

ANNUAL REPORT COVER SHEET

CITY OF GRAND RAPIDS, MICHIGAN

This cover sheet, the Annual Report, the Annual Comprehensive Financial Report (ACFR), and the City/County Joint Building Authority Financial Audit are being uploaded to the Municipal Securities Rulemaking Board's Electronic Municipal Market Access (EMMA) pursuant to the Securities & Exchange Commission Rule 15c2-12(b)(5)(i)(A) and (B).

Page 1 of 2

City's name: City of Grand Rapids, Michigan

City's six-digit CUSIP number(s): See below

Number of pages of the attached Annual Report or portions thereof:

55 pages plus the separately uploaded City of Grand Rapids MI Annual Comprehensive Financial Report ("ACFR") for the period ended June 30, 2024, and the City of Grand Rapids/County of Kent Financial Audit for the period ended June 30, 2024

Bond Issues to which this annual Report relates:

<u>CUSIP</u>	<u>Name of Bond Issue</u>	<u>Date of Such Bonds</u>
386289	\$29,625,000 City of Grand Rapids, Michigan Sanitary Sewer System Revenue Refunding Bonds, Series 2010	January 26, 2010
386289	\$24,815,000 City of Grand Rapids, Michigan Sanitary Sewer Revenue Bonds, Series 2010A and 2010B	December 15, 2010
386205	\$2,325,000 City of Grand Rapids, Michigan Brownfield Redevelopment Authority Tax Increment Bonds, Series 2012	June 12, 2012
386316	\$3,385,000 City of Grand Rapids, Michigan Water Supply System Improvement Revenue Bonds	March 13, 2013
386445	\$4,550,000 Grand River Floodwalls and Embankments Drain Bonds, Series 2014 Grand River Floodwalls and Embankments Drain Bonds, Series 2014	December 3, 2014
386316	\$25,370,000 City of Grand Rapids, Michigan Water Supply System Revenue Refunding Bonds, Series 2015	February 25, 2015
386226	\$19,580,000 City of Grand Rapids, Michigan Limited Tax General Obligation Refunding Bonds, Series 2016	February 4, 2016
386289	\$48,410,000 City of Grand Rapids, Michigan Sanitary Sewer System Revenue Refunding Bonds, Series 2016	March 3, 2016
386226	\$15,245,000 City of Grand Rapids, Michigan Capital Improvement Bonds, Series 2016	March 31, 2016
386316	\$36,740,000 City of Grand Rapids, Michigan Water Supply System Revenue Refunding Bonds, Series 2016	September 22, 2016
386445	\$8,445,000 Grand River Floodwalls and Embankments Drainage District Grand River Floodwalls and Embankments Drain	November 15, 2016
386289	\$43,400,000 City of Grand Rapids, Michigan Sanitary Sewer System Revenue Improvement Bonds, Series 2018	June 13, 2018
386316	\$38,680,000 City of Grand Rapids, Michigan Water Supply System Revenue Improvement & Refunding Bonds, Series 2018	September 20, 2018
386226	\$8,210,000 City of Grand Rapids, Michigan Capital Improvement Bonds, Series 2018	December 18, 2018
386289	\$35,030,000 City of Grand Rapids, Michigan Sanitary Sewer System Revenue Improvement & Refunding Bonds, Series 2020	February 12, 2020
386316	\$26,445,000 City of Grand Rapids, Michigan Water Supply System Revenue Improvement Bonds, Series 2020	June 25, 2020
386244	\$5,805,000 City of Grand Rapids Building Authority Building Authority Refunding Bonds, Series 2020A	November 18, 2020
386244	\$11,050,000 City of Grand Rapids Building Authority Building Authority Refunding Bonds, Series 2020B	November 18, 2020

Continued on next page

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Bond Issues to which this annual Report relates:

<u>CUSIP</u>	<u>Name of Bond Issue</u>	<u>Date of Such Bonds</u>
386226	\$11,790,000 City of Grand Rapids, Michigan General Obligation Limited Tax Capital Improvement Bonds, Series 2021	July 20, 2021
386289	\$101,700,000 City of Grand Rapids, Michigan Sanitary Sewer System Revenue Refunding Bonds, Series 2021	July 21, 2021
386226	\$9,130,000 City of Grand Rapids, Michigan Limited Tax General Obligation Capital Improvement Bonds, Series 2023	November 22, 2023
386226	\$72,770,000 City of Grand Rapids, Michigan Limited Tax General Obligation Capital Improvement Bonds, Series 2024	June 11, 2024
386226	\$20,740,000 City of Grand Rapids, Michigan LTGO Parks & Recreation Improvement Bonds, Series 2024	September 17, 2024
386226	\$21,970,000 City of Grand Rapids, Michigan Limited Tax General Obligation Bonds (Parking Structure), Series 2024	December 11, 2024

I hereby represent that I am authorized to distribute this information publicly.

Signature: 

Name: Molly Clarin

Title: Chief Financial Officer

Employer: City of Grand Rapids

Address: Fiscal Services-Administration, 7th Floor, 300 Monroe Ave

City, State, ZIP Code: Grand Rapids, Michigan 49503

Telephone Number: 616-456-3269



**CITY OF
GRAND
RAPIDS**

CITY OF GRAND RAPIDS, MICHIGAN

CONTINUING DISCLOSURE CERTIFICATE – ANNUAL REPORT

AS OF JUNE 30, 2024

Prepared by Tricia Chapman
Administrative Services Officer II
City of Grand Rapids - Fiscal Services
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December 27, 2024

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Annual Comprehensive Financial Report, Year Ended June 30, 2024 – SUBMITTED / UPLOADED SEPARATELY

CITY OF GRAND RAPIDS, MICHIGAN

City of Grand Rapids Population

The City's 1980, 1990, 2000, 2010, and 2020 census populations are as follows:

<u>Year of Census</u>	<u>Population</u>	<u>Percent Change</u>
1980	181,843	(8.00)
1990	189,126	4.01
2000	197,800	4.59
2010	188,040	(4.93)
2020	198,917	5.78

Source: U.S. Department of Commerce-Bureau of Census.

Form of Government

The City was first incorporated as a village in 1838. In 1850 it was incorporated as a city under a mayor-council form of government, and remained that way until 1916, when the commission-manager form of government was adopted under the authority of the Home Rule City Act (Michigan Public Act 279 of 1909, as amended). The present commission is composed of seven members. Two members are elected on a non-partisan basis from each of the City's three wards, and one member is elected at-large on a non-partisan basis to serve as Mayor. The Comptroller is also elected at-large on a non-partisan basis. The City Manager, chief administrative officer of the City, is appointed by the City Commission and serves at its pleasure. The City Commission meets on Tuesdays in accordance with a schedule determined annually.

CITY TAXATION AND LIMITATIONS

Property Assessments

Real property is land and the things permanently attached to or part of the land and improvements made to it by human efforts ("Real Property"). Examples of Real Property include land, buildings, water and sewer facilities, roads, and acquisition of various property rights. Personal property is property owned by an individual or business which is not affixed to or associated with the land, consisting of movable items such as furniture, fixtures, and machines and equipment if belonging to a business ("Personal Property"). Customary household goods such as furnishings, appliances and clothing are typically exempt from property taxes if they are used within the household.

Real and Personal Property, as of December 31 of each year, is assessed, or valued, by the City, equalized by the County of Kent (the "County") and further equalized by the State. The value as equalized by the State becomes the state equalized valuation ("State Equalized Valuation" or "SEV"). See "Property Valuations" following.

Article IX, Section 3, of the Michigan Constitution provides that Real and Personal Property assessments shall not exceed 50% of true cash value. The Michigan Legislature has provided, by statute, that Real and Personal Property will be assessed at 50% of true cash value. The Michigan Legislature, or the electorate, may change the percentage of true cash value at which Real and Personal Property is assessed.

Personal Property assessments reflect the taxpayer reported cost of the Personal Property and the application of one of the depreciation schedules formulated by the State Tax Commission. The City's

assessor determines which depreciation schedule will be used to value the Personal Property.

Owners of taxable property may appeal their assessment to the City Assessor, the City's Board of Review and to the Michigan Tax Tribunal. Outstanding appeals are not anticipated to adversely impact the financial condition of the City.

Property Valuations

In 1994, the electors of the State approved an amendment to the Michigan Constitution permitting the Legislature to authorize the levy of taxes on a non-uniform basis. The legislation implementing this constitutional amendment added a new measure of property value known as taxable value ("Taxable Value"). Since 1995, property that is taxable has two valuations, SEV and Taxable Value. Michigan statute provides that Real and Personal Property taxes ("Ad Valorem Taxes") be levied on Taxable Value (the "Ad Valorem Tax Roll").

