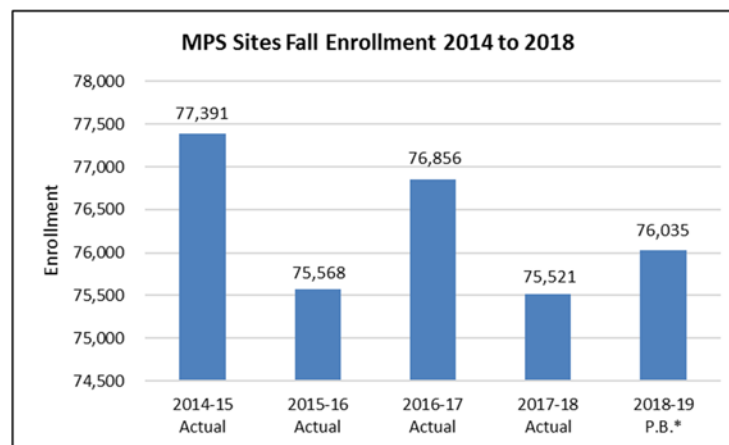
The current year’s fall enrollment was down 1.7% percent compared to the prior year. While this decrease is not dramatic, it results in having fewer students and lesser revenues spread across an infrastructure of buildings and staff that could serve more students. It is predicted in 2018–19 that enrollment will increase by 0.7 percent due to expansion in charter schools.

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 25,270 students in 2004 to 37,507 students in 2017–18. Non-MPS Charter schools have also played a role in enrollment competition.

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. The district is currently working on efforts to stabilize enrollment, however the budget situation remains challenging.

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

Chart 3.46 MPS Sites– Student Enrollment, 2015 to 2018



Source: MPS student count data for September enrollment each year. * Fall of 2018 is projected.

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. The district faces specific challenges in “right-sizing” operations. When schools are operating with large unused capacity, or a larger percent 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 1.0 percent more than in 2010–11. For comparison, the consumer price index rose by 14.9 percent from January 2010 to February 2018.

Despite a positive development for 2018–19, the state budget’s increase in categorical per-pupil aid, MPS’s gain from that aid is offset by a declining revenue limit. The 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 will result in MPS losing \$2.1 million of general operating revenue. Given the district’s recent enrollment trend and the revenue limit multi-year adjustment formula, MPS 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 2018–19, the amount above the revenue limit is \$4,327,271.

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 been 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 85.2 percent of MPS's 2018–19 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

Federal have declined and face an uncertain future.

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 along with a decrease in carryover funding has resulted in the need to reduce related budgets. The school per pupil allocation has been reduced. In the 2017-2018 fiscal year a school with 100% poverty received \$385 per pupil and this has been reduced to \$365 per-pupil for the 2018-19 fiscal year. Title I school spending power was further impacted by the increase in health care costs, see key 5.

Year-to-year declines in federal funding were somewhat mitigated by managing 2017-18 funds to allow for carryover into 2018-19.

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 the district loses federal resources, 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. The lack of federal funding stability, ever changing rules and regulations associated with revenues received make it challenging for schools and the district to build and implement plans that 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: Fringe Benefit Costs

Employee medical costs for employees are on the rise

Projections for 2018-19 estimate a higher level of medical claim costs with significant inflation on the horizon. MPS's actuarial consultants are projecting approximately 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 slightly less than \$1.0 billion today. The proposed budget includes \$52.3 million for required 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 2015–16 to 53.8 percent in 2018–19.

Key 6: Personnel Costs

Competitive employee salaries critical to stability of district

Personnel costs represent over 65 percent of the district's budget. Salaries alone are \$484.2 million of the \$1.17 billion budget. Even a small one percent increase in salaries represents an annual cost of over \$5 million when salary driven benefits are included.

With revenues not rising, the district cannot afford to add positions which show promise for more effective services to children. In addition, the current staff cannot be provided 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. Employee salary increases are included in each fund of the 2018-19 proposed budget.

Key 7: Strategic Initiatives

Finding solutions to entrenched problems

The district's strategic plan is comprised of the vision, mission, core beliefs, strategic direction and goals for MPS. The strategic plan is a dynamic, active document that guides decision-making at the school and district levels. Annually the strategic plan is reviewed and updated in conjunction with the district's budget. The goals and objectives in the strategic plan are the focus and driving force of the district with all other plans, resources, programs and initiatives affecting the plan year supporting these goals.

The strategic plan implementation process provides a platform for this reflection. The mission, vision, core beliefs and goals, developed through input from MPS staff, students, parents and community members guide the district's strategy development and implementation.

Why this is important

Input into the strategic plan includes analysis of student, school and district performance, a review of progress on last year's strategic plan, requirements of state and federal legislation and recommendations from district and school staff, students and families, focus groups, partners, stakeholders, research as well as Board member input.

Finding solutions to entrenched problems will require honest internal scrutiny, assessment and reflection. The objectives in the strategic plan are reinforced by the district's budget process and together ensure that key programs and projects are aligned, prioritized and funded to support positive outcomes for our students. The strategic plan implementation process provides a platform for this reflection.

The mission, vision, core beliefs and goals, developed through input from MPS staff, students, parents and community members, guide the district's strategy development and implementation.



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

Fiscal integrity leads to strong bond rating

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. 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.

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 the School Operations Fund do not exceed the level of projected revenues for the fund. The 2018–19 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, a strategy team is meeting to develop a long-range capital funding plan for the district. The MBSD authorized borrowing in November 2017 to fund major maintenance projects which 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 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

The district's annual budget includes over \$145 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.