



**\$38,500,000\***

**Kettering University**

**Tax-Exempt Fixed Rate Bonds, Series 2020**

**Investor Information**

**May 29, 2020**

**\*preliminary, subject to change**

**Kettering**  
UNIVERSITY

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# Key Contacts

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# Series 2020 Transaction Summary

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**Issuer:** Michigan Finance Authority

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**Borrower:** Kettering University

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**Rating:** “A-” Stable Outlook (S&P)

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**Borrowing Size:** \$38,500,000\*

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**Use of Proceeds:**

A portion of the proceeds of the 2020 Bonds will be applied within forty-five days after the date of issuance of the 2020 Bonds to the repayment in full of the 2001 Bonds. Proceeds of the 2020 Bonds will also be applied to (a) finance the costs of acquiring, constructing, furnishing and equipping the Learning Commons project and other facilities located on the University’s main campus at 1700 University Avenue, Flint, Michigan 48504 (the “Capital Projects”), including capitalized interest on the construction portion of the financing, and (b) pay costs of issuing the 2020 Bonds.

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**Final Maturity:** September 1, 2050\*

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**Optional Redemption:** September 1, 2030\* at 100%

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**Sale Date:** June 16, 2020\*

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**Dated Date / Closing Date:** June 30, 2020\*

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**Security:** Revenue Pledge

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# History of the University

- 1919: Kettering University began as the School of Automotive Trades. Major Albert Sobey, served as the president until 1950. Under his leadership, the institution grew from a night school to an accredited, degree-granting engineering institution.
- 1923: It had grown to offer a four-year cooperative education program, enrolling more than 600 full-time students.
- 1924: School of Automotive Trades adopted the name Flint Institute of Technology to reflect broadening functions of the institution.
- 1927: Interfraternity Council organized; Robots was established; student chapter of Society of Automotive Engineers established.
- 1932: General Motors Institute (the “Institute”) became the school’s official name, which represented a further broadening of educational programs.
- 1945: The Institute added a fifth-year thesis requirement and evolved into a full degree-granting university with a unique educational model.
- 1965: First woman enrolled in a degree program.
- 1982: GMI Engineering and Management Institute – GM divested itself of the school, which became a private, non-profit University under the name GMI Engineering & Management Institute (GMI-EMI).
- 1998: GMI-EMI changed its name a final time to Kettering University, honoring a founder of the institution, Charles Kettering.
- 2003: C.S. Mott Engineering and Science Center constructed.
- 2010: Innovation Center built – LEED-certified laboratory facility on campus that supports scientific and technologically-based start-up companies.
- 2013: Orbits of Isaac – The University installed the sculpture by Michael Dunbar as an iconic centerpiece of the campus.
- 2014: The first d.space (collaboration room) opened in the Academic Building. D.spaces are readily available rooms equipped with whiteboards used for academic discussions among groups of students. T-Space (technology innovation area) was also formed in order to allow access to materials, tools, resources to complete class projects and for students to express creativity via science and engineering.
- 2014: FIRST Robotics Community Center – Kettering opened the center to host nine area FIRST robotics teams and host summer camps for local students.
- 2016: Kettering University GM Mobility Research Center – Kettering opened an autonomous vehicle testing pad and track, the first of its kind on a college campus.
- 2018: Harris Family Mobility Research Annex constructed.
- 2012: Boldly Forward campaign launches.

# Campus Location

- The University's campus is situated on approximately 90 acres of land along the Flint River on the west side of Flint, Michigan. The campus is comprised of the Core Campus Facilities and certain other ancillary facilities including an Innovation Center and Atwood Stadium. While the University does not participate in intercollegiate sports, its stadium is a recreational resource to both students and the broader community.



# Institutional Recognition

- Kettering University was ranked 13th nationally in non-Ph.D. engineering programs in the 2020 *U.S. News and World Report* ‘Best Colleges’ edition.
- Kettering University’s Mechanical Engineering program was ranked sixth nationally by College Factual in 2020.
- Kettering University was ranked first in Michigan and 24th nationally in PayScale.com's 2019 Return on Investment rankings.
- Kettering University received a 2018 ‘Best in the Midwest’ designation from the *Princeton Review*.
- In a study profiled in *The Economist*, Kettering University ranked fourth in the country in producing alumni who hold patents in 2017.
- Kettering University was ranked first in the country in career preparation in a 2017 survey conducted by *The Wall Street Journal*.
- The *Washington Monthly* ranked Kettering fifth in the Midwest in its 2017 ‘Best Bang for the Buck’ college rankings.
- Kettering University received a ‘Military Friendly Schools’ designation from Victory Media in 2017.