Generally, the Taxable Value of Real or Personal Property is the lesser of (a) the SEV or Taxable Value of the property in the immediately preceding year, adjusted for losses, multiplied by the lesser of the inflation rate or 5%, plus additions, or (b) the property's current SEV. Under certain circumstances, the Taxable Value of property may be different from the same property's SEV. When Real or Personal Property is sold or transferred, Taxable Value is adjusted to the SEV, the year after the sale or transfer, which under existing law is 50% of the true cash value. The Taxable Value of new construction is equal to its SEV.

Taxable Value

Ad Valorem Taxable Value does not include any value of tax-exempt property (e.g., governmental facilities, churches, hospitals, public schools, etc.) or property granted tax abatement under Act 198, Public Acts of Michigan, 1974, as amended ("Act 198"), Act 147, Public Acts of Michigan, 1992, as amended ("Act 147"), Act 146, Public Acts of Michigan, 2000, as amended ("Act 146"), Act 255, Public Acts of Michigan, 1978 as amended ("Act 255"), Act 260, Public Acts of Michigan, 2003, as amended ("Act 260"), and Act 210, Public Acts of Michigan, 2005, as amended ("Act 210"). For its fiscal year ending June 30, 2024, the equivalent effect of the abatements granted under Act 198, Act 146, Act 147, Act 210, Act 255, and Act 260 is to understate the City's Taxable Value by \$79,742,528 or 1.18%. Including the Equivalent Taxable Value, hereinafter defined, of these properties, the City's total Taxable Value ("Total Taxable Value") has increased \$1,554,157,062 or approximately 29.8% between the fiscal years ended June 30, 2020 through 2024. See the following table and "CITY TAXATION AND LIMITATIONS – Tax Abatements" herein.

City of Grand Rapids
Total Taxable Value
Fiscal Years Ended June 30, 2020 Through 2024

Assessed Value as of December 31	Year of State Equalization and Tax Levy	City's Fiscal Year Ended or June 30	Ad Valorem Taxable Value ¹	Equivalent Taxable Value of Property Granted Tax Abatements Under Act 146, Act 147, Act 198, Act 210, Act 255 and Act 260 ²	Total Taxable Value	Percent Increase (Decrease) Over Prior Year
2018	2019	2020	\$5,165,575,972	\$48,793,028	\$5,214,369,000	6.24%
2019	2020	2021	5,487,217,291	42,852,813	5,530,070,104	6.05
2020	2021	2022	5,741,664,072	41,934,933	5,783,599,005	4.58
2021	2022	2023	6,170,673,113	48,978,338	6,219,651,451	7.54
2022	2023	2024	6,714,879,177	53,646,885	6,768,526,062	8.82

Per Capita Total Taxable Value for the Fiscal Year Ending June 30, 2024³\$34,027

¹ Includes the value of qualified property located within the City's Renaissance Zone (the "Zone"), which was created pursuant to the provisions of Act 376, Public Acts of Michigan, 1996, as amended ("Act 376"). Act 376 was designed to stimulate private investment within the Zone through the abatement of certain property, income and business taxes. For the fiscal year ending June 30, 2024, the Taxable Value of property qualified for the benefits of the Zone program totaled \$17,793,616. As of the fiscal year ending June 30, 2021, exemptions for most of the City's Zone designated property have been phased-out according to the schedules created when the designations were awarded by the State. For the remaining properties in the City's Zone, property and income tax exemptions will be reduced to 0% through 2025, depending on the particular development agreement.

² At the full tax rate. See "CITY TAXATION AND LIMITATIONS – Tax Abatements" herein.

³ Based on the City's 2020 Census of 198,917.

Including the value of property granted tax abatements under Act 198, Act 146, Act 147, Act 210, Act 255, and Act 260, a breakdown of the City's Total Taxable Value by use and class for the fiscal years ended June 30, 2020 through 2024 is shown below.

City of Grand Rapids
Total Taxable Value by Use and Class
Fiscal Years Ended June 30, 2020 Through 2024

	Fiscal Year Ended June 30				
Use	2020	2021	2022	2023	2024
Commercial.....	\$1,761,358,754	\$1,906,906,744	\$1,989,364,775	\$2,136,273,384	\$2,326,787,554
Industrial	253,669,378	245,657,395	241,810,618	256,832,092	284,715,754
Residential.....	3,072,071,868	3,239,494,065	3,397,874,312	3,656,180,475	3,976,725,354
Utility	127,269,000	138,011,900	154,549,300	170,365,500	180,297,400
	<u>\$5,214,369,000</u>	<u>\$5,530,070,104</u>	<u>\$5,783,599,005</u>	<u>\$6,219,651,451</u>	<u>\$6,768,826,062</u>
Class	2020	2021	2022	2023	2024
Real Property.....	\$4,808,550,650	\$5,109,883,804	\$5,350,321,856	\$5,776,891,851	\$6,313,238,862
Personal Property	405,818,350	420,186,300	433,277,150	442,759,600	455,287,200
	<u>\$5,214,369,000</u>	<u>\$5,530,070,104</u>	<u>\$5,783,599,006</u>	<u>\$6,219,651,451</u>	<u>\$6,768,826,062</u>

Source: City of Grand Rapids

City of Grand Rapids
Percent of Total Taxable Value by Use and Class
Fiscal Years Ended June 30, 2020 Through 2024

	Fiscal Year Ended June 30				
<u>Use</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Commercial.....	33.78%	34.48%	34.40%	34.35%	34.38%
Industrial	4.86	4.44	4.18	4.13	4.21
Residential.....	58.92	58.58	58.75	58.78	58.75
Utility	<u>2.44</u>	<u>2.50</u>	<u>2.67</u>	<u>2.74</u>	<u>2.66</u>
	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>
<u>Class</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Real Property.....	92.22%	92.40%	92.51%	92.88%	93.27%
Personal Property	<u>7.78</u>	<u>7.60</u>	<u>7.49</u>	<u>7.12</u>	<u>6.73</u>
	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

Source: City of Grand Rapids

State Equalized Valuation (“SEV”)

Aside from its use in determining Taxable Value for levying Ad Valorem Taxes, SEV is important because of its role in the spreading of taxes between overlapping jurisdictions, the distribution of various State aid programs, State revenue sharing and in the calculation of legal debt limits.

Ad Valorem SEV does not include any value of tax-exempt property (e.g., governmental facilities, churches, hospitals, public schools, etc.) or property granted tax abatement under Act 198, Act 146, Act 147, Act 210 or Act 260. The effect of the abatements granted under Act 146, Act 147, Act 198, Act 210, Act 255, and Act 260 is to understate the City’s Ad Valorem SEV for its fiscal year ending June 30, 2024, by \$161,785,100 or 1.63%. Including the SEV of these properties, the City’s total SEV (“Total SEV”) has increased \$3,246,899,100 or approximately 48.51% between the fiscal years ended June 30, 2020 through 2024 as illustrated on the following table.

City of Grand Rapids
Total State Equalized Valuation
Fiscal Years Ended June 30, 2020 Through 2024

<u>Assessed</u> <u>Value as of</u> <u>December 31</u>	<u>Year of State</u> <u>Equalization</u> <u>and Tax Levy</u>	<u>City’s Fiscal</u> <u>Year Ended</u> <u>or Ending</u> <u>June 30</u>	<u>Ad</u> <u>Valorem</u> <u>SEV</u>	<u>SEV of Property</u> <u>Granted Tax</u> <u>Abatement</u> <u>Under Act 146,</u> <u>Act 147, Act</u> <u>198, Act 210,</u> <u>Act 255, and</u> <u>Act 260¹</u>	<u>Total</u> <u>SEV</u>	<u>Percent</u> <u>Increase</u> <u>(Decrease)</u> <u>Over</u> <u>Prior Year</u>
2018	2019	2020	\$6,579,248,000	\$113,630,700	\$6,692,878,700	11.39%
2019	2020	2021	7,370,738,100	121,004,100	7,491,742,200	11.94
2020	2021	2022	7,937,603,900	127,098,800	8,064,702,700	7.65
2021	2022	2023	8,713,424,950	144,107,400	8,857,532,350	9.83
2022	2023	2024	9,777,992,700	161,785,100	9,939,777,800	12.22

Per Capita Total SEV for the Fiscal Year Ending June 30, 2024².....\$49,969

¹ See “CITY TAXATION AND LIMITATIONS – Tax Abatements” herein.

