

**ADMINISTRATIVE POLICIES OF THE
MILWAUKEE PUBLIC SCHOOLS**

**ADMINISTRATIVE POLICY 3.12
FISCAL POLICIES FOR ENTERPRISE FUNCTIONS**

The Administration, being aware there may be a future need or desire to create enterprise units within the district for the purpose of providing administrative services to schools and/or departments, has developed the following Milwaukee Public Schools Fiscal Policies for Enterprise Funds:

(1) DISTRICT INTENT FOR ENTERPRISE ACTIVITIES

Authorization of enterprise activities is based on the general concept that profits generated by the enterprise activities will be redirected to general district operations to promote the Board goals of student achievement and equity. Enterprise activities are restricted to governmental units, including those outside the district. Enterprise activities that do not generate a profit but break even are authorized on the general concept that services provided are those requested by customers (i.e., MPS schools and departments).

(2) ENTERPRISE MANAGEMENT COMMITTEE

The oversight of enterprise activities shall be the responsibility of the Enterprise Management Committee, consisting of the superintendent, the director of the Department of Finance, the chief auditor, and four principals (the School Budget Committee Co-chairs). The primary responsibilities of the Enterprise Management Committee are to maintain the integrity of enterprise activities and to ensure that enterprise activities are consistent with approved business plans and the overall mission of the district.

(3) DEFINITION OF ENTERPRISE ACTIVITIES

District operations considered to be enterprise activities are those recurring operations intended to be financially self-sustaining with projected annual revenues in excess of \$250,000. Expenses incurred by enterprise activities are to be recovered in the current operating period by charging sufficient user fees.

(4) GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

The Department of Finance shall utilize generally accepted accounting principles (GAAP) for "proprietary funds" as promulgated by the Governmental Accounting Standards Board and employ accounting and financial management practices permitted by the Government Finance Officers Association. The district shall utilize the "flow of economic resources" measurement focus and the "full accrual" basis of accounting. Enterprise activities shall be "bundled" into groups of related services and accounted for. The Department of Finance shall be responsible for maintaining detailed administrative and accounting procedures for these activities.

(5) MULTI-YEAR BUSINESS PLAN AND ANNUAL BUDGET

To ensure proper planning, new enterprise activities shall be authorized through the annual budget adoption process. Prior to the start-up of any enterprise activity, a business plan with a three (3) -year financial forecast must be developed and submitted to the Department of Finance. The business plan should include a mission statement, operations and marketing strategy, identification of key personnel, and an in-depth write-up to include business risk assessment, labor issues, detailed break-even and cost/benefits analyses, and three-year revenue and expense forecasts, along with all key assumptions used. The Department of Finance shall evaluate the business plan for completeness, accuracy, and viability and shall submit a recommendation to the superintendent.

(6) NATURE OF BUSINESS EXPENSES

Expenses incurred by enterprise activities are to be reasonable, ordinary, and directly related to enterprise operations. Acquisition of capital goods in excess of \$25,000 each must be included in the annual budget and be consistent with the business plan. Acquisition of capital goods shall be based on sound investment analysis using discounted cash-flows/net present-value methods and be included in the annual budgeting process. Capital goods shall be expensed utilizing an appropriate depreciation methodology. Finance shall periodically review these expenses for propriety and suggest corrective action where appropriate.

(7) FINANCING START-UP ACTIVITIES

Financing start-up activities is predicated upon an accepted and viable business plan and a projected operating position of no less than break-even. For those enterprises demonstrating a break-even in the current fiscal year, the district shall provide cash-flow assistance, thereby meeting the working capital needs of the enterprise. In some cases, the enterprise may have a need for capital assets. Equipment acquisition during start-up shall be financed by the Equipment Acquisition Fund

(8) EQUIPMENT ACQUISITION FUND

(a) The intent of the Equipment Acquisition Fund is to be a self-sustaining revolving fund that receives annual repayments of principal and interest for loans issued to enterprise funds. The funding for the equipment acquisition fund shall be provided by the district's unreserved fund balance (financial reserves) of the School Operations Fund and shall be set at a level of \$3,000,000.

(b) This fund shall be managed by the Enterprise Management Committee, with responsibilities for loan approvals and development of administrative procedures to ensure the financial integrity of the fund. The Committee shall be guided by the following objectives:

1. asset safety;
2. internal rate of return and payback period; and
3. consistency with the business plan. Interest earnings of the Equipment Acquisition Fund shall be distributed to the School Operations Funds for general operations.

(9) OPERATING RESERVE

The intent of an operating reserve is to minimize disruptions in the delivery of enterprise services to customers. Operating reserves are to be funded by the net income generated from the enterprise activity, with operating reserves not to exceed three months of operational expenses. The Department of Finance shall determine the appropriate level of the operating reserve.

(10) DISPOSITION OF NET INCOME

Distribution of profits shall be determined on a case-by-case basis by the Enterprise Management Committee. The distribution of profits shall be predicated on a financial analysis of the enterprise activity and its ability to achieve and sustain its business plan. The Enterprise Management Committee shall utilize the following distribution formula, in order of priority, as a guideline:

- (a) repayment of loans from the Equipment Acquisition Fund;
- (b) funding of operating reserves;
- (c) reinvestment into the Enterprise activity (not to exceed 50% of the profits); and
- (d) the remainder transferred to School Operations funds for general operations.

History: Adopted 1-28-98

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