

# RatingsDirect®

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## Summary:

# Milwaukee, Wisconsin; Note

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Rationale

## Summary:

# Milwaukee, Wisconsin; Note

### Credit Profile

US\$180.0 mil sch rev antic notes ser 2017 M11 due 09/27/2018		
<i>Short Term Rating</i>	SP-1+	New
Milwaukee sch rev antic notes ser 2017 M11 due 09/27/2018		
<i>Short Term Rating</i>	SP-1+	Affirmed

## Rationale

S&P Global Ratings assigned its 'SP-1+' short-term rating to Milwaukee's series 2017 M11 school revenue anticipation notes (RANs), issued for Milwaukee Public Schools (MPS).

The rating reflects our opinion of the following:

- Adequate debt service coverage prior to note maturity at the end of September 2018 from projected amounts on deposit in the school operations fund, which is held by the city;
- Strong aggregate debt service coverage when additional liquidity is included; and
- The irrevocable segregation of funds from the district's June 2018 state equalization aid payment.

MPS will use note proceeds for cash-flow purposes in fiscal 2018. The notes are secured by all revenues of the school operations fund attributable to the fiscal year ending June 30, 2018, including state aid receipts. In addition, the city, by resolution, pledges to pay interest on the notes from surplus revenues in its debt service fund.

The notes are due on Sept. 27, 2018. The city will pay interest on the notes on Sept. 27, 2018. The city projects that the school operations fund will hold \$27.2 million of cash at the end of June 2018 after note principal is set aside. This amount provides 1.13x coverage of both note principal and projected interest. The district projects that its school operations fund's cash balance will increase from \$19 million to \$27.2 million at the end of June 2018.

The city's management informs us that additional liquidity for debt service on the RANs can be provided by Milwaukee's pooled governmental funds cash. The city reports that this cash, which MPS can access through short-term loans, amounted to \$320 million at the end of June 2017. Including this additional liquidity, projected coverage is 2.87x, in our view, strong.

Actual coverage for the previous year's \$180 million RANs that matured in June 2017, with \$18.9 million of cash held in the school operations fund on June 30, 2017, was 1.1x, lower than the 1.24x projected when the notes were issued because of additional spending incurred by the district in fiscal 2017 for technology upgrades, new textbooks, and carryover spending initially intended to be spent in fiscal 2016. The city's note resolution directs the appropriate city officers to segregate an amount sufficient from state school-aid payments due in June 2018 to pay note principal. MPS projects that it will receive \$516 million of state equalization aid in fiscal 2018, \$177.7 million of it in June 2018.

MPS reported a general fund surplus after transfers of \$662,309 for fiscal 2016. The district's combined assigned and unassigned general fund balance was \$41.5 million at the end of fiscal 2016, which in our view was an adequate 3.9% of expenditures. For 2017, management projects break-even general fund results after transfers. Management reports that the district will structure its 2018 budget, which will be finalized by the board in October 2017, with break-even results after transfers.

MPS is a department of the city under state law. MPS' financial powers are limited to budget adoption authority, while the city of Milwaukee levies and collects MPS' property taxes, issues GO debt and RANs for school purposes, and holds the school operations fund on the school system's behalf.

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at [www.standardandpoors.com](http://www.standardandpoors.com) for further information. Complete ratings information is available to subscribers of RatingsDirect at [www.globalcreditportal.com](http://www.globalcreditportal.com). All ratings affected by this rating action can be found on the S&P Global Ratings' public website at [www.standardandpoors.com](http://www.standardandpoors.com). Use the Ratings search box located in the left column.

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