² Based on the City’s 2020 census of 198,917.

Source: City of Grand Rapids

City of Grand Rapids
Total SEV by Use and Class
Fiscal Years Ended June 30, 2020 Through 2024

	Fiscal Year Ended June 30				
<u>Use</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Commercial	\$1,909,983,300	\$2,470,534,200	\$2,595,446,000	\$2,880,216,900	\$3,199,209,700
Industrial.....	293,418,400	308,058,100	336,734,500	342,835,000	390,350,900
Residential	4,131,600,200	4,575,138,000	4,977,972,900	5,464,114,950	6,169,919,800
Utility.....	<u>127,269,000</u>	<u>138,011,900</u>	<u>154,549,300</u>	<u>170,365,500</u>	<u>180,297,400</u>
	<u>\$6,462,270,900</u>	<u>\$7,491,742,200</u>	<u>\$8,064,702,700</u>	<u>\$8,857,532,350</u>	<u>\$9,939,777,800</u>
<u>Class</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Real Property	\$6,049,569,800	\$7,066,059,700	\$7,627,435,400	\$8,412,062,250	\$9,484,325,000
Personal Property.....	<u>412,701,100</u>	<u>425,682,500</u>	<u>437,267,300</u>	<u>445,470,100</u>	<u>455,452,800</u>
	<u>\$6,462,270,900</u>	<u>\$7,491,742,200</u>	<u>\$8,064,702,700</u>	<u>\$8,857,532,350</u>	<u>\$9,939,777,800</u>

City of Grand Rapids
Percent of Total SEV by Use and Class
Fiscal Years Ended June 30, 2020 Through 2024

	Fiscal Year Ended June 30				
<u>Use</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Commercial	31.99%	32.98%	32.18%	32.52%	32.19%
Industrial.....	4.38	4.11	4.17	3.87	3.93
Residential	61.73	61.07	61.73	61.69	62.07
Utility.....	<u>1.90</u>	<u>1.84</u>	<u>1.92</u>	<u>1.92</u>	<u>1.81</u>
	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>
<u>Class</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Real Property	93.83%	94.32%	94.58%	94.97%	95.42%
Personal Property.....	<u>6.17</u>	<u>5.68</u>	<u>5.42</u>	<u>5.03</u>	<u>4.58</u>
	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

Source: City of Grand Rapids

Tax Abatements

The City's Ad Valorem Taxable Value does not include the value of certain facilities which have been temporarily removed from the Ad Valorem Tax Roll pursuant to Act 198. Act 198 was designed to provide a stimulus in the form of significant tax incentives to industrial enterprises to renovate and expand aging facilities and to build new facilities. Under the provisions of Act 198, a local governmental unit (i.e., a city, village or township) may establish plant rehabilitation districts and industrial development districts and offer industrial firms certain property tax incentives or abatements to encourage restoration or replacement of obsolete facilities and to attract new facilities to the area.

An industrial facilities exemption certificate granted under Act 198 entitles an eligible facility to exemption from Ad Valorem Taxes for a period of up to 12 years. In lieu of Ad Valorem Taxes, the eligible facility will pay an industrial facilities tax (the "IFT Tax"). For properties granted tax abatement under Act 198 there exists a separate tax roll referred to as the industrial facilities tax roll (the "IFT Tax Roll"). The IFT Tax for an obsolete facility which is being restored or replaced is determined in the same manner as the Ad Valorem Tax; the important difference being that the value of the property remains at the Taxable Value level prior to the improvements even if the restoration or replacement substantially increases the value of

the facility. For a new facility the IFT Tax is also determined the same as the Ad Valorem Tax but instead of using the total mills levied as Ad Valorem Taxes, a lower millage rate is applied. For abatements granted after 1993, this millage rate equals 1/2 of all tax rates levied by other than the State plus 0%, 50% or 100% of the State Education Tax as determined by the State Treasurer.

The Commercial Redevelopment Act, (known as the Commercial Facilities Exemption), PA 255 of 1978, as amended, affords a tax incentive for the redevelopment of commercial property for the primary purpose and use of a commercial business enterprise. Exemptions are approved for a term of 1-12 years and the taxable value is frozen for the duration of the certificate. For restored facilities, the property taxes are based upon the previous year's (prior to restoration) taxable value and 100% of the mills levied. For new or replacement facilities, the property taxes are based upon the current year's taxable value and 50% of the mills levied.

The City's Ad Valorem Taxable Value also does not include the value of certain facilities which have been temporarily removed from the Ad Valorem Tax Roll pursuant to Act 146. Act 146 was designed to provide a stimulus in the form of significant tax incentives to renovate certain blighted, environmentally contaminated or functionally obsolete commercial property or commercial housing property ("OPRA Properties"). Under the provisions of Act 146, a local governmental unit (i.e. a city, village or township) may establish obsolete property rehabilitation districts and offer tax incentives or abatements to encourage rehabilitation of OPRA Properties.

An obsolete property rehabilitation certificate granted under Act 146 entitles an eligible facility to an exemption from Ad Valorem Taxes on the building only for a period of up to 12 years. A separate tax roll exists for OPRA Properties abated under Act 146 called the "Obsolete Properties Tax Roll." An "Obsolete Properties Tax" is calculated using current year ad valorem millages times the taxable value of the obsolete building for the tax year immediately prior to the effective date of the obsolete property rehabilitation certificate except for the annual school operating and State Education Tax millages which are charged at the Ad Valorem Tax rate on the current Taxable Value of the building.

Another property tax abatement program used by the City is authorized under Act 147, which is known as the Neighborhood Enterprise Zone ("NEZ") Act. Act 147 allows specific local governments to create "Neighborhood Enterprise Zones." The goal of the NEZ abatement program is to promote home ownership and investment in areas of the City where the greatest impact would occur and where such improvements may trigger additional investment in adjacent neighborhoods.

There are two types of available NEZ property tax abatements. One is for the rehabilitation of an existing property and one for new construction. Both types of NEZ property tax abatements apply only to residential properties. The holder of an NEZ Certificate does not pay ad valorem property taxes related to the taxable value of the NEZ residence. Instead, the property owner pays the Neighborhood Enterprise Zone Tax (the "NEZ Tax"), which is equal to one half of the State's average rate of taxation. For Fiscal year ended June 30, 2024, the NEZ Tax rate was 17.495 mills for a new Principal Residence Exemption ("PRE") facility and 26.895 mills for a new non-PRE facility. The amount of the NEZ Tax on a rehabilitated NEZ residence is determined each year by multiplying the Taxable Value of the residence for the tax year immediately preceding the effective date of the NEZ Certificate by the total ad valorem millage rate. Land value and special assessments are not eligible for the NEZ property tax abatement. The effective date for the tax abatement is dependent upon commencement of construction and when the residence is substantially completed. NEZ Certificates are in effect for up to 12 years. The continuance of a NEZ Certificate is conditional upon being current on payment of all taxes and any other debts owed to the City on an annual basis.

The City also offers tax incentives pursuant to Act 210 for the rehabilitation of commercial property for the primary purpose and use of a commercial business or multi-family residential facility. The property

must be located within an established Commercial Rehabilitation District. Exemptions are approved for a term of up to ten years, as determined by the City. The property taxes are based upon the previous year's (prior to rehabilitation) taxable value. The taxable value is frozen for the duration of the certificate. Applications are filed, reviewed and approved by the City, but are also subject to review at the State level by the Property Services Division of the State Tax Commission (STC) which is responsible for final approval and issuance of certificates. Exemptions are not effective until approved by the STC.

Act 260, known as the Tax Reverted Clean Title Act ("TRCTA"), provides for the levy of a specific tax upon property sold or otherwise conveyed by a Land Bank Fast Track Authority ("LBFTA") which qualifies for the five-year exemption. The legal name for the tax is the Eligible Tax Reverted Property Specific Tax. The specific tax levied on certain properties sold or otherwise conveyed by a Land Bank Fast Track Authority is an annual tax, payable at the same times, in the same installments, and to the same officer or officers as taxes imposed under the General Property Tax Act and the State Education Tax Act. To assist with the costs of administration of the LBFTA, Act 260 allows for 50% of the property taxes to be distributed to the LBFTA which sold the property, for up to five years.