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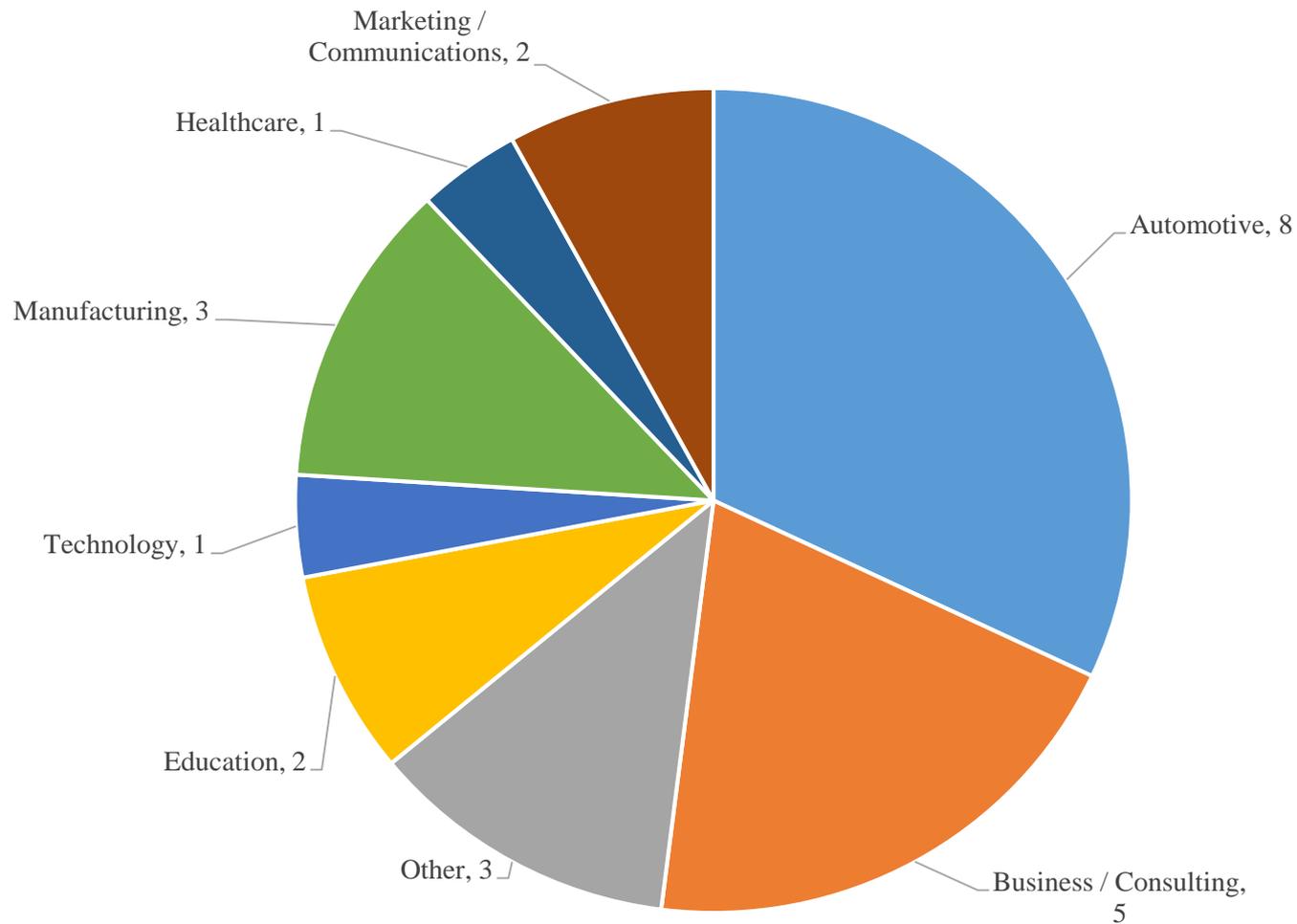
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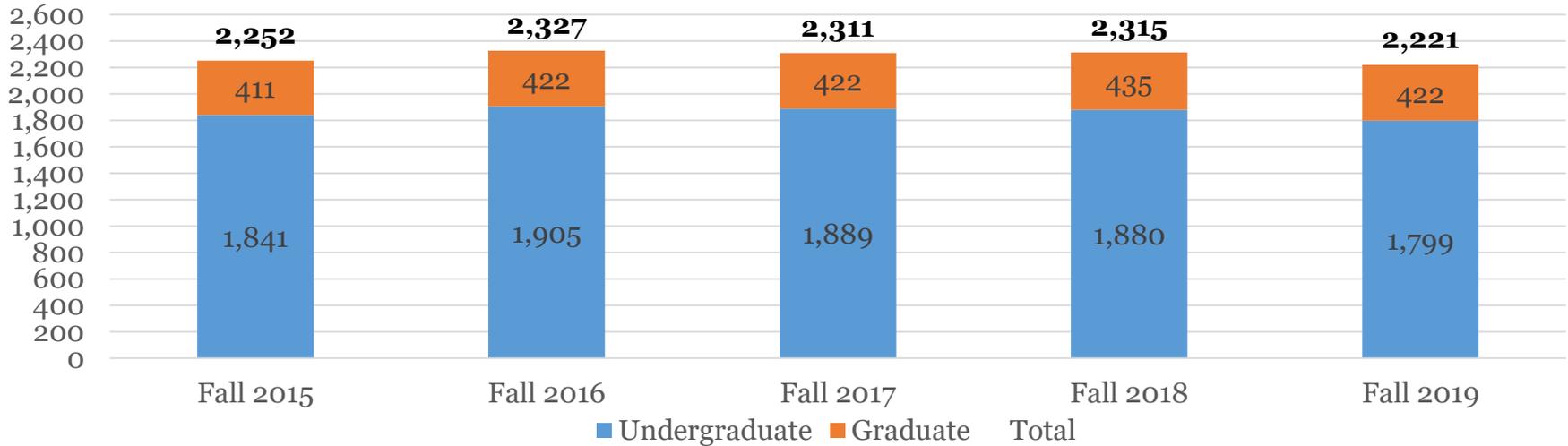
# Senior Administration

