



MILWAUKEE
PUBLIC SCHOOLS

Superintendent's Proposed Budget

Submitted to the Milwaukee Board of School Directors on April 26, 2017

Fiscal Year: July 1, 2017 – June 30, 2018

Financial



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Financial Section

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

The Financial section of the 2017–18 Superintendent’s Proposed Budget provides a general narrative as well as detailed information on district revenues and expenditures, forecasts, fund balance, capital and debt.

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 that incurred for the fiscal year indicated. Please note: The district also refers to the amended adopted budget for the current year as “final adopted” (F.A.). 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 upcoming 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 quarterly 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 the **School Operations** 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 operations 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, Office of Finance and Office of Academics.

The **Categorically Aided Programs Fund** is used to account for proceeds from federal, state and private grants that supplement core/basic instructional programs and services across the district. Most categorical programs are

developed to serve a specific targeted group or audience. MPS uses the term “categorical” funding to refer to all grant resources, and these terms are used interchangeably.

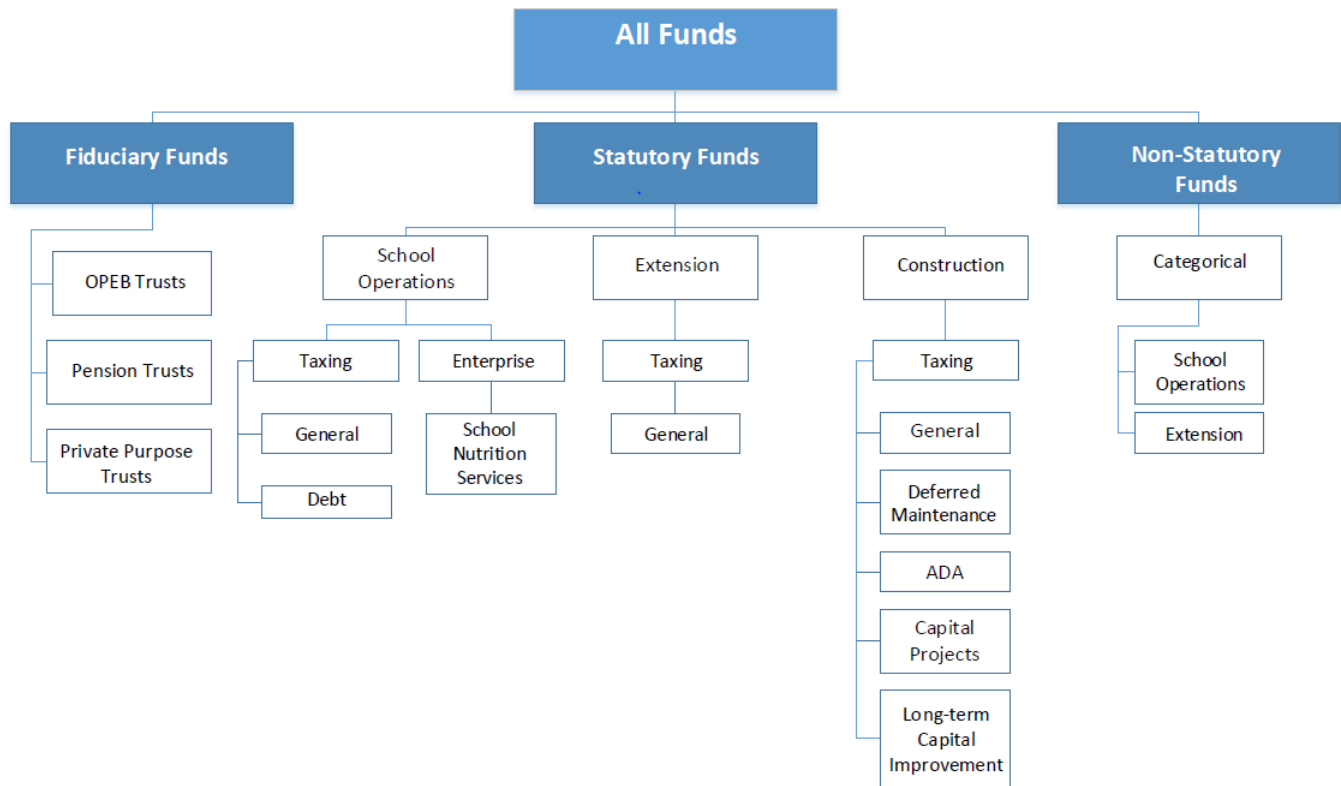
Outside of the scope of the annual budget, the district also manages fiduciary funds. These are primarily composed of trusts for pension, other post-employment benefits (OPEB) and private purpose trusts.

Further description of the funds can be found in the pages that follow, and in the glossary.

The proposed budget for 2017–18 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 Board of School Directors’ goals and objectives are described in the following pages. They are organized by fund: School Operations (including debt service), School Nutrition Services, Extension and Construction.

Chart 3.1 shows an overview of the district’s fiduciary, statutory and non-statutory funds.

Chart 3.1 District Fund Overview



Keys to Understanding the MPS Financial Environment

These keys are designed to explain and summarize the financial environment of Milwaukee Public Schools without technical detail. The concepts and terms are presented in more detail in the pages that follow and/or in other sections of the budget document.

Key 1: Major Revenue Sources

MPS receives its revenue from four major sources

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

- **State aid** – State aid is funding that MPS receives from the state and is paid directly to the district. The amount of state aid is estimated by the Department of Public Instruction (DPI) in July, and the amount is certified in October.
- **Property taxes** – The portion of total revenue that comes from local property taxes varies widely across Wisconsin’s school districts, due largely to the way the equalization aid is distributed. MPS does not estimate the local property taxes until DPI provides an estimate of *the equalization/integration aids*. Therefore, this document does not include an estimate of property taxes for 2017–18.
- **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 is approximately 17 percent of its total 2017–18 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 2017–18 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 increase in the 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: 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)

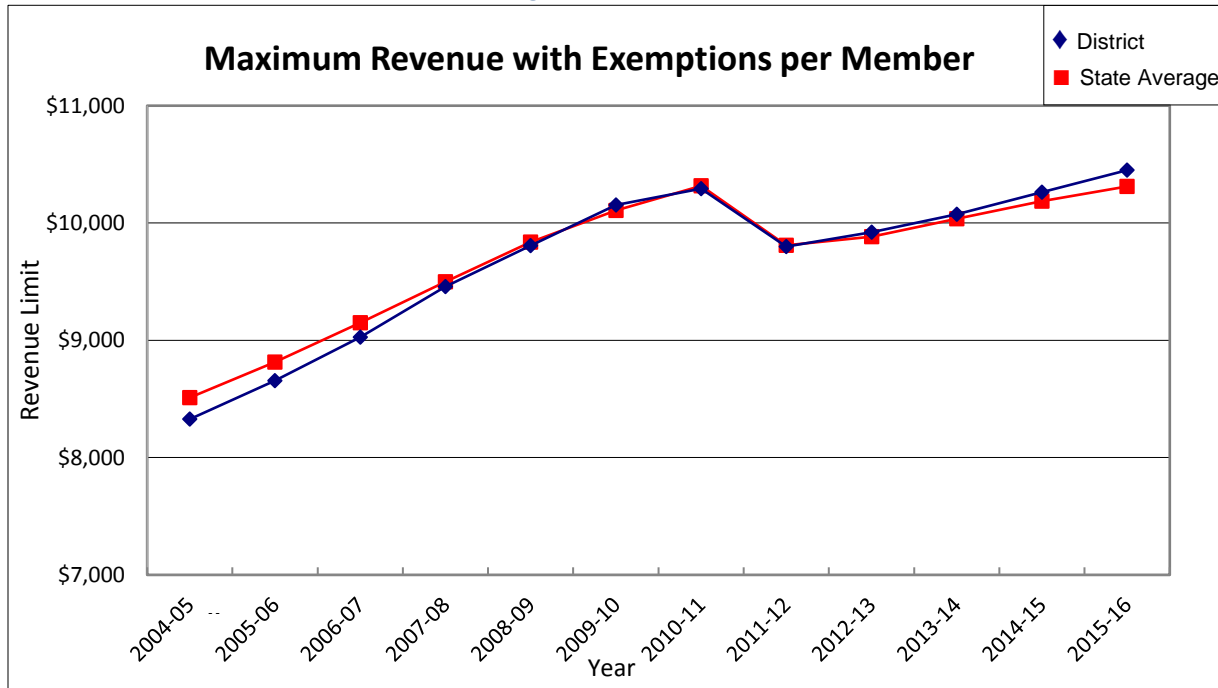
With each biennial budget, the Wisconsin legislature/governor set an amount that the revenue limit will change for school districts. MPS’s per-pupil revenue limit in 2016–17 is \$10,122, just \$109 (or one percent) more than it was in 2010–11. In comparison, the consumer price index rose by 9.2 percent from 2010 to 2016.

Despite a positive development for 2017–18, the Governor’s proposed increase in categorical per-pupil aid, MPS’s gain from that proposal is offset by a declining revenue limit. The Governor has proposed 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 more than \$12 million of general operating revenue.

In January 2017, 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 2017–18, the estimated amount above the revenue limit is \$1.8 million.

The chart below 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 funding of \$10,122 for MPS has not been increased since 2014–15.

Chart 3.2 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 86.9 percent of MPS’s 2017–18 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 toward property tax relief unless the revenue limit is changed.

Key 3: MPS Enrollment Shows Signs of Stability

District enrollment drives revenue

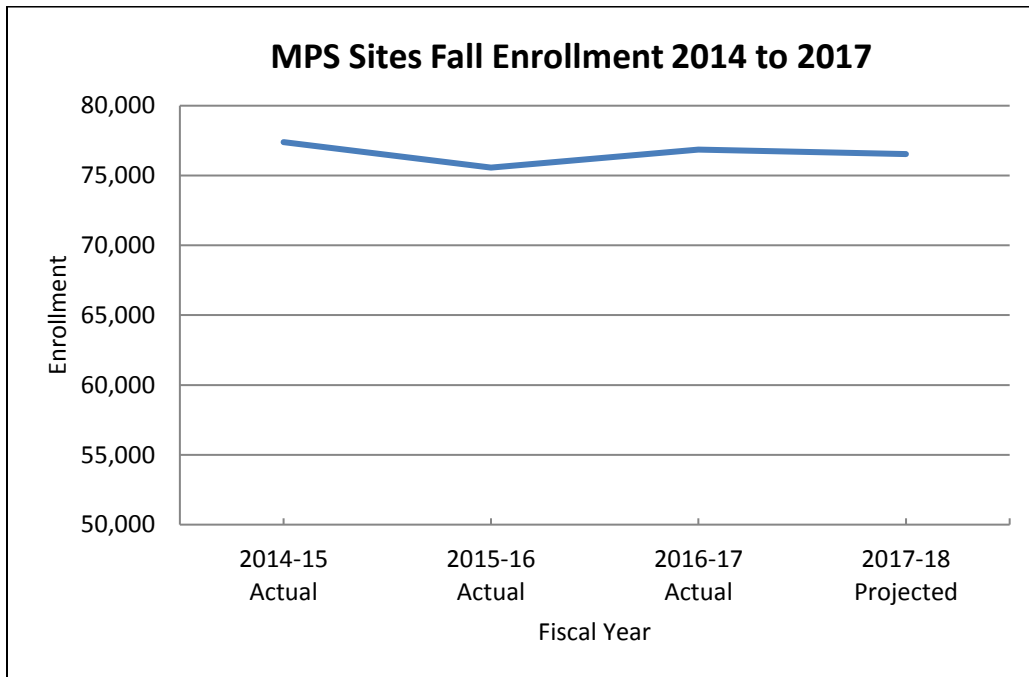
Student enrollment has a strong impact on school district finances, as many programs have allocation formulas predicated on numbers of students served. MPS enrollment is stable, and enrollment drives revenue over time.

The current year’s fall enrollment was down less than one percent than the enrollment from two years prior. This is in contrast to the decade prior to 2012, when the enrollment dropped by 14 percent.

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 36,383 students in 2016–17. Non-MPS Charter schools have also played a role in enrollment competition.

The chart below shows that MPS enrollment did not decline last fall (2016) and is projected to be at a similar level in the fall of 2017.

Chart 3.3 MPS Sites- Student Enrollment, 2014 to 2017



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

Why this is important

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

Larger student enrollment counts generally lead to economies of scale. The district's fixed costs can be efficiently funded when there are more students to serve. As the number of students declined in earlier years, a greater percentage of revenues was needed for fixed costs. By attracting and retaining a stable number of students from year to year, the district stops the growth in fixed costs per pupil.

Nonetheless, the district faces specific challenges in "right-sizing" operations. When schools are operating with below capacity it means a larger percent of administrative costs relative to instruction, challenging the district to identify more efficient ways to meet its mission.

Key 4: State School Aids may be growing and Federal Aids may be declining **State and federal budget deliberations are underway**

The Governor's proposed budget will increase MPS general aid outside of the revenue limit by over \$15 million. Specifically, the aid would increase from \$250 per pupil in 2016–17 to \$450 per pupil in 2017–18.

Under the current federal budget, MPS is losing \$6.4 million in Title I funds from 2016–17 to 2017–18. This is due to an administrative rule which requires a larger portion of Milwaukee Title I funds be used for non-public schools. Fortunately, the district is able to plan on carryover Title I funds for 2017–18, so that the net impact is actually an increase.

The President's initial budget blueprint calls for significant cuts to many areas, including, for example, 21st century community learning centers.

Why this is important

Absent the Governor's proposal for increased general aid, the district's prospects for achieving a balanced budget in 2017–18 would be grim. Currently, the proposal is tied to increased employee contributions for health insurance. The MPS administration is not assuming that the "strings attached" provision regarding health insurance will be part of the final budget.

The new administration in Washington can have a significant impact on MPS finances because federal funds provide the means to deliver various supplemental services critical to the low income families MPS serves. As the district loses federal resources, more pressure is placed on state and local sources if services are to be continued. While the use of carryover funds shapes the options available for making progress on student achievement in 2016-17 knowing a portion of the funds will be gone the following year, makes it difficult for administrators to build 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: Rising Medical Costs

Medical costs for employees are increasing

The medical costs recorded for 2015–16 were above budget, reflecting a greater frequency of high-cost claims and health care coverage overall. Projections for 2016–17 call for a similar level of medical claim costs, and significant inflation remains on the horizon for 2017–18. MPS actuarial consultants are projecting a six percent inflation for medical costs and a 12 percent for prescription drugs.