The City has established goals, objectives, and procedures to provide the opportunity for residential, industrial, and commercial development and expansion. The TV of properties that have been granted tax abatement under Act 198, Act 146, Act 147, Act 210, and Act 260, removed from the Ad Valorem Tax Roll and placed on the IFT Tax Roll, Obsolete Properties Tax Roll, the TRCTA Roll, the Commercial Rehabilitation Act Roll, or in an NEZ totaled \$119,486,411 for the fiscal year ending June 30, 2023. Taxes paid on these properties are equivalent to Ad Valorem Taxes paid on \$48,978,338 of Taxable Value at the full tax rate (the "Equivalent Taxable Value"). Upon expiration of the abatements, the current equalized valuation of the abated properties returns to the Ad Valorem Tax Roll as Taxable Value.

Personal Property Tax Exemptions

Act 328, Public Acts of Michigan, 1998, as amended, ("Act 328") allows certain eligible communities to designate specific existing areas as "eligible distressed areas" in which "new personal property" of "eligible businesses" would be exempt from Ad Valorem property taxation. The City is one of the eligible communities. With the approval of the STC, the City has designated certain areas as eligible distressed areas. Under Act 328, the City has exempted personal property related to 3 agreements ranging from ten years to up to sixteen years for the fiscal year ending June 30, 2024 assessment roll. To date, it is estimated that personal property assessed value in the amount of \$12,152,700 is currently eligible for PA 328 abatements.

Personal Property Tax Reform

The voters of the State approved enactment of Michigan Public Acts 153 and 154 of 2013 and Acts 80 and 86 through 93 of 2014 by referendum on August 5, 2014 (collectively, the "PPT Reform Acts"), which significantly reformed personal property tax in Michigan.

Under the PPT Reform Acts, owners of industrial and commercial personal property with a total true cash value of \$180,000 or less may file an affidavit claiming a personal property tax exemption. To be eligible for the exemption, all of the commercial or industrial personal property within a county that is owned by, leased to, or controlled by the claimant has to have an accumulated true cash value of \$180,000 or less. Beginning in calendar year 2016, owners of certain manufacturing personal property that was either purchased after December 31, 2012, or that is at least 10 years old may claim an exemption from personal property tax. By 2022, all eligible manufacturing personal property will be at least 10 years old or purchased after December 31, 2012, so that it would be exempted from personal property tax.

To replace personal property tax revenues lost by local governments, the PPT Reform Acts divided the existing state use tax into two components, a "state share tax" and a "local community stabilization share

tax,” and established the Local Community Stabilization Authority (the “LCSA”) to administer distribution of the local community stabilization share tax. The Michigan Department of Treasury collects the local community stabilization share tax on behalf of the LCSA. The local community stabilization share tax revenues are not subject to the annual appropriations process and are provided to the LCSA for distribution pursuant to a statutory formula. The statutory formula is anticipated to provide 100% reimbursement to local governments for losses due to the new personal property tax exemptions. The LCSA began distributions of the local community stabilization share tax to local governments on November 21, 2016. The City received \$561,577 in May 2023 and \$353,366 in October 2023 from the LCSA to replace personal property tax revenues lost.

Property Taxes

Michigan statutes provide that all ad valorem taxes are to be levied upon Taxable Value. The City's ability to tax is limited by the State Constitution, State statutes and the City Charter. Home rule cities, such as the City, are permitted by Act 279, Public Acts of Michigan, 1909, as amended (the "Home Rule City Act"), to authorize by their charters a maximum levy of 20 mills for operating purposes. The City's Charter authorizes a maximum levy of 6.4100 mills for general and library operating purposes. Additionally, the City electorate authorized for twenty years, then re-authorized for another twenty years, an amendment to the City Charter to permit a levy for library capital improvement purposes. Pursuant to Act 298, Public Acts of Michigan, 1917, as amended, home rule cities may authorize an additional levy of up to three mills for refuse collection and disposal. Home rule cities are also authorized to levy up to one mill (plus one additional mill with voter approval) for library purposes pursuant to Act 164, Public Acts of Michigan, 1877, as amended. Act 359, Public Acts of Michigan, 1925, as amended, also authorizes home rule cities to levy up to \$50,000 for promotional expenses.

For the fiscal year ending June 30, 2024, the City levied 2.5301 mills for general operating purposes, 1.2500 for general capital, 1.9060 for library operating, 1.8000 mills for refuse collection and disposal, 0.0074 mills for promotion purposes, 0.3498 mills for library purposes, and 1.1892 mills for public parks facilities. In addition, the electorate may authorize the issuance of general obligation bonds or other obligations which pledge the full faith and credit and unlimited taxing power of the City. See "CITY TAXATION AND LIMITATIONS" and "CITY DEBT" herein.

State Limitations on Property Taxes

In 1978, the electorate of the State passed an amendment to the State Constitution (the “Headlee Amendment”) which placed certain limitations on increases of taxes by the State and political subdivisions from currently authorized levels of taxation. The Headlee Amendment and the enabling legislation, Act 35, Public Acts of Michigan, 1979, as amended, may have the effect of reducing the maximum authorized tax rate which could be levied by a local taxing unit. Under the Headlee Amendment's millage reduction provisions, should the value of taxable property, exclusive of new construction, increase at a percentage greater than the percentage increase in the Consumer Price Index, the maximum authorized tax rate would be reduced by a factor which would result in the same maximum potential tax revenues to the local taxing unit as if the valuation of taxable property (less new construction) had grown only at the national inflation rate instead of the higher actual growth rate. Thus, should taxable property values rise faster than consumer prices, the maximum authorized tax rate would be reduced accordingly. However, should consumer prices subsequently rise faster than taxable property values, the maximum authorized tax rate would be increased accordingly, but never higher than the statutory or charter tax rate limitations.

The Headlee Amendment does not limit taxes for the payment of principal of and interest on bonds or other evidences of indebtedness outstanding at the time the Headlee Amendment became effective or which have been approved by the electorate of the State or such political subdivision. For the fiscal year

ended June 30, 2024 the Headlee Amendment had the effect of reducing the City's authorized millages as follows:

**City of Grand Rapids
Maximum Property Tax Rates
Fiscal Year Ended June 30, 2024**

<u>Millage Classification</u>	<u>Millage Authorized</u>	<u>Millage Rate As Permanently Reduced by the Headlee Amendment</u>	<u>Current Year Millage Reduction Fraction</u>	<u>Maximum Allowable Millage</u>
Operating ¹	6.4100	5.6861	1.0000	5.6861
Refuse Collection and Disposal	3.0000	2.5496	1.0000	2.5496
Promotional ²	\$50,000			0.0074
Library ³	0.3741	0.3498	1.0000	0.3498
Parks ⁴	1.2500	1.1892	1.0000	1.1892

¹ For the fiscal year ending June 30, 2024, includes operating levies allocated for general, capital reserve, and library purposes of 2.5301, 1.2500, and 1.9060 mills, respectively.

² Estimated levy intended to generate approximately \$50,000 annually.

³ On November 7, 2017, the electorate approved a new 0.3741 twenty-year levy to commence July 1, 2018, to be used for operations, maintenance, repairs, and capital improvements of the City's public library.

⁴ In 2020, the City's electorate amended a permanent tax millage of 1.2500 mills for Parks, Pools, and Playgrounds commencing in 2021.

Source: City of Grand Rapids

Property Tax Rates

As defined under "Property Taxes" herein, a mill is equal to \$1.00 for each of \$1,000 of Taxable Value. The City is currently authorized to levy 5.6861 mills for operating purposes or a maximum of \$5.6861 for each \$1,000 of Taxable Value. Excluding taxes levied by other units of government, the City's property tax rates, expressed as a dollar for each \$1,000 of Taxable Value, for the fiscal years ended June 30, 2020 through 2024 are shown in the table on the following page. See "CITY TAXATION AND LIMITATIONS-State Limitations on Property Taxes" herein.

**City of Grand Rapids
Property Tax Rates
Fiscal Years Ended June 30, 2020 Through 2024**

<u>Levy July 1</u>	<u>Fiscal Year Ended or Ending June 30</u>	<u>Operating¹</u>	<u>Other²</u>	<u>Library³</u>	<u>Parks⁴</u>	<u>Total</u>
2019	2020	5.9762	1.6096	0.3678	0.9475	8.9011
2020	2021	5.8997	1.6090	0.3630	0.9353	8.8070
2021	2022	5.8129	1.6087	0.3576	1.2158	8.9950
2022	2023	5.6861	1.6080	0.3498	1.1892	8.8331
2023	2024	5.6861	1.8074	0.3498	1.1892	9.0325

¹ Includes operating levies allocated for general, capital reserve, and library purposes.

² Includes refuse collection and disposal as well as promotional levies.