The University's senior leadership team is comprised of the following individuals:

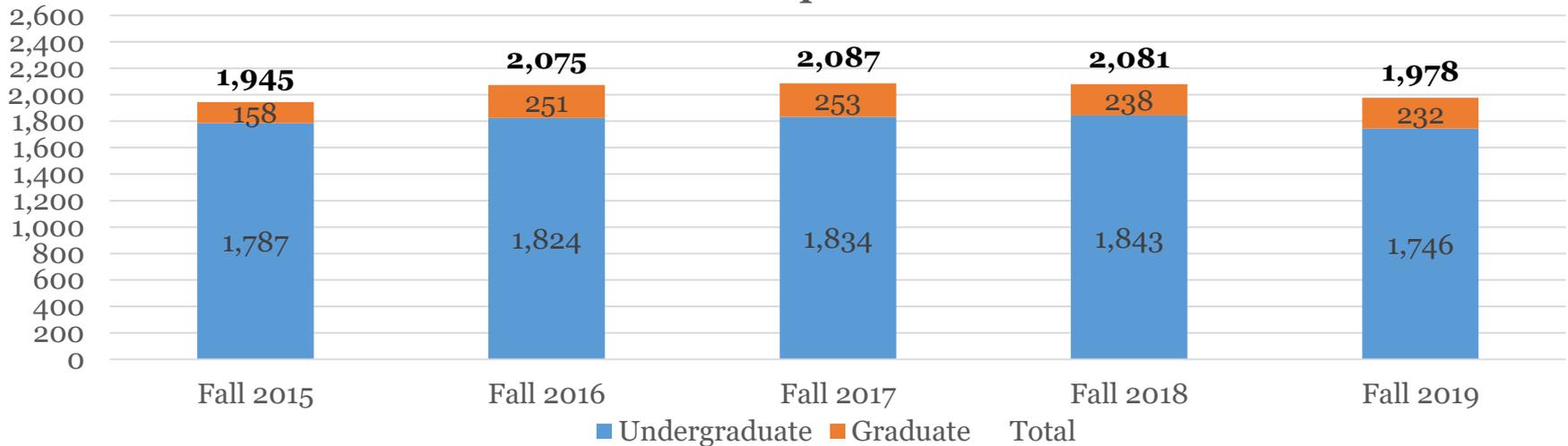
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# Enrollment

## Headcount



## Full-Time Equivalents



# Enrollment by Degree Program – Fall 2019

- The tables below show the fall 2019 enrollment by degree program for undergraduate and graduate programs.