Why this is important

Starting in 2010, MPS began to bring its health care costs under control by instituting actions such as redesigning its medical, dental and pharmaceutical plans, hiring a new third-party administrator and differentiating premium costs by creating low- and high-cost plans. Subsequent changes followed, such as the district's decision to raise the employee threshold to receive fringe benefits from 20 to 30 hours a week and the closing of the district's supplemental teacher retirement plan to new employees. The district's unfunded "Other post-employment benefits" (OPEB) liability has dropped from \$2.8 billion a few years ago to \$1.0 billion today. The 2017–18 proposed budget includes \$48.6 million for contributions to the OPEB trust.



The 2016–17 budget marked the end of five consecutive years of falling fringe benefit expenditures. The district's overall fringe benefit rate has increased from 43.2 percent of salary in 2015-16 to 48.3 percent in 2016-17. Projections for 2017-18 call for benefit rate of 50.2 percent.

Key 6: Salaries and employee satisfaction are critical to district operations

Employees are the heart and soul of the district

Personnel costs represent 65 percent of the district's budget. Salaries alone are \$473.5 million of the \$1.2 billion budget. Even a small increase in salaries of one percent represents an annual cost of over \$5 million when salary driven benefits are included.

With revenues failing to keep up with the rate of inflation, the district cannot afford to add positions that 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 programs.

Why this is important

MPS must remain competitive in its compensation package to attract and retain qualified staff to serve the children of Milwaukee. While a pause in raises will not reverse the district's competitive position, it can be a marginal discouragement for current and potential employees.

Job satisfaction is associated with better health, according to data recently obtained by *Aflac*. This study found employees whose employers offered wellness programs not only had a substantially higher rate of job satisfaction, but they also felt more positively about their employers and feel more protected. Employees in better health are less likely to use their health care benefits, thus decreasing healthcare premiums for the district overall over time.

If district employees are satisfied with their benefits, and subsequently the district, the turnover rate will decrease and district costs for employee recruitment and new employee training would diminish. *Gallup data* indicates a connection between employees who report that they are "highly satisfied" with their jobs and their productivity. The poll shows up to a 50 percent increase in productivity in employees who are "highly satisfied." If high job satisfaction increases productivity, increased academic achievement and effective and efficient operations are likely to follow.

Key 7: Capital Asset Planning

School facilities can have a profound impact on both teacher and student outcomes

Milwaukee Public Schools (MPS) owns and maintains 17.7 million square feet of building space. The district's long-range facility master plan will be updated during the 2017-18 school year. The broad objectives of the assessment and master planning process include assessment of the educational adequacy of all instructional spaces, identification of building condition and educational adequacy deficiencies, collection of data needed to manage and maintain all facilities in a safe and secure manner, information on the long-term renewal requirements for the district's existing facility portfolio, and recommendations for aligning facility planning with the district's evolving standard of care and budget process.

There is no substitute for long-term fiscal stability, predictability and continuity. To ensure adequate resources for capital planning, the district's Chief Financial Officer and Chief Operating Officer will collaborate during the 2017–2018 school year to assemble a community stakeholder team to begin development of a long-range capital plan for the district to support implementation of the recommendations that will be forthcoming in the soon to be updated long-range facility master plan.



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 8: Fund Balance and Debt-to-Revenues Ratio

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

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

Why this is important

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

The district defines a balanced budget as one where authorized expenditures in the School Operations Fund do not exceed the level of projected revenues for the fund. The 2017–18 budget is balanced in this regard.

Key 9: MPS' Additional Fiscal Responsibilities

The district annual budget includes over \$130 million of funds for open enrollment, non-public schools, city-wide recreation programs and school nutrition.

Why this is important

By law, the district acts as the fiscal agent for costs for some programs and support for students not attending MPS, and for meeting non-academic needs (such as school nutrition). Failure by some to acknowledge the districts' role and responsibility to serve these students 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.

Overview of 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 financial resources.

This document and the spending plans herein have been developed by hundreds of stakeholders including: community members, business partners, MPS families, grant coordinators, school and district staff. Their insights as the budget was developed, combined 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.

Taxpayers deserve to have input into and know tax dollars are spent in support of students and schools. It is incumbent upon the district to spend those dollars responsibly, and this means that we are deliberate and organized in doing so. Stakeholder feedback and aligning the budget to strategy ensures that we are responsive, prioritized and refined in our approach to spending.

MPS takes its mission seriously. However, we are constrained in its execution. Current revenues do not keep pace with the cost of the resources our students need to be successful. It is more important than ever for the district to prioritize its spending by focusing on the outcomes it has collectively identified as critical, using the voices of our stakeholders and our strategic roadmap to determine where and how we spend public dollars in service of students.

Summaries by fund

The district's total projected revenue for 2017–18 is \$1.2 billion, down \$21.0 million from the previous year. That decrease is largely attributed to the Construction Fund, where \$28.5 million of borrowing in 2016–17 is not continued in the 2017-18 budget. The administration is planning to borrow funds in 2017–18 for energy conservation projects and will include the related revenue and expenditure adjustments in the fall. With revenues in the School Operations Fund virtually unchanged, the district has limited resources to keep up with modest 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 of approximately six percent per 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, we cannot stop investing in areas that show promise for future success of students.

Chart 3.4 shows a revenue comparison between the 2017–18 proposed budget and the 2016–17 amended adopted budget for the district’s five funds.

Chart 3.4 District Revenue Overview

District Revenue Overview: 2017-18 Proposed Budget Compared to 2016-17 Amended Adopted Budget (\$M)						
	Operations	Nutrition	Extension	Construction	Categorical	Total
2016-17 F.A.	\$928.3	\$50.6	\$23.0	\$34.1	\$161.1	\$1,197.1
2017-18 P.B.	930.7	51.5	24.8	2.7	166.5	1,176.1
Year-to-Year Increase/(Decrease)	\$2.4	\$0.9	\$1.8	(\$31.5)	\$5.3	(\$21.0)
	0.3%	1.8%	8.0%	-92.1%	3.3%	-1.8%

Chart 3.5 shows the Pro Forma Budgeted Revenues and Expenditures for the 2017–18 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 2017–18 projected revenues and expenditures by fund. For additional district-wide summary information and fund balance, see charts 3.40–3.47 at the end of the Financial Section.

Chart 3.5 2017–18 Pro Forma Summary

2017-18 Pro Forma Budgeted Revenues and Expenditures (\$M)						
	School Operations	School Nutrition	Categorical	Extension	Construction	Total
Revenues	\$930.7	\$51.5	\$166.5	\$24.8	\$2.7	\$1,176.1
Expenditures						
Salaries and Wages	\$402.6	\$11.6	\$76.5	\$11.6	\$0.0	\$502.3
Employee Benefits	209.3	7.4	37.6	2.8	-	257.1
Total Salary and Benefits	\$611.9	\$19.0	\$114.1	\$14.5	\$0.0	\$759.4
Student Transportation	63.1	-	0.2	0.1	-	63.5
Contracted Services	99.6	2.2	42.8	6.3	-	150.9
Construction Contracts	3.1	-	-	1.4	2.5	7.0
Interdistrict Student Tuition	36.0	-	0.4	-	-	36.4
Utilities	19.5	-	-	0.2	-	19.7
Maintenance Contracts	11.0	-	-	0.1	-	11.1
Telephone	2.5	0.0	-	0.0	-	2.6
Postage	1.2	-	0.0	0.1	-	1.3
Other Purchased Services	3.5	0.3	1.5	0.8	-	6.0
Total Purchased Services	\$239.5	\$2.5	\$44.9	\$9.0	\$2.5	\$298.4
Debt Service	\$32.8	\$0.0	\$0.0	\$0.0	\$0.0	\$32.8
Textbooks	3.8	-	0.0	-	-	3.8
Non-Text Books	5.0	-	0.0	-	-	5.1
Consumable Supplies	12.3	2.4	4.0	0.5	-	19.2
Other Supplies	5.3	25.5	3.5	0.2	-	34.5
Total Supplies	\$26.4	\$28.0	\$7.5	\$0.7	\$0.0	\$62.5
Insurance	\$9.5	\$0.1	\$0.0	\$0.3	\$0.0	\$9.8
Capital Expenses	1.6	1.8	-	0.1	0.2	3.7
Building Modifications	0.6	0.2	0.0	0.3	-	1.1
Total Capital Expenses	\$2.3	\$2.0	\$0.0	\$0.4	\$0.2	\$4.8
Other Accounts	\$8.3	\$0.0	\$0.0	\$0.1	\$0.0	\$8.4
Total	\$930.7	\$51.5	\$166.5	\$24.8	\$2.7	\$1,176.1



Summary Data 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 2017–18 is \$810.6 million, which is \$12.9 million lower than 2016–17. This loss is offset by two increases which are in the governor's proposed budget. One is a \$200 increase (from \$250 to \$450) in per pupil categorical aid which would result in an MPS aid increase of \$15.4 million. The second is support specifically for MPS, in the amount of \$1.4 million, to increase summer school opportunities.

With an overall change of less than a half-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 where there are difficult reductions in other areas.

Given the lack of growth in 2017–18 revenues, the administration is managing the current year spending in grant funds to allow for carryover funds to be used in 2017–18.

Another method used to preserve general resources in the budget is the temporary redirection of funds which typically fund major maintenance projects in the Construction Fund. For 2017–18, this budget projects the Construction Fund tax levy at \$1.1 million compared to \$10.6 million in 2015–16. Similar to the budget for 2016–17, 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 2017–18 by use of revenue from prior years. Fund balance in the Construction Fund includes assigned and unassigned funds. Unassigned funds (e.g., applied surplus) can be used for new projects. In addition, previously assigned funds can be redirected when projects are completed under budget or become unnecessary.

District planning, given dependence on the state's biennial budget process and other mandates, is challenging. 2017–18 is the first year of the state's 2017–19 budget and revenue estimates are subject to the legislative process which will not conclude before June.

Revenues by Source – School Operations Fund

Chart 3.6 shows a summary of the School Operations Fund revenues by source and type. Information includes a) actual revenues from 2013–14, b) actual revenues from 2014–15, c) actual revenues from 2015–16, d) the amended adopted budget for 2016–17, e) the proposed budget for 2017–18, and f) the change from 2016–17 to 2017–18.

Chart 3.6 School Operations Fund – Revenues by Source

School Operations Fund - Revenues by Source (\$M)						
Description	2013-14 Actual	2014-15 Actual	2015-16 Actual	2016-17 F.A.	2017-18 P.B.	Inc / (Dec)
Property Tax Levy, Equalization and Integration Aids						
Property Tax Levy	\$272.8	\$275.6	\$273.0	\$260.1		
General Equalization Aid	561.8	571.0	570.7	572.6		
Integration Aid	33.5	32.2	36.4	37.7	\$809.5	(\$12.9)
Poverty Aid	4.8	4.8	5.3	5.3		
Computer Aid	5.6	6.0	6.6	7.1		
Deduction for Choice/Charter	(61.2)	(65.7)	(66.2)	(60.4)		
Subtotal	\$817.3	\$823.9	\$825.8	\$822.4	\$809.5	(\$12.9)
State Handicapped Aids						
Handicapped Aids	\$53.6	\$53.3	\$50.4	\$47.6	\$49.2	\$1.7
Subtotal	\$53.6	\$53.3	\$50.4	\$47.6	\$49.2	\$1.7
Other State Aids						
Transportation Aid	\$2.4	\$2.4	\$2.0	\$2.0	\$2.5	\$0.5
Library Aid	3.6	4.7	5.0	5.0	5.0	-
Bilingual Aid	1.9	1.7	1.7	1.9	1.9	-
Summer School Aid					1.4	1.4
Tuition from State	0.2	0.4	0.7	0.7	0.7	-
General State Aid	6.2	12.2	12.0	19.8	35.2	15.4
Other State Aids	0.1	0.2	0.1	0.1	0.1	-
Subtotal	\$14.4	\$21.6	\$21.5	\$29.5	\$46.8	\$17.3
Federal Aids						
Other Federal Aids	\$0.1	\$0.5	\$0.1	\$0.0	\$0.0	\$0.0
Federal Reimbursement - QSCB	1.9	1.8	3.4	3.6	3.5	(0.1)
Indirect Cost Aids	4.4	5.1	4.9	5.4	5.4	-
Medicaid Reimbursements	9.9	10.4	6.2	6.5	5.0	(1.5)
Subtotal	\$16.3	\$17.8	\$14.60	\$15.5	\$14.0	(\$1.5)
Local Revenues						
TIF and Other City Related	\$0.0	\$1.9	\$0.8	\$0.7	\$0.7	\$0.0
Student Fees	0.1	0.1	0.1	-	-	-
Tuition	4.8	6.2	7.1	8.4	8.4	-
Interest Earned	0.4	0.3	0.4	0.2	0.2	-
Debt Proceeds	-	7.5	-	-	-	-
Rental	2.9	2.8	4.1	3.5	1.3	(2.2)
Refunds/Ins. Proceeds	0.9	1.3	15.6	0.3	0.3	-
Miscellaneous	0.6	0.6	0.6	0.2	0.3	0.1
Subtotal	\$9.7	\$20.7	\$28.7	\$13.3	\$11.2	(\$2.1)
Total without Carryover	\$911.3	\$937.3	\$941.0	\$928.3	\$930.7	\$2.4
Carryover	22.3	24.6	34.8	-	-	-
Total with Carryover	\$933.6	\$961.9	\$975.8	\$928.3	\$930.7	\$2.4

For 2017–18, revenue estimates for major sources have been made in accordance with the governor’s proposed budget. As mentioned above, the district will adjust the entire budget in fall when the state has adopted the biennial budget, enrollment is known, and updated estimates of costs or revenues can be 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: expenditures and enrollment of the prior year; district property values, which the state considers to be a measure of community wealth; and 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 aid 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 needs 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