³ On November 7, 2017, the electorate approved a new 0.3741 twenty-year levy to commence July 1, 2018, to be used for operations, maintenance, repairs, and capital improvements of the City's public library.

⁴ In 2013, the City's electorate amended the City's Charter to increase its operating levy by 0.9800 mills for a period of seven years commencing July 1, 2014, to be allocated and used solely for the City's public parks facilities. The millage expired with the July 1, 2020 levy. In 2020, the City's electorate amended a permanent tax millage of 1.2500 mills for Parks, Pools, and Playgrounds commencing in 2021.

Source: City of Grand Rapids

In addition to the City's property tax rates, businesses and residents of the City must pay property taxes to other units of local government. A State Education Tax of 6.0000 mills (the "SET") is levied by the State on all real property. To be eligible for state school aid, a local school district is also required to levy not more than the lesser of 18.0000 mills or the number of mills levied in 1993 for school operating purposes on non-homestead/non-PRE property. These property taxes are in lieu of those previously levied for local school district operating purposes.

Total rates, expressed as a \$1.00 for each \$1,000 of Taxable Value, for the City's fiscal years ended June 30, 2020 through 2024, are as follows:

City of Grand Rapids
PRE/Homestead¹ Property Tax Rates per \$1,000 of Taxable Value by Governmental Unit
Fiscal Years Ended June 30, 2020 Through 2024

Governmental Unit	Fiscal Year Ended June 30				
	2020	2021	2022	2023	2024
City of Grand Rapids ²	\$8.9011	\$8.8070	\$8.9950	\$8.8331	\$9.0325
County of Kent ³	6.2584	6.2100	6.1521	6.0971	6.0971
State of Michigan	6.0000	6.0000	6.0000	6.0000	6.0000
Grand Rapids Public Schools ⁴	4.8500	4.8500	3.8500	3.8500	3.8500
Kent County Intermediate School District ⁵	5.6113	5.5684	5.5157	5.4447	5.4447
Grand Rapids Community College	1.7606	1.7472	1.7307	1.7085	1.7085
Interurban Transit Partnership	1.4556	1.4557	1.4308	1.4074	1.4074
Total	<u>\$34.8370</u>	<u>\$34.6383</u>	<u>\$33.6743</u>	<u>\$33.3408</u>	<u>\$33.5402</u>

¹ *Principal Residence Exemption ("PRE")/Homestead Property* means a dwelling or unit in a multiple-unit dwelling subject to ad valorem property taxes that is owned and occupied as a principal residence by the owner of the dwelling or unit. PRE/Homestead includes all unoccupied property classified as agricultural adjacent and contiguous to the home of the owner that is not leased or rented by the owner to another person if the gross receipts of the agricultural or horticultural operations, if any, exceed the household income of the owner. If the gross receipts of the agricultural or horticultural operations do not exceed the household income of the owner, the homestead includes only 5 acres adjacent and contiguous to the home of the owner. PRE/Homestead includes a life care facility registered under the Living Care Disclosure Act, Act 440, Public Acts of Michigan, 1976, as amended. PRE/Homestead also includes property owned by a cooperative housing corporation and occupied as a principal residence by tenant stockholders.

² In November, 2013, the City's electorate amended the City's Charter to increase its operating levy by 0.9800 mills for a period of seven years commencing July 1, 2014, to be allocated and used solely for the City's public parks facilities. In 2020, the City's electorate amended a permanent tax millage of 1.2500 mills for Parks, Pools, and Playgrounds commencing in 2021.

³ In August, 2022, the County of Kent electorate approved the renewal of 0.3244 mills for Senior Citizen Services, along with an increase of 0.1756 mills, for a total authorized millage of 0.5000 mills for Senior Citizen Services. In August 2022, the County of Kent electorate approved a new Veterans Services millage at the rate of 0.0500 mills. Both the Senior Citizen and Veterans Services millage expires in December 2029. In November 2016, the County's electorate approved the creation of a "Zoo and Public Museum" operating millage at a rate of 0.4400 mills for a period of ten years, starting on December 1, 2016, and ending in 2025. On November 6, 2018, County voters also approved an "Early Childhood Services," 0.2500 mills levy for six years beginning December 1, 2018.

⁴ The Grand Rapids Public Schools is the largest school district within the City. Portions of other school districts overlap the City's boundaries. Of those which do, the total PRE/Homestead millage rates for the fiscal year ending June 30, 2024 ranged from 34.3602 to 36.7217 for each \$1,000 of Taxable Value.

⁵ On May 2, 2017, the electorate approved a ten year "strong schools" operating levy of 0.9000 mills for distribution to local school districts beginning with the July 1, 2017 levy. The millage will expire with the December 2026 levy.

Source: City of Grand Rapids

City of Grand Rapids
Non-PRE/Non-Homestead Property¹ Tax Rates per \$1,000 of Taxable Value by Governmental Unit
Fiscal Years Ended June 30, 2020 Through 2024

<u>Governmental Unit</u>	<u>Fiscal Year Ended June 30</u>				
	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
City of Grand Rapids ²	\$ 8.9011	\$8.8070	\$8.9950	\$ 8.8331	\$9.0325
County of Kent ³	6.2584	6.2100	6.1521	6.0971	6.0971
State of Michigan	6.0000	6.0000	6.0000	6.0000	6.0000
Grand Rapids Public Schools ⁴	22.8500	22.8500	21.8500	21.8500	21.8500
Kent County Intermediate School District ⁵	5.6113	5.5684	5.5157	5.4447	5.4447
Grand Rapids Community College	1.7606	1.7472	1.7307	1.7085	1.7085
Interurban Transit Partnership	<u>1.4556</u>	<u>1.4557</u>	<u>1.4308</u>	<u>1.4074</u>	<u>1.4074</u>
Total	<u>\$52.8370</u>	<u>\$52.6383</u>	<u>\$51.6743</u>	<u>\$51.3408</u>	<u>\$51.5402</u>

¹ *Non-PRE/Non-Homestead Property* is property not included in the definition of *PRE/Homestead Property* (see note 1 in the preceding table).

² In November 2013, the City's electorate amended the City's Charter to increase its operating levy by 0.9800 mills for a period of seven years commencing July 1, 2014, to be allocated and used solely for the City's public parks facilities. In 2020, the City's electorate amended a permanent tax millage of 1.2500 mills for Parks, Pools, and Playgrounds commencing in 2021.

³ In August 2014, the County of Kent electorate approved the renewal of 0.3244 mills for Senior Citizen Services, along with an increase of 0.1756 mills, for a total authorized millage of 0.5000 mills for Senior Citizen Services. In November 2014, the County of Kent electorate approved a new Veterans Services millage at the rate of 0.0500 mills for a period of eight years. The Veterans Services millage was first levied in December 2014. In November 2016, the County's electorate approved the creation of a "Zoo and Public Museum" operating millage at a rate of 0.4400 mills for a period of ten years, starting on December 1, 2016, and ending in 2025. On November 6, 2018, County voters also approved an "Early Childhood Services," 0.2500 mill levy for six years beginning December 1, 2018.

⁴ The Grand Rapids Public Schools is the largest school district within the City. Portions of other school districts overlap the City's boundaries. Of those which do, the total Non-PRE/Non-Homestead millage rates for the fiscal year ending June 30, 2024 ranged from 52.3602 to 54.6902 for each \$1,000 of Taxable Value.

⁵ On May 2, 2017, the electorate approved a ten year "strong schools" operating levy of 0.9000 for distribution to local school districts beginning with the July 1, 2017 levy. The millage will expire with the December 2026 levy.

Source: City of Grand Rapids

Property Tax Collections

The City's fiscal year begins on July 1. Real and personal property taxes are due on July 1 and are payable without penalty until July 31. Property owners who have not paid their property taxes on or before July 31 are required to pay interest and penalties on, and collections fees with respect to, such unpaid taxes.

Personal property taxes that are delinquent as of March 1 following the City's July 1 levy are collected by the City ("Delinquent Personal Property Taxes"). The City may bring suit to collect Delinquent Personal Property Taxes. The City may also seize the personal property to satisfy the tax lien thereon. The City's Delinquent Personal Property Taxes are a small percentage of the tax roll. The City's delinquent property taxes are removed from the tax roll after five years and represent an average of less than \$20,000 per year.

Real property taxes that are delinquent as of March 1 following the City's July 1 levy are turned over to Kent County (the "County") for collection ("Delinquent Real Property Taxes"). Such Delinquent Real Property Taxes are subject to additional penalties and interest charges by the County. Unless the Delinquent Real Property Taxes are paid within approximately 25 months from the date of delinquency, the underlying property may be foreclosed upon and sold at public auction.

