

Muskegon Community College

Management's Discussion and Analysis

In the next fiscal year, the College has budgeted for equipment and building improvements of approximately \$1,186,000; primarily for technology, instructional equipment, and facility improvements. In addition, the College will have significant costs associated with the Arts and Humanities project. Only those items with a cost of more than \$5,000 will be capitalized.

Debt

The College's long-term debt consists of \$36,667,098 in General Obligation – Limited Tax Bonds, issued in 2013, 2014, 2016 and 2017. This compares to \$28,056,941 as of June 30, 2017. The College's bond debt rating is AA- (Standard & Poor's) and Aa3 (Moody's).

The 2016 bond was a refunding of the 2003 bonds which related to the College's liability on the library addition, and the 2005 bonds which were issued for the purpose of completing the new library addition and renovating/remodeling vacated space.

The 2013 and 2014 bonds were issued for the purpose of construction and renovation of facilities for the science, arts and health education programs, in addition to the development of a downtown Muskegon facility. The funding source to pay the debt service payments on these bonds is the property tax revenues from the voter approved debt millage.

The 2017 bond was issued for the purpose of providing the necessary funding to complete the remaining building projects.

More detailed information about the College's long-term liabilities is presented in Note E of the notes to financial statements.

Economic Factors That Will Affect the Future

The economic position of the College is closely tied to that of the State. The College will receive a .7% increase in appropriations for general operations from the state in fiscal year 2018-19. Property tax revenue is projected to increase as the county taxable value continues to increase due to increased home sales and new construction.

The national and state economy has improved, and the state unemployment rate of approximately 4.5% is just above that of the national rate. As the economy improves, it is anticipated that enrollment levels will decline because historically community college enrollment in Michigan has run counter-cyclical to the State's economy. The fact that the College experienced a decline in enrollment for the seventh year in a row is not unexpected and it is being monitored. The fall 2018 semester saw this trend continue with a slight decline in enrollment. Contact hours were approximately 1.4% less compared to the prior year, but this is better than what most other community colleges in the state are experiencing.

Muskegon Community College
NOTES TO FINANCIAL STATEMENTS
 June 30, 2018

NOTE E—LONG-TERM OBLIGATIONS

Summary of Long-Term Obligations

The following is a summary of long-term obligations activity for the College for the year ended June 30, 2018.

	<u>Balance</u> <u>July 1, 2017</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2018</u>	<u>Due Within</u> <u>One Year</u>
General obligation bonds	\$ 27,150,000	\$ 9,750,000	\$ 1,325,000	\$ 35,575,000	\$ 1,740,000
Net premium (discount)	906,941	246,365	61,208	1,092,098	-
Compensated absences	2,999,556	1,870,703	1,765,373	3,104,886	776,221
	\$ 31,056,497	\$ 11,867,068	\$ 3,151,581	\$ 39,771,984	\$ 2,516,221

	<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>Balance</u>
General obligation bonds:			
2013 Community College Facility Bonds	3 - 5%	May 2038	\$ 8,800,000
2014 Community College Facility Bonds	2.25 - 4%	May 2039	12,620,000
2016 Refunding Bonds	2 - 3%	May 2025	4,405,000
2017 College Facility Bonds	3 - 3.125%	Nov 2037	9,750,000
			\$ 35,575,000

On November 29, 2017 the College issued \$9,750,000 of College 2017 Facility Bonds. The purpose of these bonds are erecting additions to, remodeling, equipping and re-equipping, furnishing and refurbishing college facilities, and developing and improving sites.

Annual debt service requirements to maturity for debt outstanding as of June 30, 2018 follow:

<u>Year Ending</u> <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 1,740,000	\$ 1,238,922	\$ 2,978,922
2020	1,785,000	1,193,172	2,978,172
2021	1,820,000	1,149,410	2,969,410
2022	1,870,000	1,100,459	2,970,459
2023	1,920,000	1,048,972	2,968,972
2024-2028	7,945,000	4,373,460	12,318,460
2029-2033	8,245,000	2,976,925	11,221,925
2034-2038	9,250,000	1,294,868	10,544,868
2039	1,000,000	40,000	1,040,000
	\$ 35,575,000	\$ 14,416,188	\$ 49,991,188