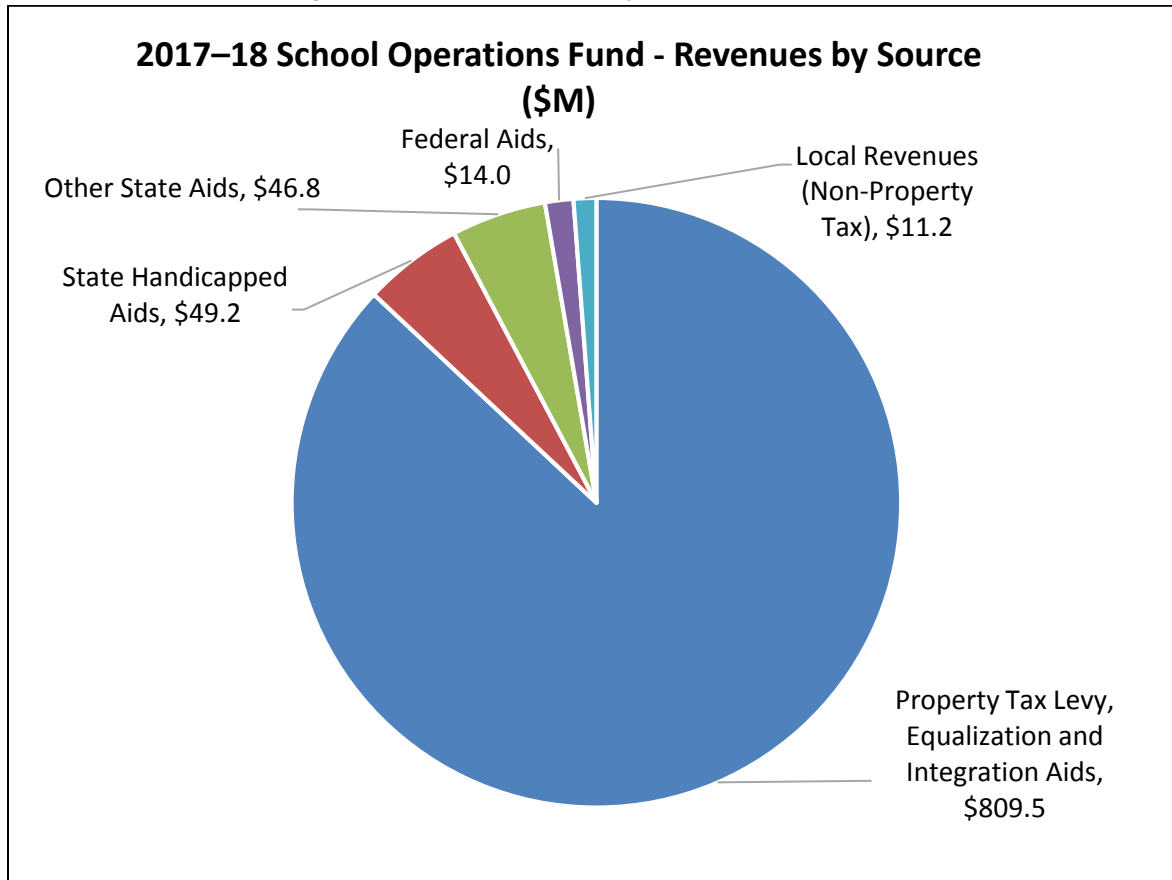
Federal aids include school nutrition aid, Medicaid billing aid and indirect aid. The school nutrition aid is distributed through the state as partial reimbursement for food service programs operated by the district. Medicaid billing aid is the reimbursement for health-related services being provided 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 program.

Local Revenues

Local revenues include the revenues received from the sale of à la carte food items to students and meals to adults as well as interest earned on the district’s checking accounts, mobile home fees, rental income and tuition. The district’s rental income is scheduled to decrease because two non-instrumentality charter schools converted to traditional MPS schools.

Chart 3.7 shows the major revenue sources for the School Operations Fund 2017–18 proposed budget.

Chart 3.7 2017–18 School Operations Fund – Revenues by Source



Expenditures by Object – School Operations Fund

Chart 3.8 shows the School Operations Fund expenditures by object. Information includes actual expenditures from 2013–14, actual expenditures from 2014–15, actual expenditures from 2015–16, the amended adopted budget for 2016–17, the proposed budget for 2017–18, and the change from 2016–17 to 2017–18.

Chart 3.8 School Operations Fund – Expenditures by Object

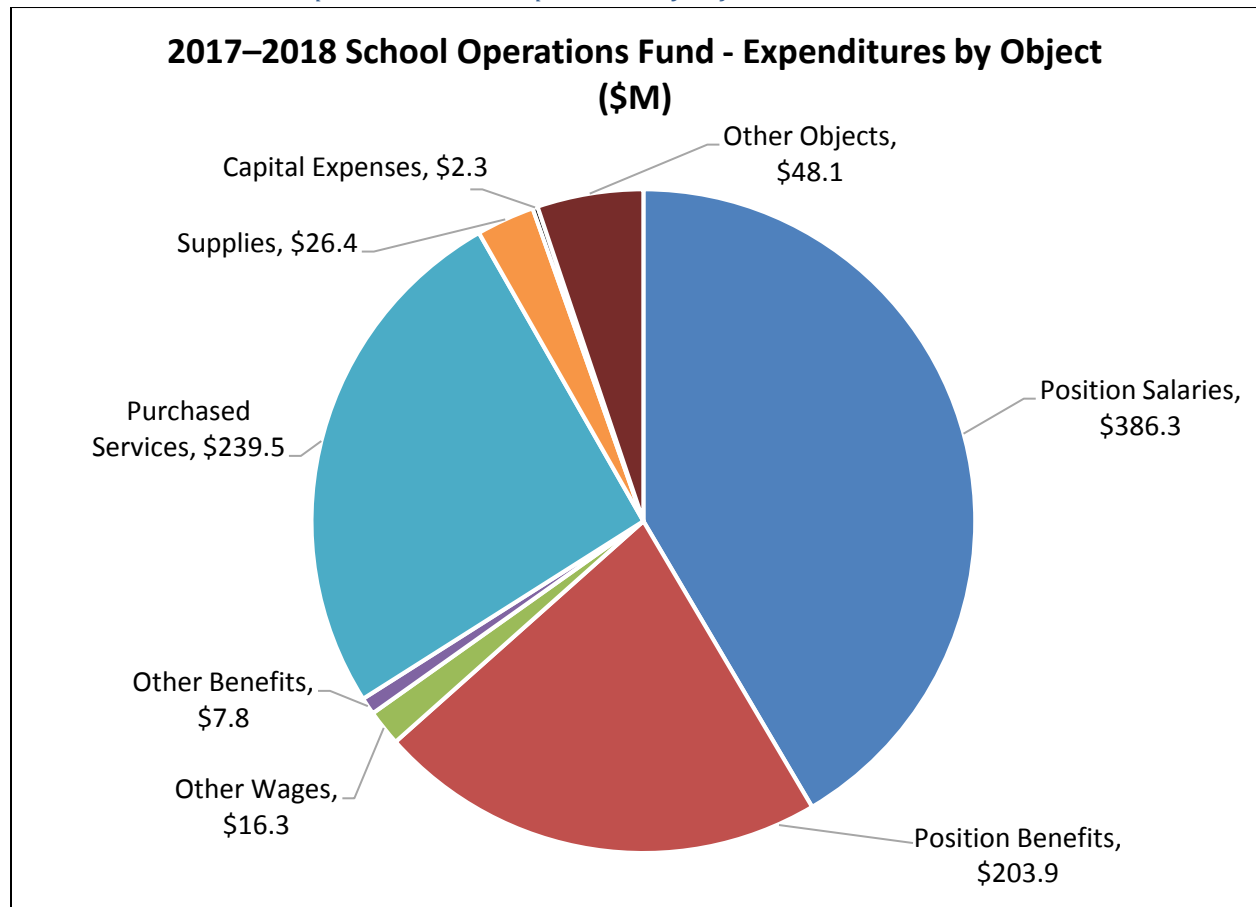
School Operations Fund - Expenditures by Object (\$M)						
Object	2013-14 Actual	2014-15 Actual	2015-16 Actual	2016-17 F.A.	2017-18 P.B.	Inc / (Dec)
Position Salaries	\$381.5	\$382.6	\$388.8	\$403.1	\$386.3	(\$16.8)
Position Benefits	228.3	220.1	189.0	197.9	203.9	6.0
Other Wages	21.1	21.8	24.7	17.4	16.3	(1.1)
Other Benefits	11.3	12.0	10.2	8.0	7.8	(0.2)
Purchased Services	220.1	226.5	248.0	256.0	239.5	(16.5)
Supplies	25.7	31.4	36.8	35.0	26.4	(8.6)
Capital Expenses	2.2	5.9	2.9	5.2	2.3	(2.9)
Other Objects	24.9	39.6	47.7	5.7	48.1	42.4
Total	\$915.1	\$940.0	\$948.1	\$928.3	\$930.7	\$2.4

Chart 3.8 above shows significant changes in year-to-year expenditures, including the following:

- A reduction in salaries because the actual 2016–17 implemented raises (which are reflected in 2017–18 projections) are less than the 2016–17 budgeted amount to cover raises due to vacancies and turnover. There are also position reductions in 2017–18 and only a small reserve for raises related to trades workers.
- 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.
- A reduction in funding for non-instrumentality charter (NIC) schools (reflected as purchased services), due to the mutual termination of two NIC contracts. The related schools will be operating as traditional MPS schools in 2017–18.
- An increase in “other objects”. This is because the 2016–17 budget included over \$36 million in offsets to scheduled payments for past obligations. The district was able to make those payments in 2015–16, but does not anticipate similar payments at the end of 2016–17. The district also increased its estimate of retiree benefits by \$0.5 million due to the adoption of an early retirement window. In the first year of implementation, increased costs for retiree benefits are expected to be higher than the potential salary savings from hiring less experienced staff.

Chart 3.9 shows the expenditures by object for the School Operations Fund 2017–18 proposed budget.

Chart 3.9 2017–18 School Operations Fund – Expenditures by Object



Five-Year Projection – School Operations Fund

Chart 3.10 shows an estimate of revenues and expenditures in the School Operations Fund (general and debt) for each year through 2021–22. Information includes the amended adopted budget for 2016–17, the proposed budget for 2017–18, an early estimate of revenues and expenditures for each year 2018–19, 2019–20, 2020–21, 2021–22, and the change from the proposed 2017–18 budget to the estimated 2021–22 budget.

Chart 3.10 School Operations Fund – Five-Year Projection

School Operations Fund - Five-Year Projection (\$M)							
	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	FY22 vs FY18
	F.A.	P.B.	Estimated	Estimated	Estimated	Estimated	Inc / (Dec)
Revenues (without applied surplus)	\$928.3	\$930.7	\$922.7	\$923.6	\$924.5	\$925.4	(\$5.3)
Expenditures							
Salaries/Other Wages	\$420.5	\$402.6	\$406.6	\$410.7	\$414.8	\$418.9	\$16.3
Benefits	205.8	209.3	213.5	223.1	233.8	245.0	35.7
Purchased Services	256.0	239.5	240.2	244.8	247.7	251.0	11.5
Supplies/Materials	35.0	26.4	26.7	27.0	27.2	27.5	1.1
Capital Purchases	5.2	2.3	2.3	2.3	2.3	2.4	0.1
Debt Service	31.1	32.8	33.9	34.3	33.5	34.8	2.0
Insurances	10.1	9.5	9.9	10.3	10.7	11.1	1.6
Other	(35.4)	8.3	8.4	8.4	8.5	8.6	0.3
Total Expenditures	\$928.3	\$930.7	\$941.4	\$960.9	\$978.5	\$999.3	\$68.6
Balance (before use of prior year funds)	-	-	(18.8)	(37.3)	(54.0)	(73.9)	
Use of prior year funds for legacy costs	-	-	-	-	-	-	
Final Surplus/ (Deficit)	\$0.0	\$0.0	(\$18.8)	(\$37.3)	(\$54.0)	(\$73.9)	
Cumulative Surplus / (Deficit)	\$35.3	\$35.3	\$16.6	(\$20.7)	(\$74.7)	(\$148.5)	

Projected revenues available to the School Operations Fund in 2018–19 include a reduction to restore tax funding in the Construction Fund and an additional decline in the revenue limit. This projection otherwise assumes modest increases in the School Operations Fund revenues which could occur under two scenarios: a) MPS continues to operate at recent levels of enrollment, or b) the revenue limit formula for school districts returns to historic levels with respect to annual upward adjustments.

School operations expenditures, projected as if operations remain largely the same, are expected to increase by \$68.6 million between 2017–18 and 2021–22. The primary driver of the cost increase remains medical inflation, which is projected to increase six 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

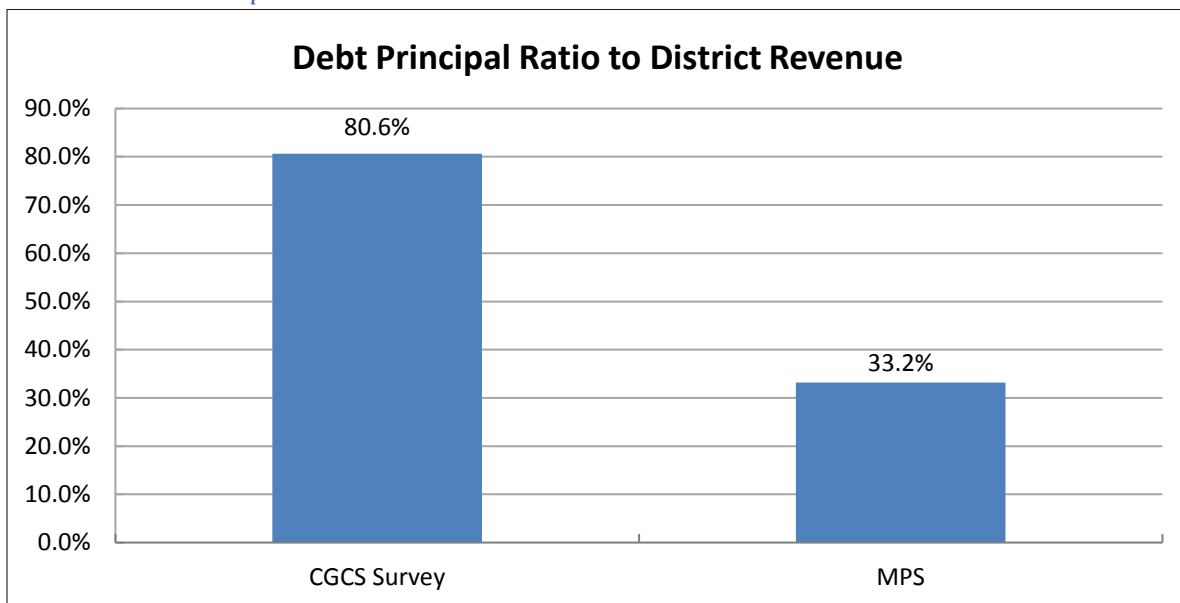
Debt service refers to financial resources that are restricted, committed or assigned to expenditures for the payment of general long-term debt principal, interest and related costs. These costs are reported in the School Operations Fund for budgeting purposes. The 2017–18 proposed budget for debt totals \$32.8 million, a \$1.7 million increase over 2016–17 due to increased principal and interest payments. New debt was issued in 2016 primarily for energy efficiency projects. The district's revenue limit is adjusted upward to accommodate the debt payments, starting in 2017–18.