The County has historically purchased the City's Delinquent Real Property Taxes from its delinquent tax payment fund. In return, the City has assigned the County all amounts due from the taxpayers with respect to such Delinquent Real Property Taxes. As a result of these purchases the City's real property tax receipts have approached 100%.

The continued purchase of Delinquent Real Property Taxes may be dependent upon the sale of delinquent tax notes by the County for that purpose. There is no assurance that the County will issue such delinquent tax notes or purchase such Delinquent Real Property Taxes in any fiscal year. If the Delinquent Real Property Taxes are not purchased by the County, any Delinquent Real Property Taxes collected by the County are remitted to the City within a month following the County's collection those past due taxes. The following table reflects the actual property tax collections for the City's fiscal years ended June 30, 2020 through 2024.

**City of Grand Rapids
Property Tax Collections
Fiscal Years Ended June 30, 2020 through June 30, 2024**

July 1 <u>Levy</u>	Fiscal Year Ended or Ending <u>June 30</u>	City Tax Levy ¹	Collections to March 1 <u>Following Levy</u> ²	Percent <u>Collected</u>
2019	2020	\$45,712,841	\$44,827,041	98.1%
2020	2021	47,931,894	47,113,964	98.3
2021	2022	51,466,987	50,650,863	98.4
2022	2023	54,452,027	53,594,753	98.4
2023	2024	60,536,391	59,392,678	98.1

¹ Excludes taxes on properties granted tax abatement under Act 146, Act 147, Act 198, Act 210, and Act 260. See "CITY TAXATION AND LIMITATIONS - Property Valuations" and "CITY TAXATION AND LIMITATIONS - Tax Abatement" herein.

² Excludes real property taxes turned over to Kent County for collection March 1.

Source: City of Grand Rapids

Pursuant to Act 57, Public Acts of Michigan, 2018, the Recodified Tax Increment Financing Act, and Act 381, Public Acts of Michigan, 1996, as amended (the Brownfield Redevelopment Financing Act), the City has established authorities which capture property tax increment pursuant to these acts. The City's general operating revenues reflected in its audited financial statements are net of such capture.

Taxpayers with Largest Valuations

The taxpayers with the largest valuations in the City, their principal product or service, Total Taxable Value and percent of City's Total Taxable Value for the fiscal year ended June 30, 2024 are as follows:

City of Grand Rapids Top Ten Largest Valuations¹ Fiscal Year Ending June 30, 2024

<u>Taxpayer</u>	<u>Principal Product or Service</u>	<u>Total Taxable Value²</u>	<u>Percent of Total³</u>
Consumers Energy Company	Electric utility	\$12,451,142	1.82%
DTE Gas Company	Gas utility	58,086,400	0.86
Amway Hotel Corporation	Hospitality	48,348,176	0.71
Spectrum Health	Health Care	35,387,859	0.52
Centerpoint Owner LLC ⁴	Retail shopping center	32,327,354	0.48
Steelcase, Inc.	Furniture Manufacturing	31,413,313	0.46
HP3 LLC	Hospitality	28,744,804	0.42
Grip Medical Properties I LLC	Health Care	27,878,112	0.41
Brix Grand Rapids Holding LLC	Housing	22,278,585	0.33
Michigan Christian Home	Senior Care/Housing	21,712,098	0.32
		<u>\$429,627,843</u>	<u>6.33%</u>

¹ Property taxpayers and Taxable Value are based on the July 1, 2023 tax bills.

² Includes the Equivalent Taxable Value of property granted tax abatement under Act 198, Act 146, Act 147, Act 210, and Act 260. See "CITY TAXATION AND LIMITATIONS - Tax Abatements" herein.

³ Based on \$6,768,526,062 which is City's Total Taxable Value for the fiscal year ending June 30, 2024. Includes the Taxable Value of property granted tax abatement under Act 146, Act 147, Act 198, Act 210, Act 255, and Act 260, as applicable. See "CITY TAXATION AND LIMITATIONS - Property Valuations" and "CITY TAXATION AND LIMITATIONS - Tax Abatements" herein.

⁴ Currently under appeal with the Michigan Tax Tribunal.

Source: City of Grand Rapids

City Income Tax

In 1967, the City's electorate approved a two mill reduction in the City's maximum authorized general operating millage and the implementation of an income tax imposed on income earned within the City regardless of the residence of the taxpayer and on all income of City residents. Income taxed includes business net income and individuals' salaries and wages. Up to and including the calendar year ending December 31, 1995, residents paid 1% and non-residents paid 0.5%. In 1995, the City's electorate authorized an increase in the income tax from 1.0 % to 1.3% for residents and from 0.5% to 0.65% for non-residents effective January 1, 1996. At the same time, the City's electorate voted to amend the City Charter to annually dedicate an appropriation of not less than 32% of the City's general operating fund budget to provide police services so long as an income tax of at least 1.3% for residents and 0.65% for non-residents is collected. In May 2010, the City's electorate authorized a temporary increase in the income tax from 1.3% to 1.5% for residents and from 0.65% to 0.75% for non-residents effective July 1, 2010 through June 30, 2015. On May 6, 2014, the City's electorate voted to amend the City Charter to extend the temporary increases in the resident and non-resident income tax rates for an additional term of fifteen years, commencing July 1, 2015, to provide funds for constructing, reconstructing, repairing and rehabilitating various public streets, roads, sidewalks, and adjacent or related rights of way, property, and easements.

Dependency exemptions are allowed on individual returns, with other exemptions available as well. Beginning July 1, 2010, the dependency exemption was lowered from \$750 to \$600 per dependent. Set forth below is a five-year history of income tax collections.

**City of Grand Rapids, Michigan
Income Tax Collections
Fiscal Years Ended June 30, 2020 Through 2024**

Fiscal Years Ended June 30	Gross Tax Collections ¹	Less: Refunds	Net Income Tax Collections ¹	Collections from Compliance Work ⁷	Net Collections Without Compliance	% Increase or (Decrease) over Prior Year
2020 ²	117,247,259	12,656,620	104,590,639	8,805,806	97,215,242	0.07
2021 ³	120,679,493	18,858,392	101,821,101	13,837,752	90,650,574	(2.65)
2022 ⁴	136,376,600	13,450,501	122,926,099	16,119,536	106,806,563	20.73
2023 ⁵	146,246,024	13,772,196	132,473,828	14,066,523	118,407,305	7.77
2024 ⁶	151,589,183	14,675,799	137,880,165	16,003,429	121,876,736	3.56

¹ Including interest and penalties.

² Net collections were \$90,645,569 net of temporary income tax increase effective July 1, 2010.

³ Net collections were \$88,244,894 net of temporary income tax increase effective July 1, 2010.

⁴ Net collections were \$106,536,362 net of temporary income tax increase effective July 1, 2010.

⁵ Net collections were \$114,805,584 net of temporary income tax increase effective July 1, 2010.

⁶ Net collections were \$119,496,602 net of temporary income tax increase effective July 1, 2010.

⁷ Beginning in 2016, the City improved income tax collections by processing returns internally and investing in technology. These time-saving improvements allowed staff to focus on compliance work using State of Michigan and City resources. Compliance-related collections have significantly increased revenues during the last four years; however, these increases are the result of 'catching up' on prior years' unpaid income taxes. The City expects compliance-related revenues to return to normal levels beginning with the fiscal year ending June 30, 2025.

Source: City of Grand Rapids

REVENUES FROM THE STATE OF MICHIGAN

The City receives revenue sharing payments from the State of Michigan under the State Constitution and the State Revenue Sharing Act of 1971, as amended. The revenue sharing payments are composed of two components – a constitutional distribution and a statutory distribution.

The constitutional distribution is mandated by the State Constitution and distributed on a per capita basis to townships, cities and villages. The amount of the constitutionally mandated revenue sharing component distributed to the City can vary depending on the population of the City compared to other units in the State and the amounts of sales tax revenues received by the State.

The statutory distribution is authorized by legislative action and distribution is subject to annual State appropriation by the State Legislature. Statutory distributions may be reduced or delayed by Executive Order during any State fiscal year in which the Governor, with the approval of the State Legislature's appropriations committees, determines that actual revenues will be less than the revenue estimates on which appropriations were based.