Undergraduate Programs	# of Students
Applied Biology	10
Applied Mathematics	20
Applied Physics	20
Biochemistry	27
Bioinformatics	1
Computer Engineering	129
Chemistry	7
Computer Science	168
Electrical Engineering	173
Engineering Physics	31
Industrial Engineering	73
Mechanical Engineering	943
Management	6
Business Administration	34
Chemical Engineering	111
Non-Degree Guest	36
Undecided	10
<b>Total Undergraduate</b>	<b>1,799</b>

Graduate Programs	# of Students
Master of Business Administration	94
MS in Engineering Management	57
MS in Engineering	72
MS in Lean Manufacturing	139
MS in Operations Management	36
MS in Supply Management	8
Non-Degree Guest	16
<b>Total Graduate</b>	<b>422</b>

# Corporate Partners / Co-op Model

- **Kettering is well-known and highly respected for its unique Co-op model. More than 500+ corporate partners provide experiential education to students. Five academic terms of Co-op experiences are required for bachelor's degree programs with most students engaging in 8 or more terms. In recent years, total average earnings by each student has approximated \$40,000 to \$60,000 from Co-op experiences. Kettering students attain 2.5 years of professional experience leading into their careers. Job and graduate school placement rates six months after graduation are 95%.**
- The top 20 Co-op partners are shown in the table below.

Partner	Headquartered
General Motors	Michigan
Magna	Michigan
Bosch Corp	Michigan
Ford Motor	Michigan
Fiat Chrysler Automobiles	Amsterdam
Borg Warner	Michigan
ZF Friedrichshafen (Germany)	Germany
Lear Corporation	Michigan
Joyson Safety Systems	Michigan
Daimler Trucks	Germany

Partner	Headquartered
Eaton Corp	Ireland
Harman International	Connecticut
Navistar	Illinois
Nexteer Automotive	Michigan
American Axle Manufacturing	Michigan
PPG Industries	Pennsylvania
Brose North America	Michigan
TI Fluid Systems	United Kingdom
Faurecia	France
Hurley Medical Center	Michigan

- ***Kettering students are divided into 'A' & 'B' sections, while the academic year is divided into four terms. Job fairs are held for corporate partners to interview and hire students for a Co-op assignment. When 'A' section students are on-campus attending classes, 'B' section students are employed full-time in their Co-op assignment. Students then alternate between academic and work terms gaining two and one-half years of professional experience prior to graduation.***

# Boldly Forward Capital Campaign (through April 30, 2020)

- The Boldly Forward Capital Campaign launched July 1, 2012 and will conclude on December 31, 2021 with a goal of \$150MM. The campaign structure and priorities were designed to create a culture of philanthropy at the University.

Category	Dollars Raised	Goal	Percentage to Goal
Unrestricted	\$23,893,928	\$12,500,000	191.2%
Programmatic	\$27,224,771	\$30,000,000	90.8%
Faculty Support	\$1,838,470	\$12,500,000	14.7%
Scholarships	\$26,792,383	\$20,000,000	134.0%
Learning Commons	\$31,862,629	\$63,000,000	50.6%
Facilities other than LC	<u>\$12,307,075</u>	\$20,000,000	61.5%
<b>Total</b>	<b>\$124,169,255</b>		