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 2014–15 (the most recent CGCS year of data), the median debt principal ratio to district revenue for urban school districts was 80.6 percent while MPS's was 33.2 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 3.11 shows MPS's 2014–15 ratio (the most recent year for data) compared to a survey of CGCS districts.

Chart 3.11 Debt Principal Ratio to District Revenue



Source: Managing For Results in America's Great City Schools, CGCS, October 2016.

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 November 2016, Fitch rated MPS's "lease revenue bonds" as A. 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 is 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 2016–17 amended adopted budget included the issuance of \$28.5 million of debt in the Construction Fund which is primarily used for projects at three schools which will reduce energy consumption and address infrastructure maintenance needs. The related 20-year debt service cost will begin to come due in 2017–18. 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 3.12 provides a summary for ten fiscal years of MPS's outstanding debt. Debt amounts for the 2007–2016 fiscal years are stated in the 2016 Comprehensive Annual Financial Report (CAFR). The 2016 fiscal year data is detailed in Chart 3.17.

Chart 3.12 Outstanding Debt – 10 years

Fiscal Year	Debt Outstanding* (\$M)
2007	\$342.0
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

*Note: Net of refunding
Source: 2016 MPS CAFR

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 3.13–3.16 highlight the district’s short- and long-term borrowing.

Chart 3.13 Short-Term Borrowing Summary

Description	Amount (\$M)
Total School Operation Fund Revenues for 2016-17	\$978.9
Statutory Borrowing Limit of 60 Percent of Estimated School Operations Revenue	587.3
Less Outstanding School Revenue Anticipation Notes, Series 2016 M8	180.0
Unused Short-term Borrowing Capacity	407.3

Chart 3.14 Short-Term Borrowing Percentages

Description	Percentage
Percentage of Borrowing Limit Used	30.6%
Percentage of Borrowing to Estimated Revenues	18.4%

Chart 3.15 Short-Term Borrowing – Statutory Borrowing Limitations

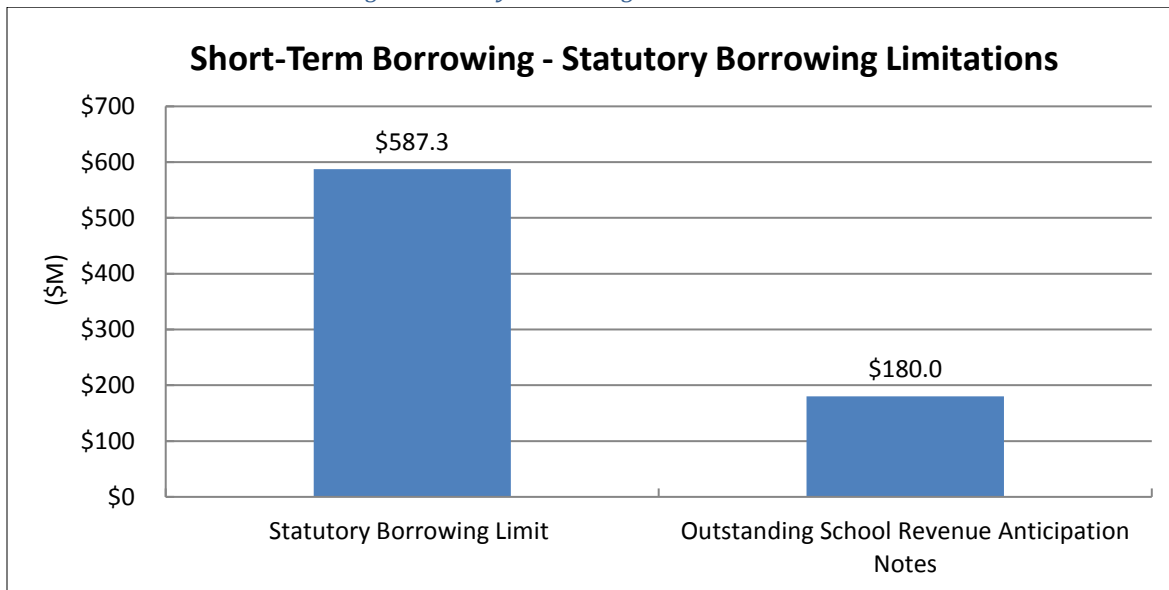


Chart 3.16 Long-Term Borrowing – Legal Debt Limitation for School Purpose Borrowing

Description	Amount (\$M)
2 Percent of City of Milwaukee Equalized Value for 2016	\$540.8
Outstanding General Obligation Debt Subject to 2 Percent Limit at 10/1/2015	(10.9)
Total Unused Debt Capacity for School Purpose Borrowing	\$529.9
Total Unused Debt Capacity for School Purpose Borrowing Percent	98.0%

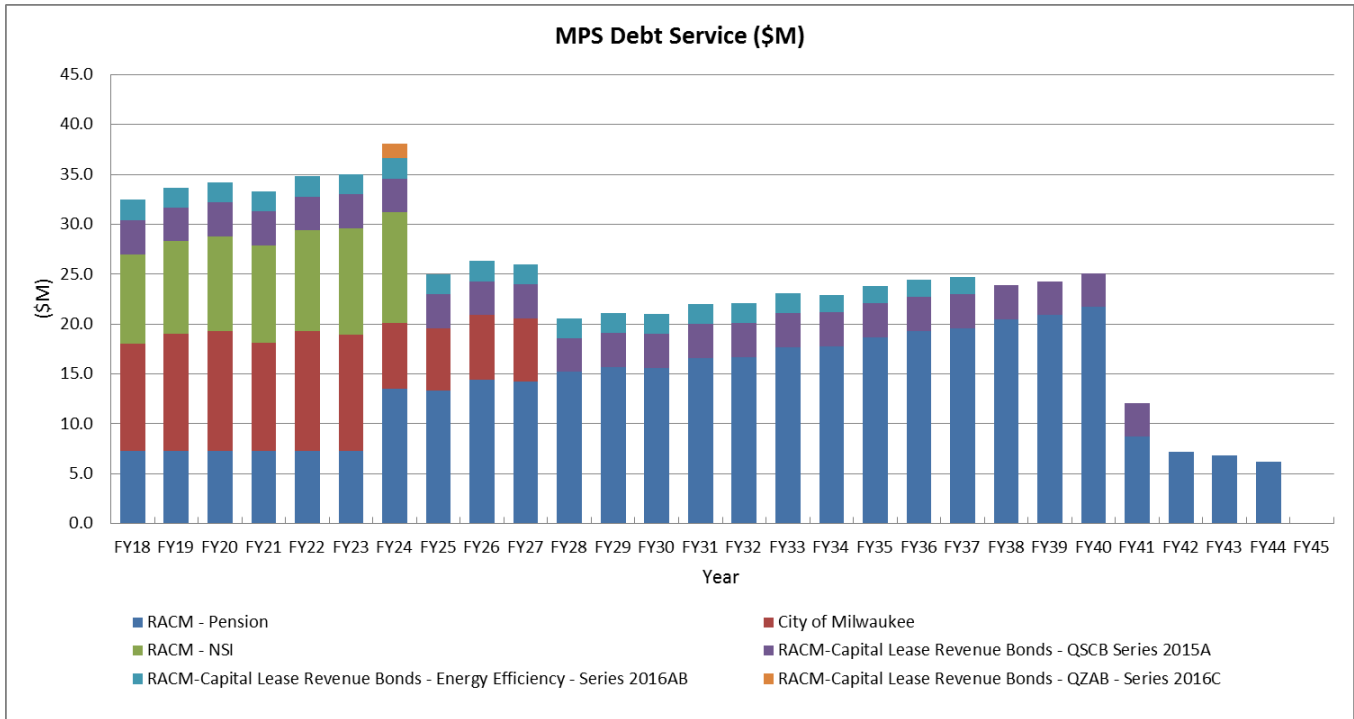
Chart 3.17 is a table of MPS's existing debt service requirements, assuming no IRS subsidy rebate and no interest earnings on the sinking fund payments (annual payments to a trustee for future debt principal obligations).

Chart 3.17 Milwaukee Public Schools Debt as of 6/30/2016

Milwaukee Public Schools Debt as of 6/30/2016				
Purpose	Name of bond issue	Maturity	Original Amount	Outstanding Principal Balance at 6/30/2016
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) Series 2009 N1 Notes Series 2009 B2 bonds Series 2012 N2 bonds (partially refund ADA Series W & Y)	Sept, 2016 Feb, 2019 Feb, 2024 May, 2019	\$5,395,000 2,700,000 1,350,000 443,810	\$206,254 810,000 1,350,000 244,954
Qualified School Construction Bonds:				
Provide financing for various school construction projects.	Series 2009 M6 bonds (QSCBs) Series 2010 M6 bonds (QSCBs)	Dec, 2025 Feb, 2027	12,000,000 37,300,000	11,746,875 37,300,000
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	38,000,000
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	3,482,669
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	153,937
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	2,812,143
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	3,471,409
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 and 2013 for the Neighborhood Schools Initiative Bonds.	Aug, 2023	114,645,000	70,058,761
Pension debt refinancing:				
Provide funds to retire an unfunded actuarial accrued liability owed to the Wisconsin Retirement System with respect to retirement benefits for MPS employees.	RACM Series 2003D index bonds (pension obligation bonds) RACM Series 2003C Capital Appreciation Bonds GO Series 2003 M10 Capital Appreciation Bonds	Oct, 2043 Apr, 2041 Apr, 2023	130,850,000 110,525,000 46,715,000	130,850,000 34,400,756 23,541,261
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	913,095
Total				\$359,342,114
¹⁾ Principal balance does not reflect reduction resulting from the Sinking Fund contributions that have been made because the QSCB debt is not retired until the Sinking Fund is paid out at maturity. Life to date Sinking Fund Contributions through 6/30/2016 total \$11,561,538.				
²⁾ The QZAB principal payments are funded via accretion on the balance in the trustee held Bond Retirement Fund. MPS has fulfilled all of its financial obligations with respect to its 2002 - 2006 QZAB Agreements.				
³⁾ MPS has \$11,853,521 of Principal payments and \$4,836,538 of Sinking Fund contributions required in 2016-17.				

Chart 3.18 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 3.18 Milwaukee Public Schools Debt Service



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

Chart 3.18 above also shows how various existing debt obligations will grow or shrink in future years. For example, 2024–25 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 2017–18 proposed budget for the School Nutrition Services Fund anticipates revenue and expenditures totaling \$51.5 million. The \$1.0 million increase in revenue is due to an anticipated rise in the federal reimbursement rate for meals served.

Revenues by Source – School Nutrition Services Fund

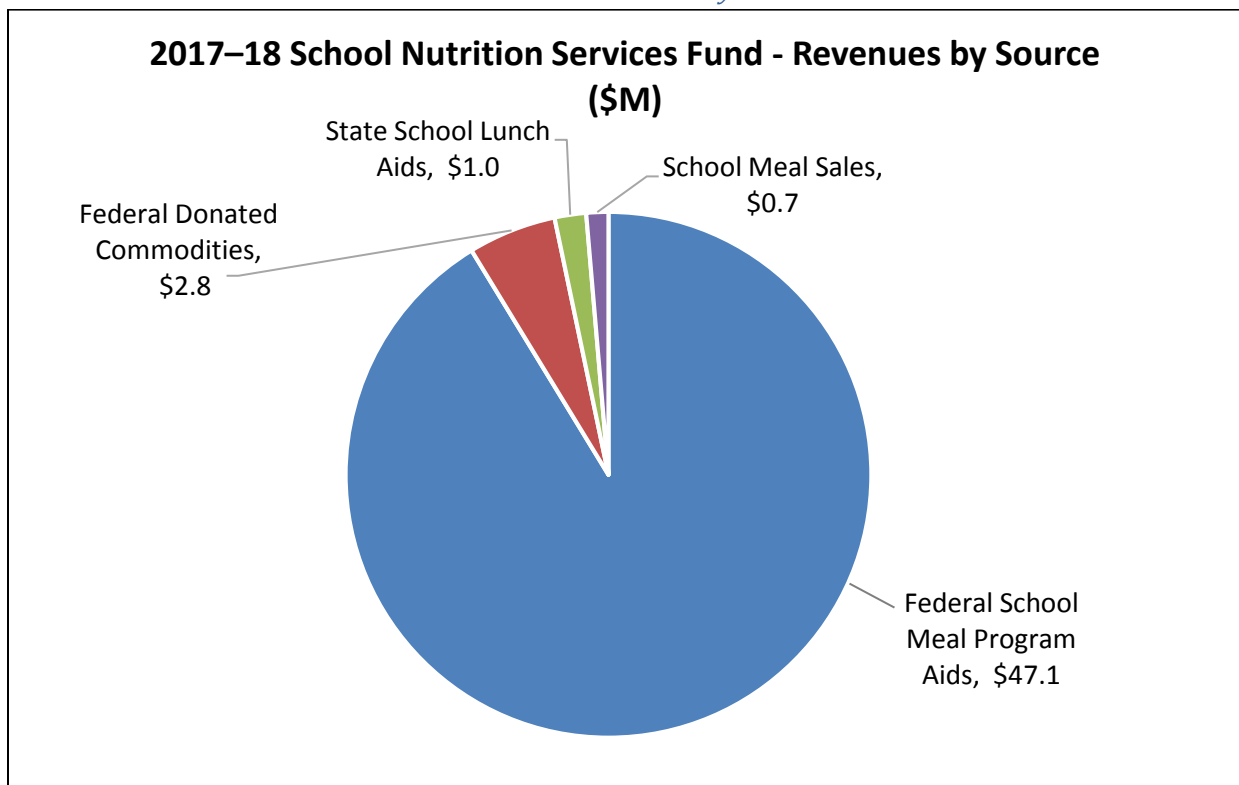
Chart 3.19 shows the revenues by type in the School Nutrition Services Fund. Information includes a) actual revenues from 2013–14, b) actual revenues from 2014–15, c) actual revenues from 2015–16, d) amended adopted budget for 2016–17, e) proposed budget for 2017–18, and f) the change from 2016–17 to 2017–18.

Chart 3.19 School Nutrition Services Fund – Revenues by Source

School Nutrition Services Fund - Revenues by Source (\$M)						
Description	2013-14 Actual	2014-15 Actual	2015-16 Actual	2016-17 F.A.	2017-18 P.B.	Inc / (Dec)
Federal School Meal Program Aids	\$36.6	\$43.0	\$45.5	\$46.1	\$47.1	\$1.0
Federal Donated Commodities	2.5	2.6	2.9	2.8	2.8	-
State School Lunch Aids	0.9	0.9	0.9	1.0	1.0	-
School Meal Sales	3.1	0.8	1.3	0.7	0.7	-
Total	\$43.1	\$47.3	\$50.6	\$50.6	\$51.5	\$1.0

Chart 3.20 shows the revenues by source for the School Nutrition Services Fund 2017–18 proposed budget.