Over the last several years, the State of Michigan has modified the statutory revenue sharing program several times which has caused the City and other local government units to complete required "best practices" to remain eligible for distribution of funds. Currently, statutory revenue sharing is distributed under a program called the City, Village, and Township Revenue Sharing Program or CVTRS

which began in fiscal year 2015. To remain eligible for distribution the City must certify to the Michigan Department of Treasury that by December 7 of each year the local unit has produced and made the following documents readily available to the public:

- 1) Debt Service Report containing a detailed listing of its outstanding debt and debt service requirements
- 2) Projected Budget Report of revenues and expenditures

As the State of Michigan has modified the statutory revenue sharing program over time, the City has consistently met the requirements and has received 100% of eligible payments since their inception.

While the City intends to fully meet future requirements under the current CVTRS program, purchasers of City bonds should be aware that further modifications to statutory revenue sharing payments to Michigan local governmental units are possible. With the inclusion of half the estimated annual statutory revenue payments in the City’s general fund budget, the loss of all or part of these revenues could negatively impact the City’s general fund possibly requiring the City to seek other sources of revenue and/or expenditure reductions.

In the fiscal year ended June 30, 2024 the City received total revenue sharing in the General Fund of \$24,980,285. This includes one-half of the statutory revenue sharing amount which totals \$3,109,600. The other half of the statutory revenue sharing for the fiscal year ended June 30, 2024 was deposited into the City's Capital Reserve Fund.

The following table sets forth the annual revenue sharing payments and other moneys received for the City’s general operating fund for the fiscal years ended June 30, 2020 through June 30, 2024.

City of Grand Rapids, Michigan
General Operating Fund Revenues from the State of Michigan
Fiscal Years Ended June 30, 2020 Through 2024

	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Sales Tax ¹	\$18,506,822	\$21,138,025	\$24,564,154	\$24,380,460	\$24,980,285
Grants and Other	<u>1,460,123</u>	1,234,406	<u>1,264,460</u>	<u>1,102,272</u>	<u>1,689,637</u>
Total Revenues from the State of Michigan.....	<u>\$19,966,945</u>	<u>\$22,372,431</u>	<u>\$25,828,614</u>	<u>\$25,482,732</u>	<u>\$26,669,922</u>

¹ Constitutional revenue sharing and half of the CVTRS statutory revenue sharing.

<u>Fiscal Year</u>	<u>Fund</u>	<u>Total Annual CVTRS</u>
2020	½ General, ½ Capital Reserve	\$4,638,105
2021	½ General, ½ Capital Reserve	\$5,565,728
2022	½ General, ½ Capital Reserve	\$5,677,042
2023	½ General, ½ Capital Reserve	\$6,017,666
2024	½ General, ½ Capital Reserve	\$6,219,200

Source: City of Grand Rapids

CITY DEBT

Statutory and Constitutional Debt Provisions

Section 21 of Article VII of the State Constitution establishes the authority, subject to statutory and constitutional limitations, for municipalities to incur debt for public purposes:

"The legislature shall provide by general laws for the incorporation of cities and villages. Such laws shall limit their rate of ad valorem property taxation for municipal purposes, and restrict the powers of cities and villages to borrow money and contract debts. Each city and village is granted power to levy other taxes for public purposes, subject to limitations and prohibitions provided by this constitution or by law."

In accordance with the foregoing authority granted to the State Legislature, the Home Rule City Act limits the amount of debt a city may have outstanding at any time. Section 4(a) of this Act provides:

"... the net indebtedness incurred for all public purpose may be as much as but shall not exceed the greater of the following:

- (a) Ten percent of the assessed value of all real and personal property in the city.
- (b) Fifteen percent of the assessed value of all the real and personal property in the city if that portion of the total amount of indebtedness incurred which exceeds 10% is or has been used solely for the construction or renovation of hospital facilities."

Significant exceptions to the debt limitation are permitted by the Home Rule City Act for certain types of indebtedness which include: special assessment bonds and State transportation fund bonds (formerly, motor vehicle highway fund bonds), even though they are a general obligation of the City; revenue bonds payable from revenues only, whether secured by a mortgage or not; bonds issued or contract obligations or assessments incurred to comply with an order of the Water Resources Commission of the State or a court of competent jurisdiction, and obligations incurred for water supply, sewage, drainage or refuse disposal or resource recovery projects necessary to protect the public health by abating pollution.

Municipal Bond Ratings

The City's financial status is regularly reviewed by municipal bond rating agencies. The City's most recent bonds were issued in December 2024 and received a rating of AA Stable by S & P Global & Aa2 by Moody's. The most recent Sanitary Sewer System Refunding bonds were issued in July 2021 and were rated Aa2 by Moody's and AA by S & P Global. The Water Supply System bonds received ratings of Aa2 by Moody's and AA by Standard & Poor's for its most recent issue in June 2020.

Legal Debt Margin

Pursuant to the statutory and constitutional debt provisions set forth herein, the following table reflects the amount of additional debt the City may legally incur as of July 2, 2024.

Debt Limit ⁽¹⁾	\$993,997,780
Debt Outstanding ⁽²⁾	551,836,250
Less: Exempt Debt	(399,641,250) \$ 152,195,000
Legal Debt Margin ⁽²⁾	<u>\$ 841,802,780</u>

(1) 10% of \$9,939,777,800, which is the City's Total SEV for the fiscal year ending June 30, 2024. Includes the SEV of property granted tax abatement under Act 198, Act 146, Act 147, Act 210, and Act 260.

(2) See "CITY DEBT –Statutory and Constitutional Debt Provisions" herein.

Sources: Municipal Advisory Council of Michigan and the City of Grand Rapids

Debt Statement

The following table reflects a breakdown of the City's direct debt as of July 2, 2024. Direct debt shown as self-supporting is paid from sources other than the City's property and income taxes. The City's ability to levy taxes to pay the debt service on obligations designated as "Limited Tax" is subject to applicable charter, statutory and constitutional limitations. See "CITY TAXATION AND LIMITATIONS" herein.

City Direct Debt	Gross	Self-Supporting	Net
Share of County Issued Bonds:			
Dated November 15, 2016 (Limited Tax)	\$ 6,280,000	\$ -	\$ 6,280,000
Dated December 3, 2014 (Limited Tax)	2,855,000	-	2,855,000
Subtotal.....	<u>\$9,135,000</u>	<u>\$ -</u>	<u>\$9,135,000</u>
Building Authority Bonds:			
Dated November 11, 2020 (Limited Tax, Series A)	\$ 5,150,000	\$ -	\$ 5,150,000
Dated November 11, 2020 (Federally Taxable, Series B)	7,910,000	-	7,910,000
Dated October 31, 2019 (Limited Tax, Series A) (1)	5,270,000	5,270,000	-
Dated October 31, 2019 (Federally Taxable, Series B) (1)	5,790,000	5,790,000	-
Subtotal.....	<u>\$24,120,000</u>	<u>\$11,060,000</u>	<u>\$13,060,000</u>
Tax Increment Authority Bonds:			
Dated June 12, 2012 (Limited Tax)	\$ 1,205,000	\$ 1,205,000	-
Subtotal.....	<u>\$ 1,205,000</u>	<u>\$ 1,205,000</u>	<u>\$ -</u>
Sewer Revenue Bonds:			
Senior Lien			
Dated July 21, 2021	\$ 94,375,000	\$ 94,375,000	\$ -
Dated February 12, 2020	34,020,000	34,020,000	-
Dated June 13, 2018	38,120,000	38,120,000	-
Dated March 3, 2016	38,450,000	38,450,000	-
Dated December 15, 2010 (Series A)	21,330,000	21,330,000	-
Dated January 26, 2010	20,695,000	20,695,000	-
Junior Lien			
Dated September 20, 2023 (2)	7,500,000	7,500,000	-
Dated April 9, 2013	609,125	609,125	-
Dated June 24, 2011	835,370	835,370	-
Dated April 8, 2011	2,134,305	2,134,305	-
Subtotal.....	<u>\$258,068,800</u>	<u>\$258,068,800</u>	<u>\$ -</u>
Water Revenue Bonds:			
Senior Lien			
Dated June 25, 2020	\$ 25,105,000	\$ 25,105,000	\$ -
Dated September 20, 2018	28,980,000	28,980,000	-
Dated September 22, 2016	31,320,000	31,320,000	-
Dated February 25, 2015	18,690,000	18,690,000	-
Dated March 13, 2013	995,000	995,000	-
Junior Lien			
Dated September 20, 2022 (2)	11,515,000	11,515,000	-
Dated August 29, 2022 (2)	4,567,500	4,567,500	-
Dated April 11, 2016	1,423,008	1,423,008	-
Dated April 9, 2015	6,533,063	6,533,063	-
Dated September 17, 2014	1,747,840	1,747,840	-