**Note: As of April 30, 2020, 58.5% of total funds raised have been received in cash.**

# Statement of Financial Position

(\$000)	FY14-15	FY15-16	FY16-17	FY17-18	FY18-19
Cash and cash equivalents	12,053	8,012	14,429	10,970	21,487
Investments	91,083	90,230	91,610	99,414	103,005
Property and equipment, net	72,358	75,651	77,583	81,009	84,231
Other assets	11,878	11,193	10,847	11,874	13,257
<b>Total Assets</b>	<b>187,372</b>	<b>185,086</b>	<b>194,468</b>	<b>203,266</b>	<b>221,979</b>
<b>Liabilities:</b>					
Long-term debt	21,260	19,827	19,003	18,131	17,209
Other liabilities	5,850	7,238	6,372	7,194	7,636
<b>Total Liabilities</b>	<b>27,110</b>	<b>27,065</b>	<b>25,375</b>	<b>25,325</b>	<b>24,845</b>
<b>Net assets:</b>					
Without donor restrictions	79,227	83,133	89,218	91,897	92,583
With donor restrictions	81,035	74,888	79,875	86,043	104,551
<b>Total Net Assets</b>	<b>160,262</b>	<b>158,021</b>	<b>169,093</b>	<b>177,941</b>	<b>197,134</b>
<b>Total Liabilities &amp; Net Assets</b>	<b>187,372</b>	<b>185,086</b>	<b>194,468</b>	<b>203,266</b>	<b>221,979</b>

# Statement of Activities

## Without Donor Restriction

(\$000)	FY14-15*	FY15-16*	FY16-17*	FY17-18	FY18-19
Gross tuition and fees	65,165	71,857	76,674	79,584	82,055
Less: Scholarships & allowances	(24,397)	(27,167)	(28,735)	(29,853)	(30,849)
Net tuition and fees	40,769	44,690	47,940	49,732	51,205
Auxiliary enterprises	4,030	4,738	4,658	5,704	4,980
Private gift and grants	1,674	1,687	2,463	2,192	2,448
Government grants and contracts	1,461	1,794	2,518	2,802	2,016
Private sponsored research	1,876	1,330	1,606	498	476
Investment income	545	313	291	482	511
Other income	584	530	611	429	485
Net assets released from restriction	8,512	6,609	7,226	4,140	3,346
<b>Total Unrestricted Operating Revenues</b>	<b>59,450</b>	<b>61,691</b>	<b>67,312</b>	<b>65,979</b>	<b>65,468</b>
Auxiliary services	3,610	4,182	4,348	4,590	4,617
Other expenses	48,226	50,531	54,571	55,202	57,396
<b>Total Unrestricted Operating Expenses</b>	<b>51,835</b>	<b>54,713</b>	<b>58,919</b>	<b>59,791</b>	<b>62,013</b>
<b>Operating Surplus/(Deficit) before Depreciation &amp; Realized/Unrealized Gain/(Loss)</b>	<b>7,615</b>	<b>6,978</b>	<b>8,393</b>	<b>6,187</b>	<b>3,455</b>
Depreciation expense	(3,100)	(3,574)	(3,703)	(4,033)	(3,686)
Realized/unrealized gain/(loss)	177	502	1,394	525	918
<b>Increase in Net Assets</b>	<b>4,692</b>	<b>3,906</b>	<b>6,085</b>	<b>2,680</b>	<b>686</b>
<b>Net Assets - Beginning of year</b>	<b>74,534</b>	<b>79,227</b>	<b>83,133</b>	<b>89,218</b>	<b>91,897</b>
<b>Net Assets - End of year</b>	<b>79,227</b>	<b>83,133</b>	<b>89,218</b>	<b>91,897</b>	<b>92,584</b>

\* Fiscal years 2015-2017 have not been restated to reflect the University's adoption of ASC 606 Revenue Recognition accounting rules effective 7/1/19.

# Management Report on COVID-19: Situation Planning and Action Steps

The University has taken numerous steps to ensure the safety of its students, faculty and staff and to allow its educational mission to continue uninterrupted. The University operates on a quarter academic term schedule and near the end of the Winter Term when the crisis struck in late-March, 2020. Students (who were not already off campus at internships) departed campus and completed the term via virtual means, while employees began working remotely. Instruction for the Spring Term 2020 was successfully moved online, and all employees, except those in essential roles, worked remotely.