Chart 3.20 2017–18 School Nutrition Services Fund – Revenues by Source



Expenditures by Object – School Nutrition Services Fund

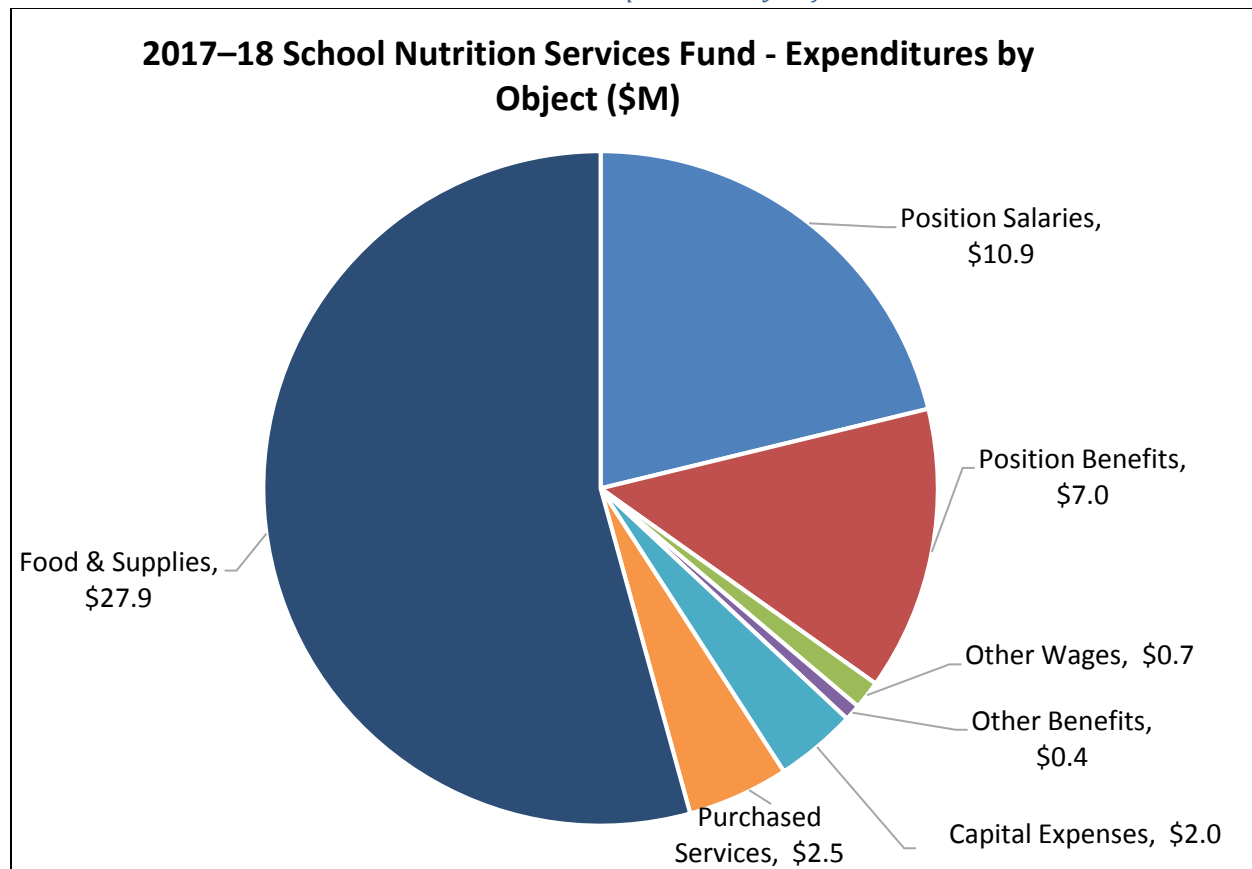
Chart 3.21 shows the School Nutrition Services Fund expenditures by object. Information includes a) actual expenditures from 2013–14, b) actual expenditures from 2014–15, c) actual expenditures from 2015–16, d) the amended adopted budget for 2016–17, e) the proposed budget for 2017–18, and f) the change from 2016–17 to 2017–18.

Chart 3.21 School Nutrition Services Fund – Expenditures by Object

School Nutrition Services Fund - Expenditures by Object (\$M)						
Object	2013-14 Actual	2014-15 Actual	2015-16 Actual	2016-17 F.A.	2017-18 P.B.	Inc / (Dec)
Position Salaries	\$8.7	\$8.6	\$9.0	\$10.7	\$10.9	\$0.2
Position Benefits	8.0	7.8	8.0	6.3	7.0	0.7
Other Wages	0.5	0.5	0.5	0.6	0.7	-
Other Benefits	0.5	0.4	0.5	0.4	0.4	-
Purchased Services	2.4	3.3	2.3	2.7	2.5	(0.2)
Food & Supplies	20.6	23.4	25.4	27.8	27.9	0.1
Capital Expenses	0.1	-	0.4	2.1	2.0	(0.1)
Other Objects	-	-	0.1	-	0.1	0.1
Total	\$40.8	\$44.0	\$46.2	\$50.6	\$51.5	\$0.9

Chart 3.22 shows the expenditures by object for the School Nutrition Services Fund 2017–18 proposed budget.

Chart 3.22 2017–18 School Nutrition Services Fund – Expenditures by Object



Five-Year Projection – School Nutrition Services Fund

In 2017–18, MPS will be in its fourth year of participating in the Community Eligibility Provision (CEP), wherein high-poverty districts serve free meals to all students. The number of students eating meals has increased significantly under the CEP program. Revenues are projected to increase modestly in future years, due to increased student participation, and the rate of reimbursement has kept pace with inflation. Like the School

Operations Fund, the School Nutrition Services Fund must cover the cost of employee medical coverage. The program also includes a major component, food, where general inflation and more stringent nutritional requirements may outpace the rate of reimbursement. The Department of Nutrition Services staff will continue to develop operational efficiencies to maintain a balanced budget.

The district will apply during 2017–18 to continue participation in the CEP for fiscal year 2018–19 and beyond. Critical to the application process is the district’s ability to document the income levels of families in MPS.

Chart 3.23 shows an estimate of revenues and expenditures in the School Nutrition Services Fund for each year through 2021–22. Information includes a) the amended adopted budget for 2016–17, b) the proposed budget for 2017–18, c) an early estimate of revenues and expenditures for each year 2018–19, 2019–2020, 2020–21, 2021–22, and d) the change from the proposed 2017–18 budget to the estimated 2021–22 budget.

Chart 3.23 School Nutrition Services Fund – Five-Year Projection

School Nutrition Services Fund - Five-Year Projection (\$M)							
	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	FY22 vs FY18
	F.A.	P.B.	Estimated	Estimated	Estimated	Estimated	Inc / (Dec)
Revenues (without applied surplus)	\$50.6	\$51.5	\$52.3	\$53.1	\$53.9	\$54.7	\$3.2
Expenditures							
Salaries/Other Wages	\$11.4	\$11.6	\$11.7	\$11.8	\$12.0	\$12.1	\$0.5
Benefits	6.7	7.4	7.5	7.9	8.2	8.6	1.3
Purchased Services	2.7	2.5	2.5	2.6	2.6	2.6	0.1
Supplies/Materials	29.9	30.0	30.3	30.6	30.9	31.2	1.2
Total Expenditures	\$50.6	\$51.5	\$52.1	\$52.9	\$53.7	\$54.6	\$3.1
Final Surplus/ (Deficit)	\$0.0	\$0.0	\$0.2	\$0.2	\$0.1	\$0.1	
Cumulative Surplus / (Deficit)	\$4.4	\$4.4	\$4.7	\$4.8	\$5.0	\$5.1	

Construction Fund

The Construction Fund is used to account for and report financial resources that are intended for the acquisition or construction of capital facilities and the additions or remodeling of existing buildings. The fund is managed by the Department of Facilities & 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 2017, the MPS board approved a resolution to exceed the revenue limit by the amount needed to finance energy efficiency projects. The resolution and detail below note that this action is under authority granted in Wisconsin Statute 121.91 (4) (o). For fiscal year 2017–18, the amount estimated above the revenue limit is \$1.8 million.

The 2017–18 proposed budget for the Construction Fund anticipates revenues and authorizes expenditures of only \$2.7 million. Notably, the district’s use of local tax levy for the Construction Fund will remain at \$1.1 million to reserve limited funds for instructional and support services. Borrowing is used from time to time to accomplish district objectives in facility maintenance and improvements. Specifically, the administration is developing a second round of borrowing for energy efficiency projects. It is likely to be included in the fall adjustments to the 2017–18 budget.

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 2017–18 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 3.28, no anticipated use of this fund is projected because other funding is adequate to cover the level of expenditures.

Revenues by Source – Construction Fund

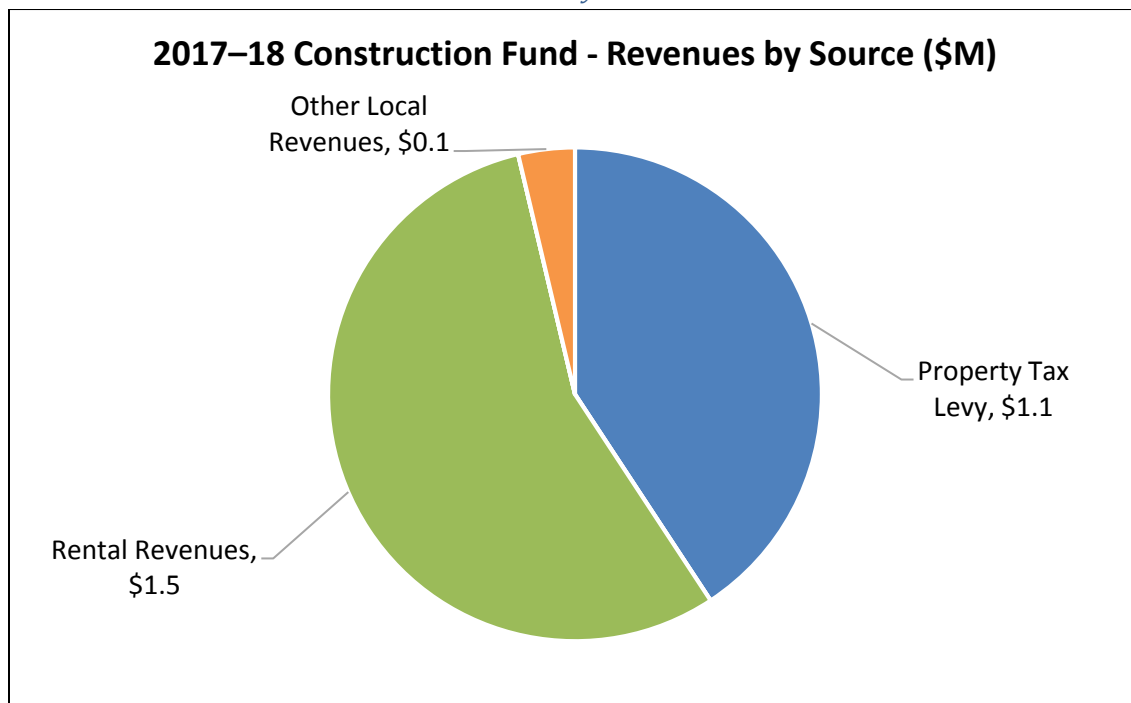
Chart 3.24 shows the revenues by type for the Construction Fund. Information includes a) actual revenues from 2013–14, b) actual revenues from 2014–15, c) actual revenues from 2015–16, d) the amended adopted budget for 2016–17, e) the proposed budget for 2017–18, and f) the change from 2016–17 to 2017–18.

Chart 3.24 Construction Fund – Revenues by Source

Construction Fund - Revenues by Source (\$M)						
Description	2013-14 Actual	2014-15 Actual	2015-16 Actual	2016-17 F.A.	2017-18 P.B.	Inc / (Dec)
Property Tax Levy	\$9.6	\$9.6	\$10.6	\$1.1	\$1.1	\$0.0
Proceeds from Borrowing	-	38.0	-	28.5	-	(28.5)
Rental Revenues	1.9	2.2	0.9	1.8	1.5	(0.3)
Capital/Fixed Asset Sale	0.2	1.5	0.1	0.1	-	(0.1)
Applied Surplus	-	-	-	2.3	-	(2.3)
Other Local Revenues	-	0.3	-	0.3	0.1	(0.2)
Total	\$11.7	\$51.5	\$11.7	\$34.1	\$2.7	(\$31.5)

Chart 3.25 shows the revenues by source for the Construction Fund 2017–18 proposed budget.

Chart 3.25 2017–18 Construction Fund – Revenues by Source



Expenditures by Project – Construction Fund

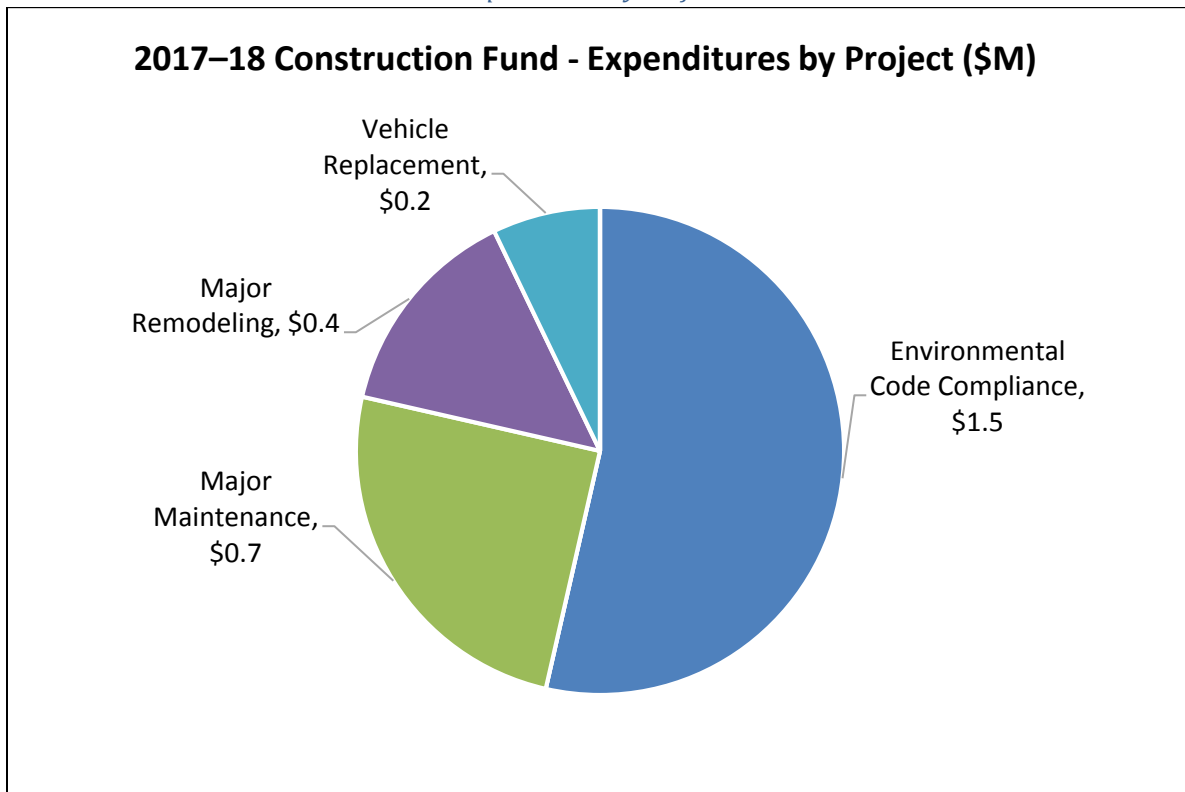
Chart 3.26 shows the Construction Fund expenditures by project. Information includes a) actual expenditures from 2013–14, b) actual expenditures from 2014–15, c) actual expenditures from 2015–16, d) the amended adopted budget for 2016–17, e) the proposed budget for 2017–18, and f) the change from 2016–17 to 2017–18.

Chart 3.26 Construction Fund – Expenditures by Project

Construction Fund - Expenditures by Project (\$M)						
Project	2013-14 Actual	2014-15 Actual	2015-16 Actual	2016-17 F.A.	2017-18 P.B.	Inc / (Dec)
Environmental Code Compliance	\$0.2	\$0.2	\$0.2	(\$0.4)	\$1.5	\$1.8
Security Projects	0.1	-	0.1	0.2	-	(0.2)
Major Maintenance	5.4	12.8	13.9	3.1	0.7	(2.4)
Major Remodeling	2.4	13.5	3.6	1.7	0.4	(1.3)
Vehicle Replacement	0.2	0.1	0.2	0.3	0.2	(0.2)
Energy Conservation	0.1	(0.1)	-	27.0	-	(27.0)
OSHA/ST Mandates	-	0.3	-	0.5	-	(0.5)
Turnaround Arts/Culinary Programs	-	-	-	1.7	-	(1.7)
Total	\$8.3	\$26.8	\$18.0	\$34.1	\$2.7	(\$31.5)

Chart 3.27 shows the expenditures by project for the Construction Fund 2017–18 proposed budget.

Chart 3.27 2017–18 Construction Fund – Expenditures by Project



Five-Year Projection – Construction Fund

The Construction Fund projection allocates limited resources available for maintenance and remodeling. The revenue projection anticipates that 2018–19 revenues will include \$9.5 million dollars more of tax levy than

2016–17 and 2017–18, wherein a temporary reduction of the levy is planned (as explained above). The 2018–19 projection also includes \$34 million of borrowed funds. By using borrowing authority under the district’s allocation of Qualified School Construction Bonds (QSCB), the district is able to limit interest costs while ensuring that our buildings are safe, welcoming and conducive to learning. The primary purpose of the borrowed funds would be to address major maintenance which has been deferred.

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 \$30 million into the 2021–22 school year, the assumptions of the forecast result in solvent operations.

Chart 3.28 shows an estimate of revenues and expenditures in the Construction Fund for each year through 2021–22. Information includes a) the amended adopted budget for 2016–17, b) the proposed budget for 2017–18, c) an early estimate of revenues and expenditures for each year 2018–19, 2019–20, 2020–21, 2021–22, and d) the change from the 2017–18 budget to the estimated 2021–22 budget.

Chart 3.28 Construction Fund – Five-Year Projection

Construction Fund - Five-Year Projection (\$M)							
	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	FY22 vs FY18
	F.A.	P.B.	Estimated	Estimated	Estimated	Estimated	Inc / (Dec)
Revenues							
Property tax	\$1.1	\$1.1	\$10.6	\$10.6	\$10.6	\$10.6	\$9.5
Borrowed funds - Energy projects	27.0	40.0	-	-	-	-	(40.0)
Borrowed Funds -Maintenance and Remodel	1.5	-	34.0	-	-	-	-
Other revenues	2.3	1.6	2.0	2.0	2.0	2.0	0.4
Total Revenues	\$31.9	\$42.7	\$46.6	\$12.6	\$12.6	\$12.6	(\$30.1)
Expenditures							
Preservation of Capacity							
Environmental/Safety/Vehicle/Security	0.6	1.2	0.6	0.6	0.6	1.2	-
Major Maintenance/Deferred Maintenance	4.8	1.0	18.0	18.0	18.0	18.0	17.0
Energy Conservation	27.0	40.0	-	-	-	-	(40.0)
Expansion of Capacity							
Program Consolidation/Relocations	1.7	0.5	0.5	0.5	0.5	0.5	-
Total Expenditures	\$34.1	\$42.7	\$19.1	\$19.1	\$19.1	\$19.7	(\$23.0)
Final Surplus/ (Deficit)	(\$2.3)	\$0.0	\$27.5	(\$6.5)	(\$6.5)	(\$7.1)	
Cumulative Surplus / (Deficit)	\$45.3	\$45.3	\$72.8	\$66.3	\$59.8	\$52.7	

Capital Expenditures and the Construction Fund

The district’s primary annual capital spending is for the proper maintenance of its facilities. Its facilities serve a student enrollment of over 76,000 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 2017–18 proposed budget for the Construction Fund projects that revenues total \$2.7 million. Chart 3.29 shows the major maintenance capital projects that are budgeted in the Construction Fund.

Chart 3.29 Major Maintenance Capital Projects – Construction Fund

FY18 Facilities and Maintenance Capital Projects - Construction Fund		
Project Location	Project Description	Estimate (\$)
District - Wide	Environmental Code Compliance including water fountain replacements and filters	\$1,450,000
	Fire alarm inspections, radiator covers, coating roofs	700,000
	Remodeling welcome centers	387,703
FMS	Vehicle replacement	150,000
Total		\$2,687,703

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 2016–17 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 3.29 represents an investment which reduces routine repair costs and in some cases 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 3.30 uses a straight-line depreciation method over the useful life of the asset.

Chart 3.30 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: 2016 MPS CAFR

Charts 3.31 and 3.32 show that the district’s capital assets of \$632.5 million are primarily buildings.

Chart 3.31 Capital Assets

Capital Assets - 2016 (\$M)	
Asset Type	Balance
Buildings	\$557.5
Land	31.1
Construction in Progress	33.2
Leasehold Improvements	6.9
Furniture	3.8
Total	\$632.5

Chart 3.32 Capital Assets

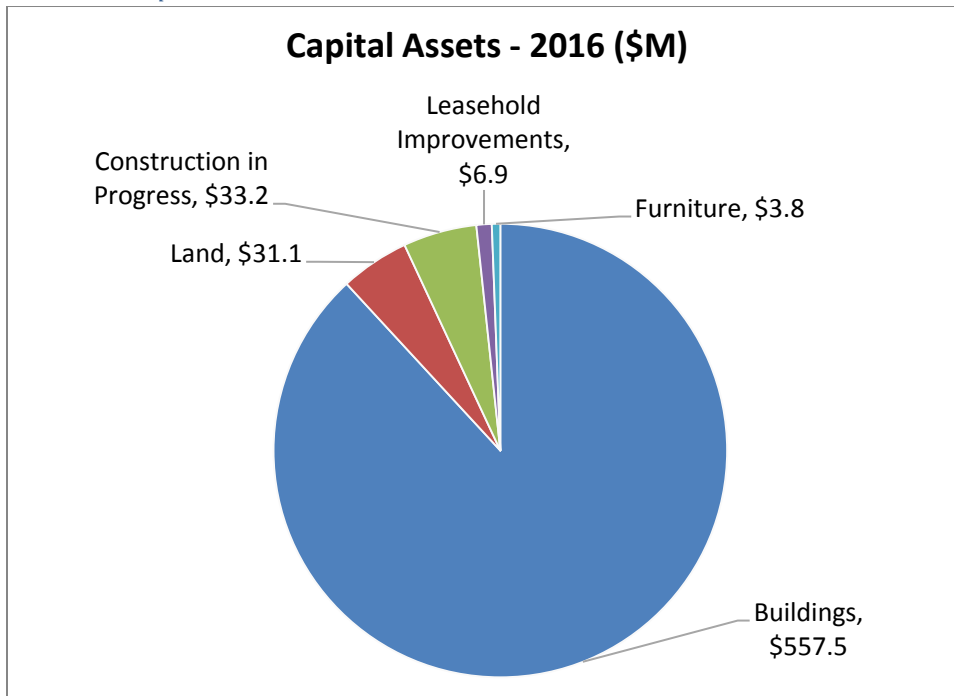
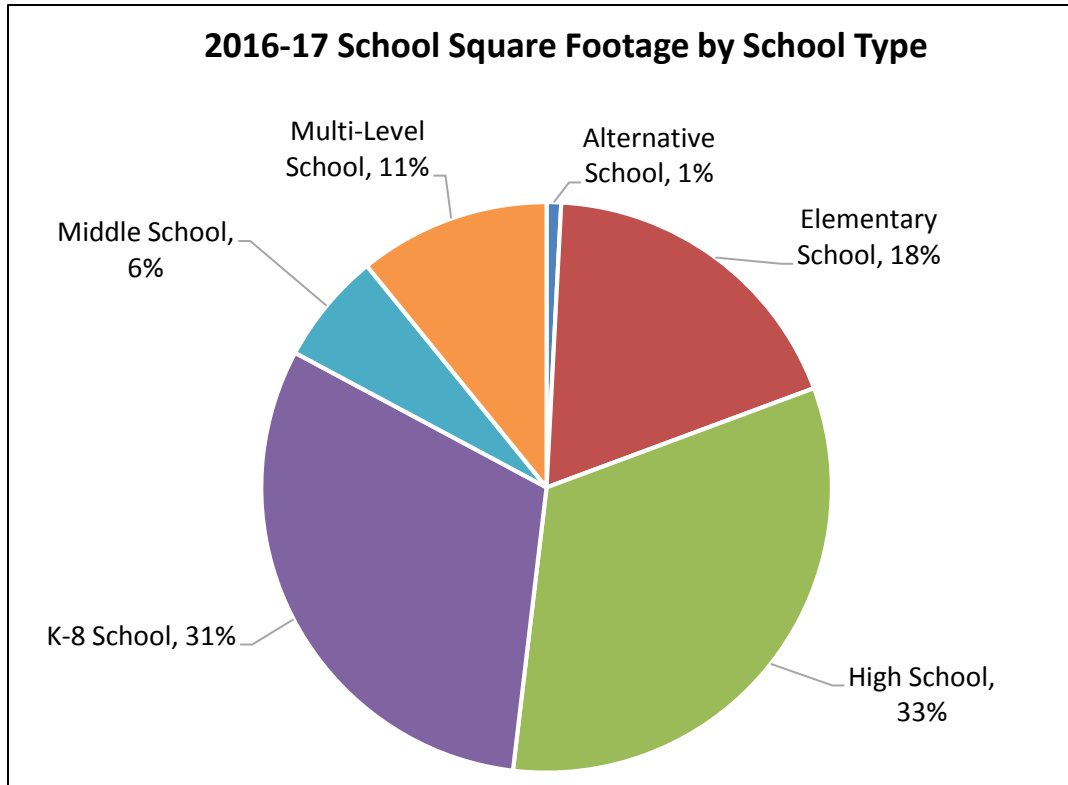


Chart 3.33 illustrates the breakdown of square footage by school type for MPS traditional and instrumentality charter schools.

Chart 3.33 2016–17 School Square Footage by School Type



Extension Fund

The Extension Fund is used to record financial transactions related to recreational activities and is jointly managed by the Office of Operations, Office of Finance and Office of Academics. The 2017–18 proposed budget for the Extension Fund totals \$24.8 million. The proposed budget assumes no change in the related tax levy.

Revenues by Source – Extension Fund

Chart 3.34 shows the revenues for the Extension Fund. Information includes a) actual revenues from 2013–14, b) actual revenues from 2014–15, c) actual revenues from 2015–16, d) the amended adopted budget for 2016–17, e) the proposed budget for 2017–18, and f) the change from 2016–17 to 2017–18.

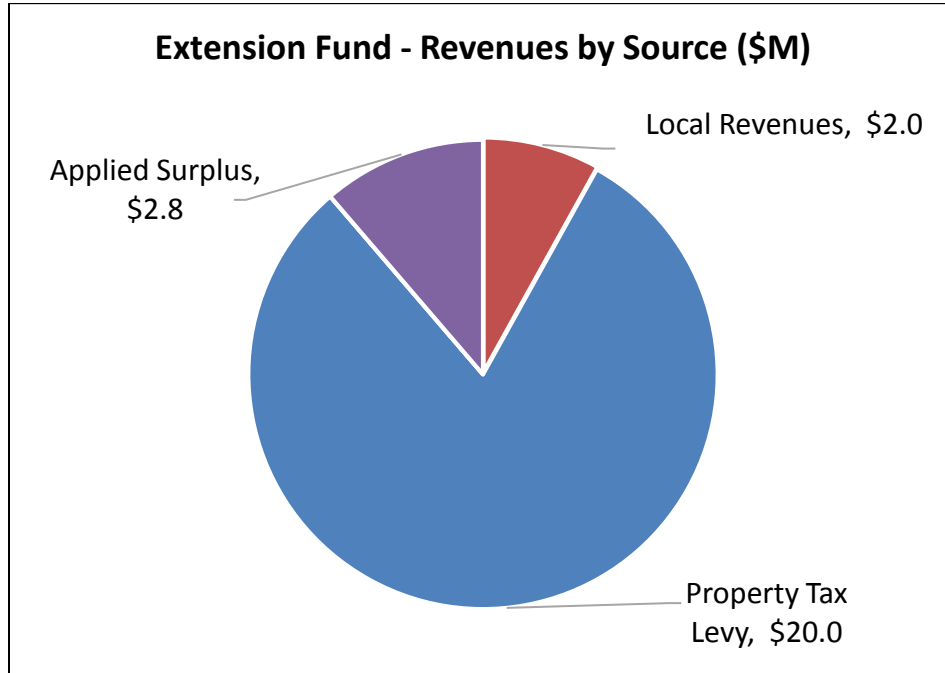
Chart 3.34 Extension Fund – Revenues by Source

Extension Fund - Revenues by Source (\$M)						
Description	2013-14 Actual	2014-15 Actual	2015-16 Actual	2016-17 F.A.	2017-18 P.B.	Inc / (Dec)
Local Revenues	\$2.0	\$2.0	\$2.0	\$2.0	\$2.0	\$0.0
Property Tax Levy	17.1	17.1	17.1	20.0	20.0	-
State/Federal Revenues	0.1	-	-	-	-	-
Applied Surplus	-	1.1	-	1.0	2.8	1.8
Total	\$19.2	\$20.2	\$19.1	\$23.0	\$24.8	\$1.8

Wisconsin Statutes § 120.13(19) and § 119.47 give the Milwaukee Board of School Directors 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 3.35 shows the revenues by source for the Extension Fund 2017–18 proposed budget.