**Of the students who were about to embark on a Co-op assignment in April for the spring term, only about 65 students, or 8% experienced some form of disruption with their corporate partner. Most Co-op students are still working (many remotely) and receiving compensation. Less than 15% of the student body reside on campus and returned home, minus approximately 25 international students who were unable to return to their homelands.**

**For the 2019-20 fiscal year, due to the COVID-19 pandemic, the University realized expenses of \$812,000 for a.) room and board refunds for Spring Term 2020, b.) the recognition of some additional unforeseen expenses related to moving to a virtual online instructional format, and c.) preparing for the upcoming academic year. (In fiscal 2019, auxiliary revenue constituted about 5% of adjusted operating revenue.) Fortunately as the University does not have intercollegiate athletics or collect parking fees, there is no lost revenue associated with these activities. Since the University typically has less than 15% of the student body living on campus, residence hall and auxiliary revenue is a small portion of the University's revenue mix. While the impact of the COVID-19 pandemic has been challenging, it has been financially manageable. A grant of \$1.5 million was received under the CARES Act with 50% of this allocation being available to offset institutional needs. The University expects to balance its operating budget on a cash basis for the current fiscal year ending June 30, 2020.**

**The University has decided to return to in-person instruction with the beginning of its Summer Term on July 13, 2020.** The deposit date for new students was moved from May 1 to June 1. The University is also allowing regional incoming freshmen to commute from home vs. requiring them to live in University housing for their initial (summer) term. Management is currently engaged in operational scenario planning, including the possible reduction of course and lab sizes to allow for continued social distancing. Extensive planning and preparations are currently underway for transitioning essential employees back to the campus and serving students for the upcoming Summer Term any beyond.

# Management Report on COVID-19: Situation Planning and Action Steps (continued)

Some examples of the planning underway includes:

- Adequate supplies of washable face masks for all students and employees have been acquired;
- COVID-19 test kits, including trained personnel to administer tests, sufficient to service the entire student body and all employees have been acquired;
- Course schedules are being adjusted to limit active capacities of classrooms and buildings;
- In-person instruction procedures are being modified to keep groups of students in single classroom settings while rotating faculty instructors to minimize social distancing issues;
- A system of providing hybrid course instruction with alternating days for use of in-person and virtual online methodologies is being implemented;
- Arrangements are being made for concentrating most hands-on lab work on a single weekday;
- Dining service hours are being adjusted and food service procedures modified to enhance safety and social distancing;
- Micro-sprayer disinfecting equipment has been acquired to clean higher risk areas;
- Work space modifications are being made for employees and work schedules adjusted to promote safe social distancing measures;
- Public spaces are being reviewed for use of stairs, elevators, restrooms and common spaces;
- Robust communication plans, including a variety of social media, are being implemented for sharing information with prospective students, current and incoming students, parents, and employees.

If the duration of the COVID-19 pandemic continues and students who are not already off campus at Co-op programs must remain off campus for a longer period, this could influence fiscal 2021 results. The University is somewhat reliant upon international students who represented approximately 7.5% of total full-time equivalent (FTE) in fall 2019. (Total of 150 international FTE students of 1,978 total FTEs.)

In this unprecedented situation, the University is continuing to gather and assess data to make the best decisions possible for serving students and sustaining operations in a safe manner.

# Learning Commons Project

As an outgrowth of its visionary leadership, the University broke ground on a new state-of-the-art Learning Commons in February 2020. Scheduled to be completed by the fall of 2022, this new hybrid four-story, 105,000-square foot building will support the kind of vibrant, campus-centered experience that is increasingly the expectation of current and prospective students. It will bring technology and creativity into one shared space with its flexible learning spaces, d.space study rooms, interactive dining services, full digital library, and a student maker-space with a focus on mobility and artificial intelligence.

This amazing new resource for students will support collaboration across disciplines and serve as the hub of faculty-student interactions and student-industry collaboration. As Kettering's President, Dr. Robert K. McMahan, explains: "Importantly, the 'magic' comes not from the bricks and mortar or from the technological advancements; rather, the 'magic' comes from how our extraordinary students interact with these resources to solve problems and create solutions. Our students have proven for more than a century to be masters in this area."

Renderings of the Learning Commons are shown below.



# Use of Proceeds of the 2020 Bonds

- **The 2020 Bond proceeds will be used for the following purposes:**
  - Fully refund the Series 2001 Bonds;
  - Fund a portion of the Learning Commons project and other capital improvements,
  - Capitalized interest, and
  - Costs of issuance of the 2020 Bonds.