Chart 3.35 2017–18 Extension Fund – Revenues by Source



Expenditures by Project – Extension Fund

Chart 3.36 shows the Extension Fund expenditures by project. Information includes a) actual expenditures from 2013–14, b) actual expenditures from 2014–15, c) actual expenditures from 2015–16, d) the amended adopted budget for 2016–17, e) the proposed budget for 2017–18, and f) the change from 2016–17 to 2017–18.

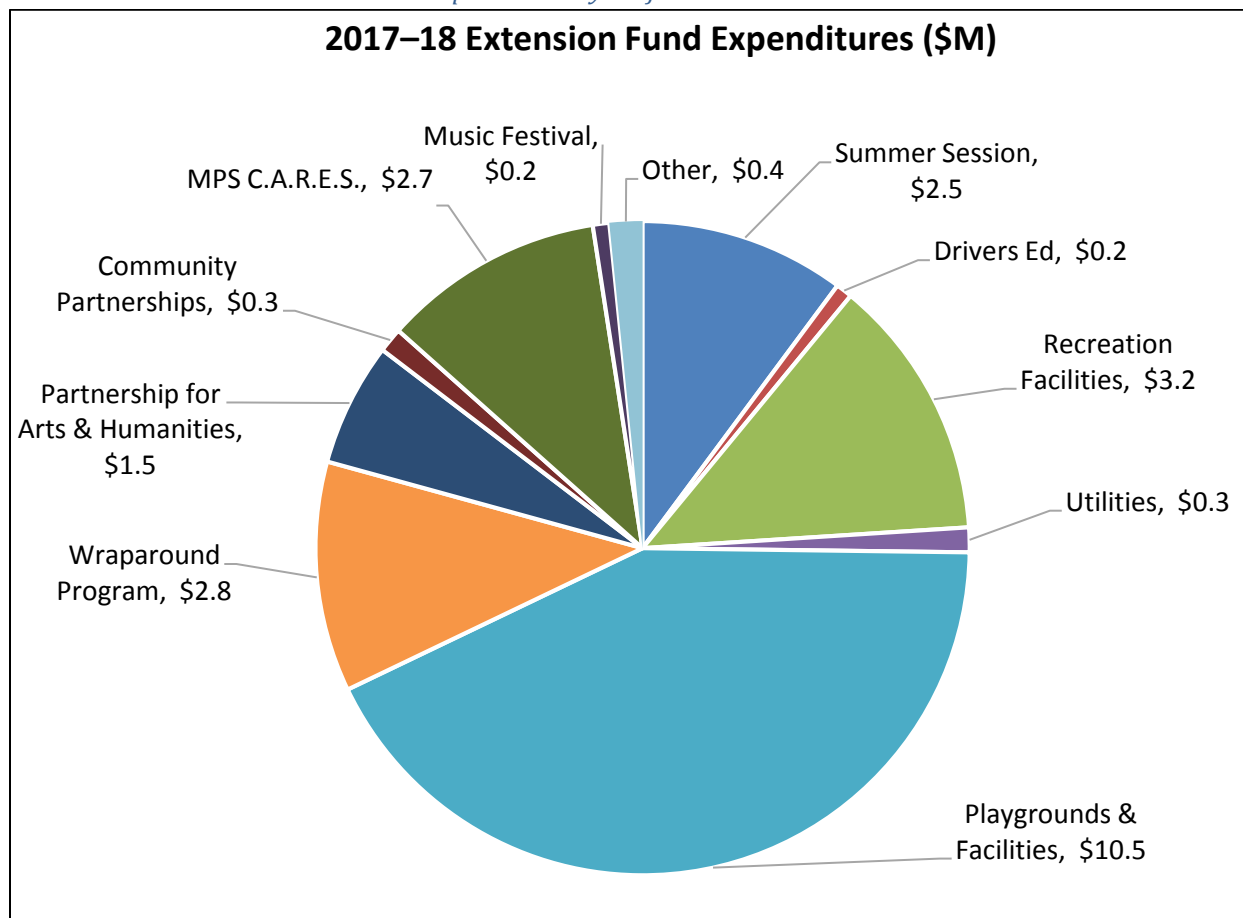


Chart 3.36 Extension Fund – Expenditures by Project

Extension Fund - Expenditures by Project (\$M)						
Project	2013-14 Actual	2014-15 Actual	2015-16 Actual	2016-17 F.A.	2017-18 P.B.	Inc / (Dec)
Summer Session	\$2.6	\$2.6	\$2.3	\$2.5	\$2.5	\$0.0
Drivers Education	0.4	0.3	0.5	0.4	0.2	(0.2)
Recreation Facilities	1.1	1.2	1.2	3.1	3.2	0.1
Utilities	0.5	0.4	0.4	0.4	0.3	(0.1)
Playgrounds & Facilities	10.2	10.6	9.7	10.2	10.5	0.3
Wraparound Program	2.3	3.9	2.8	2.8	2.8	-
Partnership for Arts & Humanities	1.6	1.7	1.5	1.5	1.5	-
Community Partnerships	-	0.1	0.4	0.3	0.3	-
MPS C.A.R.E.S.	-	-	-	1.3	2.7	1.4
Music Festival	0.1	-	0.2	-	0.2	0.2
Other	0.1	(0.6)	(0.2)	0.5	0.4	(0.1)
Total	\$18.9	\$20.1	\$18.8	\$23.0	\$24.8	\$1.8

Chart 3.37 shows the expenditures by project for the Extension Fund 2017–18 proposed budget.

Chart 3.37 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 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 3.38 shows an estimate of revenues and expenditures in the Extension Fund for each year through 2021–22. Information includes a) the amended adopted budget for 2016–17, b) the proposed budget for 2017–18, c) an early estimate of revenues and expenditures for each year 2018–19, 2019–20, 2020–21, 2021–22, and d) the change from the proposed 2017–18 budget to the estimated 2021–22 budget.

Chart 3.38 Extension Fund – Five-Year Projection

Extension Fund - Five Year Projection							
	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	FY22 vs. FY18
	F.A.	P.B.	Estimated	Estimated	Estimated	Estimated	Inc / (Dec)
Revenues (without applied surplus)	\$22.0	\$22.0	\$22.0	\$22.0	\$22.0	\$22.0	\$0.0
Expenditures							
Salaries/Other Wages	\$10.9	\$11.6	\$11.7	\$11.9	\$12.0	\$12.1	\$0.5
Benefits	2.5	3.0	3.0	3.2	3.3	3.5	0.5
Purchased Services	7.4	9.0	9.0	9.2	9.3	9.4	0.4
Supplies/Materials	0.6	0.9	0.9	0.9	0.9	0.9	-
Capital Improvements	1.6	0.4	1.6	1.6	1.6	1.6	1.2
Total Expenditures	\$23.0	\$24.8	\$26.2	\$26.7	\$27.1	\$27.5	\$2.7
Final Surplus/ (Deficit)	(\$1.0)	(\$2.8)	(\$4.2)	(\$4.7)	(\$5.1)	(\$5.5)	
Cumulative Surplus / (Deficit)	\$10.0	\$7.1	\$2.9	(\$1.8)	(\$6.8)	(\$12.3)	

Categorically Aided Programs Fund

The Categorically Aided Programs Fund is used to account for proceeds from federal, state and private grants that fund social and curriculum needs of special populations within the district. MPS uses the term “categorical” funding to refer to all grant resources, and these terms are used interchangeably. Most grants awarded to the district are for specific purposes within a specific time frame. The 2017–18 proposed budget for the Categorical Fund assumes total revenue and expenditures of \$166.5 million, which is an increase of \$5.3 million compared to 2016–17.

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 schools. While annual base-level funding is declining for the district’s federal funds, carryover funds from the previous fiscal year allow year-to-year resources to increase. A significant state funding resource, the Achievement Gap Reduction (AGR) grant is reflected below at the same level as 2016–17.

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 2017.

Revenues by Source – Categorical Fund

Chart 3.39 shows the revenue received, or estimated to be received, from categorical resources. Information includes a) actual revenues from 2013–14, b) actual revenues from 2014–15, c) actual revenues from 2015–16, d) the amended adopted budget 2016–17, e) the proposed budget for 2017–18, and f) the change from 2016–17 to 2017–18.

Chart 3.39 Revenue Categorical Fund – Revenues by Source

Categorical Fund - Revenues by Source (\$M)						
Description	2013-14 Actual	2014-15 Actual	2015-16 Actual	2016-17 F.A.	2017-18 P.B.	Inc / (Dec)
Federal						
ESEA, Title I-A	\$76.4	\$73.1	\$64.8	\$72.4	\$78.3	\$5.8
ESEA, Title II	8.5	8.5	8.4	10.4	10.7	0.3
ESEA, Title III	0.9	0.9	1.4	1.6	1.5	(0.1)
SIG ¹	8.7	4.0	3.8	3.9	3.8	-
IDEA ²	23.5	23.4	20.9	25.6	28.1	2.5
Head Start	7.5	8.0	2.4	7.9	8.8	0.9
Other	16.1	14.8	12.8	12.8	8.4	(4.4)
Subtotal Federal	\$141.6	\$132.8	\$114.5	\$134.6	\$139.6	\$5.0
State						
AGR ³	\$26.0	\$26.1	\$24.1	\$24.8	\$24.8	\$0.0
Other	0.5	0.6	2.5	3.5	3.7	0.2
Subtotal State	\$26.5	\$26.6	\$26.6	\$28.4	\$28.6	\$0.2
Private						
GE Foundation	\$1.6	\$2.3	\$2.0	\$3.2	\$3.0	(\$0.2)
Other	1.9	0.9	0.4	0.4	0.4	-
Subtotal Private	\$3.4	\$3.3	\$2.4	\$3.6	\$3.4	(\$0.2)
Subtotal Categorical Fund	\$171.5	\$162.8	\$143.5	\$166.6	\$171.6	\$5.0
Less: Indirect	(6.1)	(5.0)	(4.6)	(5.4)	(5.1)	(0.3)
Total Categorical Fund	\$165.4	\$157.7	\$138.9	\$161.1	\$166.5	\$5.3

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



Summary of All Funds

Revenues by Source – All Funds

For historical perspective, this summary intentionally shows budgeted revenues rather than actual. The district's strategic planning is necessarily built within the confines of predictable resources. While all resources are directed to district needs, it is particularly those revenues which are awarded in advance of the school year that sustain the district's operations.

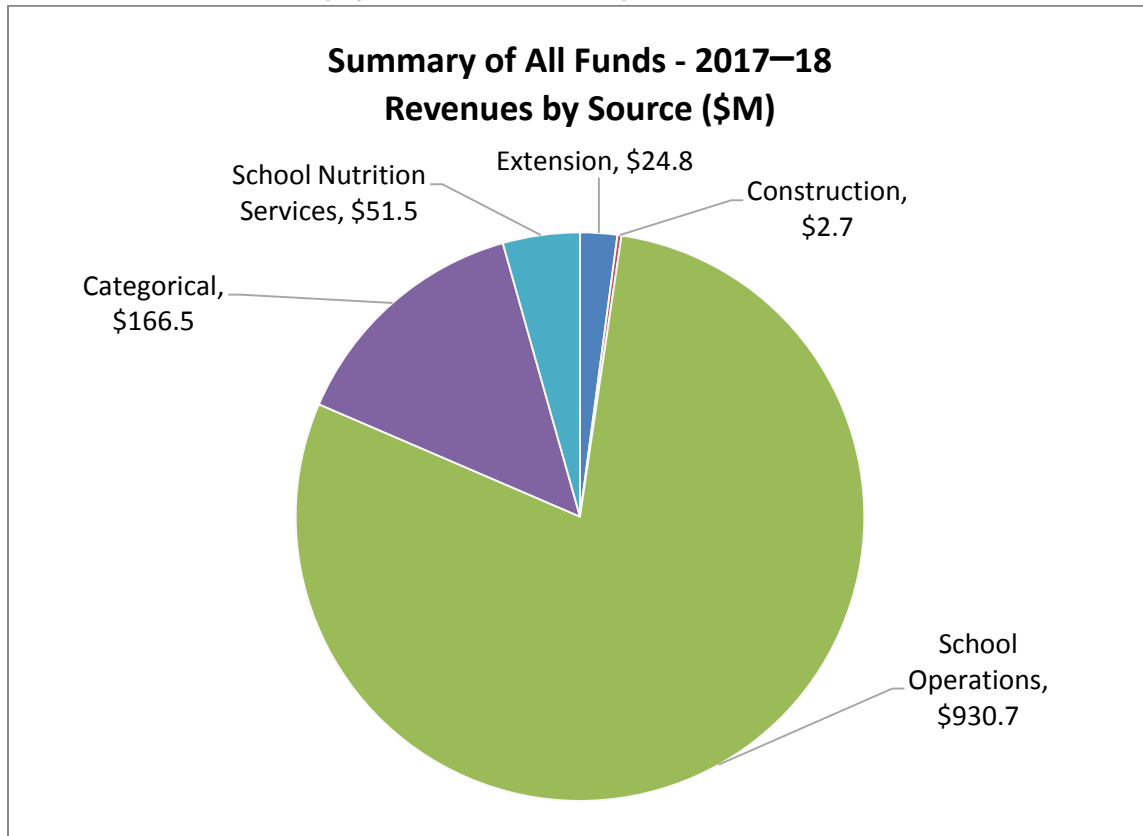
Chart 3.40 shows a summary of district revenue by source. Information includes a) the amended adopted budget for 2014–15, b) the amended adopted budget for 2015–16, c) the amended adopted budget for 2016–17, d) the proposed budget for 2017–18 and e) the change from 2016–17 to 2017–18.

Chart 3.40 Summary of All Funds – Revenues by Source

Summary of All Funds - Revenues by Source (\$M)					
	2014-15	2015-16	2016-17	2017-18	Inc / (Dec)
	F.A.	F.A.	F.A.	P.B.	
School Operations Fund					
Property Tax Levy /Equalization Aids	\$824.0	\$825.7	\$822.4	\$809.5	(\$12.9)
State Handicapped Aids	53.3	50.0	47.6	49.2	1.7
Other State Aids	20.0	21.7	29.5	46.8	17.3
Federal Aids	15.5	15.9	15.5	14.0	(1.5)
Local Revenues (Non-Property Tax)	6.9	17.6	13.3	11.2	(2.2)
Subtotal	\$919.8	\$930.9	\$928.3	\$930.7	\$2.4
School Nutrition Services Fund					
Federal Aids, Commodities	\$44.8	\$46.7	\$48.9	\$49.9	\$1.0
State, Sales, and Other Aid	4.1	1.9	1.7	1.6	(0.1)
Subtotal	\$48.9	\$48.6	\$50.6	\$51.5	\$0.9
Extension Fund					
Property Tax Levy	\$17.1	\$17.1	\$20.0	\$20.0	\$0.0
Applied Surplus	2.4	2.7	1.0	2.8	1.8
Other	2.0	2.0	2.0	2.0	-
Subtotal	\$21.5	\$21.8	\$23.0	\$24.8	\$1.8
Construction Fund					
Property Tax Levy	\$9.6	\$10.6	\$1.1	\$1.1	\$0.0
Other	1.4	0.5	33.0	1.6	(31.5)
Subtotal	\$11.0	\$11.1	\$34.1	\$2.7	(\$31.5)
Categorical Fund					
Federal	\$142.1	\$128.8	\$134.6	\$139.6	\$5.0
State	26.9	27.5	28.4	28.6	0.2
Private	5.0	3.5	3.6	3.4	(0.2)
Subtotal	\$174.0	\$159.8	\$166.6	\$171.6	\$5.0
Less Indirect	(4.8)	(4.7)	(5.4)	(5.1)	(0.3)
Subtotal	\$169.2	\$155.1	\$161.1	\$166.5	\$5.3
Total	\$1,170.4	\$1,167.4	\$1,197.1	\$1,176.1	(\$21.0)

Chart 3.41 shows the revenue sources for the 2017–18 proposed budget.

Chart 3.41 2017–18 Summary of All Funds – Revenues by Source



Expenditures by Object – All Funds

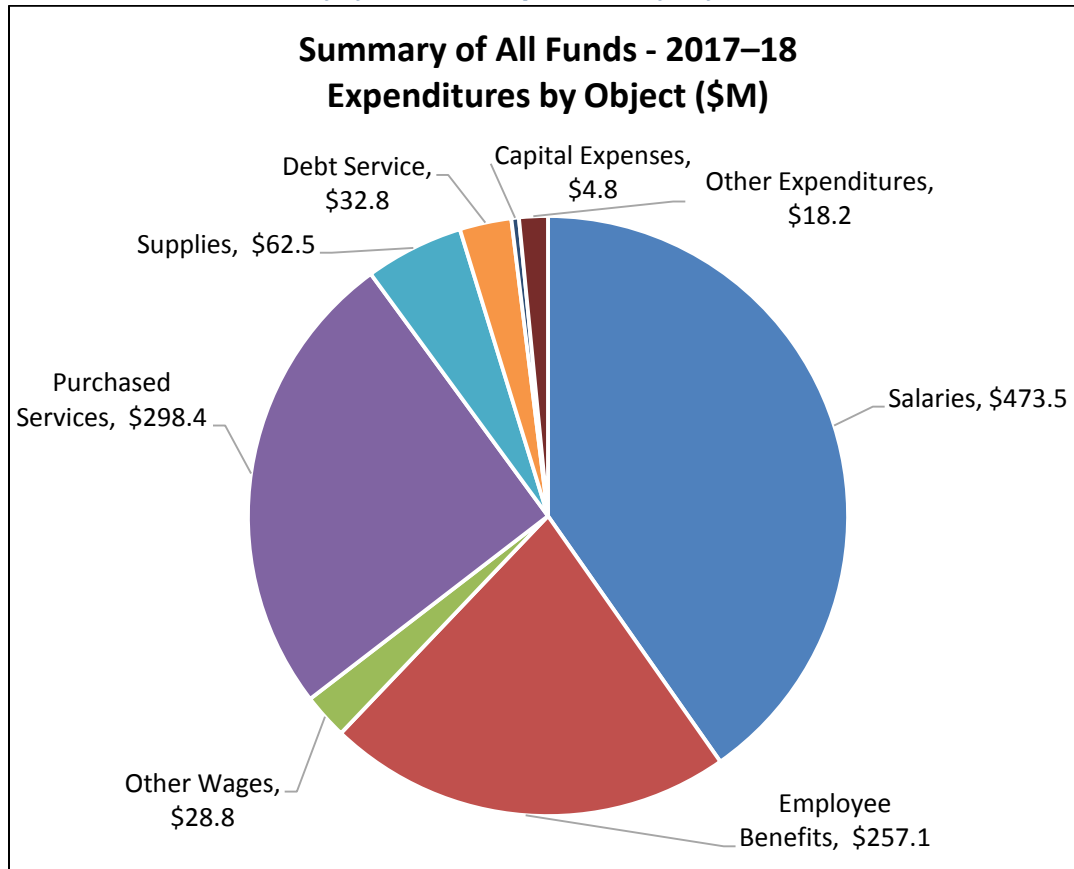
Chart 3.42 shows a summary of district expenditures by object. Information includes a) the amended adopted budget for 2014–15, b) the amended adopted budget for 2015–16, c) the amended adopted budget for 2016–17, d) the proposed budget for 2017–18, and e) the change from 2016–17 to 2017–18.

Chart 3.42 Summary of All Funds – Expenditures by Object

Summary of All Funds - Expenditures by Object (\$M)					
Object	2014-15	2015-16	2016-17	2017-18	Inc / (Dec)
	F.A.	F.A.	F.A.	P.B.	
Salaries	\$491.8	\$496.2	\$487.5	\$473.5	(\$14.0)
Employee Benefits	277.2	242.5	249.40	257.1	7.7
Other Wages	27.5	26.5	30.30	28.8	(1.5)
Purchased Services	287.3	319.6	342.70	298.4	(44.3)
Supplies	62.6	71.1	73.30	62.5	(10.8)
Debt Service	27.0	29.8	31.1	32.8	1.7
Capital Expenses	10.9	3.2	7.7	4.8	(2.9)
Other Expenditures	(13.9)	(21.6)	(24.90)	18.2	43.1
Total	\$1,170.4	\$1,167.4	\$1,197.1	\$1,176.1	(\$21.0)

Chart 3.43 shows the expenditures by object for the 2017–18 proposed budget.

Chart 3.43 2017–18 Summary of All Funds - Expenditures by Object



Five-Year Projection – All Statutory Funds

The district prepares five-year projections by statutory fund as part of the spring budget process for the following fiscal year. The district also develops a forecast in November/December, in part to help set the parameters for budget planning. The five-year projection tables shown in Charts 3.10 (School Operations Fund), 3.23 (School Nutrition Services Fund), 3.28 (Construction Fund) and 3.38 (Extension Fund) were combined in chart 3.44.

Chart 3.44 shows the five-year projection for district revenues and expenditures. Information includes a) the amended adopted budget for 2016–17, b) the proposed budget for 2017–18, c) an early estimate of revenues and expenditures for each year 2018–19, 2019–20, 2020–21, 2021–22, and d) the change from the proposed 2017–18 budget to the estimated 2021–22 budget.

Chart 3.44 All Statutory Funds – Five-Year Projection

All Statutory Funds - Five-Year Projection (\$M)							
	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	FY22 vs. FY18
	F.A.	P.B.	Estimated	Estimated	Estimated	Estimated	Inc / (Dec)
Total Revenue	\$1,032.7	\$1,046.9	\$1,043.5	\$1,011.2	\$1,013.0	\$1,014.7	(\$32.2)
Total Expenditures	1,036.0	1,049.7	1,038.8	1,059.5	1,078.4	1,101.0	51.4
Balance (before use of prior year funds)	(\$3.2)	(\$2.8)	\$4.7	(\$48.3)	(\$65.4)	(\$86.3)	(\$83.5)
Use of prior year funds for legacy costs	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Final Surplus/ (Deficit)	\$0.0	(\$2.8)	\$4.7	(\$48.3)	(\$65.4)	(\$86.3)	
Cumulative Surplus / (Deficit)	\$95.0	\$92.2	\$96.9	\$48.7	(\$16.7)	(\$103.1)	

Summation of Five-Year Projections

For most purposes, the combination of fund projections is not relevant. Because each fund has distinct purposes and restrictions, the viability of one fund does not directly relieve the fiscal strain in another fund. Nonetheless, the summary chart shows that inclusion of the Construction Fund (which has a positive cumulative surplus due to planned borrowing in future years) is not enough to override the resource shortfalls forecasted in the School Operations and Extension Funds.

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. The district has developed several specific strategies to guard the district's financial viability:

- 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 above, enrollment is a key driver of revenues.
- 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.
- Recruitment and retention strategies designed to support the satisfaction and well-being of our employees including evidence-based professional development and competitive compensation that maximizing employee skills at all levels of the organization.
- 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 for the revenues managed by MPS. Forecasts are developed to adequately prepare for predictable ebbs and flows of resources, and expenditures are authorized to the level of available revenues. Expenditure monitoring and adjustment is part of the culture of MPS, with school and central 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.
- Utilization of a proactive and enterprise-wide risk management strategy to limit financial exposures for the district.
- The district has 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.
- The administration is actively seeking ways to improve the efficiency and effectiveness of operations. MPS looks to other school districts and other industries for best- practice methodologies that will allow for meeting the needs of students with available resources.
- Long-range facility and capital fund planning to ensure district facilities are adequate to support effective teaching and learning for all of our students. The district's Chief Financial Officer and Chief Operating Officer will collaborate during the 2017–18 school year to assemble a community stakeholder team to begin development of a long-range capital funding plan for the district.

Fund Balance

Governmental fund equity, or fund balance, refers to the difference between assets and liabilities under the modified accrual basis of accounting for governmental funds.

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.



Summarized in Chart 3.45, the School Operations decrease was approximately \$7 million in 2015-16.



This reflects an intentional advance payment of debt which would not be required until the current year. The positive results in the School Nutrition Services Fund are due to the district participation in the CEP, which provides federal reimbursement for all student meals served in the district.

A five-year view of the district's fund balance is provided in Chart 3.45.

The district has adopted a balanced 2016–17 budget for the following funds: School Operations, School Nutrition Services and Categorical. The Construction Fund spending plan for 2016–17 revenues anticipates the use of \$2.3 million of unassigned fund balance.* The Extension Fund has an authorized use of fund balance of 1.0 million in 2016–17. In both cases these are small percentages of the respective funds' current balances, so using a portion of fund balance does not pose significant risk.

In the proposed budget for 2017–18, the only planned use of fund balance is in the Extension Fund.

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

Chart 3.45 shows a) the district fund balance for years ended June 30, 2014, June 30, 2015, and June 30, 2016, b) projected fund balance for June 30, 2017, and c) the projected fund balance for June 30, 2018.

Chart 3.45 Fund Balance – Five Year

Fund Balance - Five Year (\$M)					
Description	Fund Ending Balance 2013-2014 Actual	Fund Ending Balance 2014-2015 Actual	Fund Ending Balance 2015-2016 Actual	Fund Ending Balance 2016-2017 F.A.	Fund Ending Balance 2017-2018 P.B.
School Operations	\$45.1	\$42.4	\$35.3	\$35.3	\$35.3
School Nutrition	(3.2)	0.1	4.5	4.5	4.5
Construction	28.9	53.7	49.8	47.6	47.6
Extension	12.7	11.6	11.9	10.9	8.1
Categorical	1.7	1.2	1.1	1.1	1.1
Total	\$85.2	\$109.0	\$102.6	\$99.4	\$96.6

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

Chart 3.46 shows a district-wide summary of expenditures by organizational unit or category. Information includes actual expenditures from 2013–14, actual expenditures from 2014–15, actual expenditures from 2015–16, the 2016–17 amended adopted budget, the 2017–18 proposed budget and the change from 2016–17 to 2017–18.

Chart 3.46 District Use of Funds Summary – All Funds

District Use of Funds Summary - All Funds (\$M)						
School/Department	2013-14 Actual	2014-15 Actual	2015-16 Actual	2016-17 F.A.	2017-18 P.B.	Inc / (Dec)
School Allocations	\$453.2	\$464.5	\$414.0	\$462.7	\$429.0	(\$33.6)
In School Allocations	73.4	79.6	92.0	97.5	97.3	(0.3)
Other School Allocations	266.1	277.0	246.1	277.0	280.7	3.7
Schools Subtotal	\$792.7	\$821.1	\$752.1	\$837.2	\$807.0	(\$30.2)
Board/Office of Board Governance	\$2.7	\$2.7	\$2.6	\$3.1	\$3.0	(\$0.1)
Accountability & Efficiency	1.2	1.2	0.9	1.2	1.1	(0.1)
Superintendent of Schools	8.0	1.2	0.8	0.9	1.3	0.3
Chief of Staff	-	3.4	3.3	3.8	2.9	(0.9)
School Administration	5.3	9.7	9.7	11.0	9.9	(1.1)
Academics	54.5	48.5	46.0	49.6	50.3	0.7
Finance	5.8	6.1	5.7	6.2	6.0	(0.2)
Operations	99.0	86.8	88.6	98.9	103.0	4.1
Human Resources	5.6	5.9	5.2	5.8	5.8	-
Innovation	20.1	22.7	22.3	26.8	28.3	1.5
Offices Subtotal	\$202.2	\$188.2	\$185.1	\$207.4	\$211.5	\$4.2
Other Accounts	\$157.6	\$184.8	\$240.6	\$163.1	\$167.4	\$4.2
Inter-department & Inter-fund	(9.4)	(9.0)	(7.8)	(10.7)	(9.8)	0.9
Total	\$1,143.1	\$1,185.1	\$1,170.0	\$1,197.0	\$1,176.1	(\$20.8)

*Note: "Actual" expenditures in this chart do not include the district's commitments at year end, bills which are paid in the next fiscal year.

Chart 3.47 shows the proposed budget district-wide summary of expenditures by organizational unit or category using the funds.

Chart 3.47 2017–18 District Use of Funds Summary – All Funds