City Direct Debt	Gross	Self-Supporting	Net
Dated December 14, 2012	343,514	343,514	-
Dated September 18, 2012	1,830,930	1,830,930	-
Dated September 23, 2011	1,406,024	1,406,024	-
Dated June 24, 2011	356,549	356,549	-
Dated April 8, 2011	399,752	399,752	-
Subtotal.....	<u>\$135,213,180</u>	<u>\$135,213,180</u>	<u>\$ -</u>

Limited Tax General Obligation Bonds:

Dated June 11, 2024 (Capital Improv Bonds)	\$ 72,770,000	\$ -	\$72,770,000
Dated November 22, 2023 (Capital Improv Bonds)	9,130,000	-	9,130,000
Dated July 20, 2021 (Capital Improv Bonds)	10,870,000	-	10,870,000
Dated November 28, 2018 (Capital Improv Bonds)	7,690,000	-	7,690,000
Dated April 5, 2017 (Capital Improv Bonds)	1,145,000	-	1,145,000
Dated March 31, 2016 (Capital Improv Bonds)	3,950,000	-	3,950,000
Dated February 4, 2016 (Limited Tax)	11,390,000	-	11,390,000
Dated October 11, 2013 (Capital Improv Bonds)	790,000	-	790,000
Subtotal.....	<u>\$117,735,000</u>	<u>\$ -</u>	<u>\$117,735,000</u>

Share of Grand Valley Regional Biosolids Authority Bonds:

Dated April 1, 2008 (3)	\$ 3,385,395	\$ 3,385,395	\$ -
Dated September 20, 2007 (3)	2,973,875	2,973,875	-
Subtotal.....	<u>\$ 6,359,270</u>	<u>\$ 6,359,270</u>	<u>\$ -</u>

Total Direct Debt	<u><u>\$551,836,250</u></u>	<u><u>\$411,906,250</u></u>	<u><u>\$139,930,000</u></u>
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Per Capita Net Direct Debt (4)	\$703.46
Percent of Net Direct Debt to Total SEV (5)	1.41%

Overlapping Debt (6)	Gross	City Share As Percent of Gross	Net
Caledonia Community Schools	\$187,626,971	0.06%	\$ 112,576
Forest Hills Public Schools	116,070,000	2.38%	2,762,466
Godwin Heights Public Schools	19,925,000	8.96%	1,785,280
Grand Rapids Public Schools	259,065,000	100.00%	259,065,000
Kenowa Hills Public Schools	122,905,000	0.65%	798,883
Kentwood Public Schools	142,010,000	8.62%	12,241,262
Kent County	67,750,000	22.49%	15,236,975
Grand Rapids Community College	18,675,000	21.73%	4,058,078
Total Overlapping Debt	<u>\$934,026,971</u>		<u>\$296,060,519</u>
Total City Direct and Overlapping Debt	<u><u>\$1,485,863,221</u></u>		<u><u>\$435,990,519</u></u>

Per Capita Net Overlapping Debt (4)	\$1,488.36
Percent of Net Overlapping Debt to Total SEV (5)	2.98%

Per Capita Net Direct and Overlapping Debt (4).....	\$2,191.82
Percent of Net Direct and Overlapping Debt to Total SEV (5)	4.39%

- (1) Debt service is payable only from rental revenues received from the State of Michigan.
- (2) Principal outstanding based on the maximum amounts of bond proceeds available for the projects. Final debt service schedules for these junior lien bonds will be established when the projects are completed or when the maximum available bond proceeds have been expended.
- (3) Estimated based on total debt allocated to the City of Grand Rapids.
- (4) Based on the City's 2020 Census of 198,917.
- (5) Based on \$9,939,777,800, which is the City's Total SEV for the fiscal year ending June 30, 2024. Includes the SEV of property granted tax abatements under Act 198, Act 146, Act 147, Act 210, Act 255, and Act 260. See the "Tax Abatements," section of this annual report.
- (6) Overlapping debt is the portion of another taxing unit's debt for which owners of property located within the City are liable, in addition to the debt directly issued by the City. Overlapping debt is calculated as of July 2, 2024.

Sources: City of Grand Rapids and the Municipal Advisory Council of Michigan.

Schedule of Remaining Bond Maturities

The following table sets forth the remaining annual maturities of the City's bonded indebtedness by type of issue as of July 2, 2024:

Fiscal Year Ending June 30	County Issued Bonds	Building Authority Bonds	Tax Increment Authority Bonds	Sewer Revenue Bonds	Water Revenue Bonds	Limited Tax General Obligation	Biosolids Authority Bonds (1)	TOTALS
2025	\$ 580,000	\$ 3,220,000	\$ 135,000	\$ 14,410,000	\$ 5,647,500	\$ 7,120,000	\$ 1,218,485	\$ 32,330,985
2026	600,000	3,305,000	135,000	14,930,000	5,885,000	6,750,000	1,244,205	32,849,205
2027	625,000	3,395,000	140,000	15,775,000	6,145,000	4,910,000	1,273,140	32,263,140
2028	650,000	3,510,000	145,000	16,305,000	6,400,000	4,700,000	1,298,860	33,008,860
2029	680,000	3,620,000	155,000	12,135,000	6,385,000	3,965,000	1,324,580	28,264,580
2030	705,000	1,280,000	160,000	13,410,000	6,645,000	4,130,000	-	26,330,000
2031	740,000	1,310,000	165,000	13,805,000	6,920,000	3,440,000	-	26,380,000
2032	775,000	1,345,000	170,000	14,224,305	7,211,301	3,590,000	-	27,315,606
2033	810,000	505,000	-	14,380,370	7,394,538	3,760,000	-	26,849,908
2034	840,000	540,000	-	16,349,125	7,480,930	3,935,000	-	29,145,055
2035	880,000	560,000	-	14,570,000	7,602,840	4,105,000	-	27,717,840
2036	610,000	585,000	-	9,955,000	5,498,008	4,285,000	-	20,933,008
2037	640,000	225,000	-	10,385,000	5,583,063	4,470,000	-	21,303,063
2038	-	230,000	-	10,845,000	5,235,000	4,275,000	-	20,585,000
2039	-	240,000	-	9,040,000	5,475,000	4,470,000	-	19,225,000
2040	-	250,000	-	9,410,000	3,955,000	4,665,000	-	18,280,000

Fiscal Year Ending June 30	County Issued Bonds	Building Authority Bonds	Tax Increment Authority Bonds	Sewer Revenue Bonds	Water Revenue Bonds	Limited Tax General Obligation	Biosolids Authority Bonds (1)	TOTALS
2041	-	-	-	9,785,000	4,130,000	4,875,000	-	18,790,000
2042	-	-	-	5,975,000	4,310,000	5,090,000	-	15,375,000
2043	-	-	-	4,245,000	4,490,000	3,940,000	-	12,675,000
2044	-	-	-	4,450,000	4,690,000	4,140,000	-	13,280,000
2045	-	-	-	4,655,000	3,925,000	2,155,000	-	10,735,000
2046	-	-	-	4,875,000	4,125,000	2,265,000	-	11,265,000
2047	-	-	-	4,630,000	3,330,000	2,380,000	-	10,340,000
2048	-	-	-	4,840,000	3,500,000	2,495,000	-	10,835,000
2049	-	-	-	2,295,000	1,585,000	2,620,000	-	6,500,000
2050	-	-	-	2,390,000	1,665,000	2,750,000	-	6,805,000
2051	-	-	-	-	-	2,890,000	-	2,890,000
2052	-	-	-	-	-	3,035,000	-	3,035,000
2053	-	-	-	-	-	3,185,000	-	3,185,000
2054	-	-	-	-	-	3,345,000	-	3,345,000
	<u>\$ 9,135,000</u>	<u>\$ 24,120,000</u>	<u>\$ 1,205,000</u>	<u>\$ 258,068,800</u>	<u>\$ 135,213,180</u>	<u>\$ 117,735,000</u>	<u>\$ 6,359,270</u>	<u>\$ 551,836,250</u>

Note 1: Estimated annual maturities because the City's shares vary from year to year based on its shares of total Biosolids treated and disposed of at the Biosolids facility, which is jointly owned and operated by the City and the City of Wyoming.

SOURCE: The City of Grand Rapids

Debt History

There is no record of default on obligations by the City since 1933.

Short Term Borrowing

No short-term borrowing is being utilized except to the extent of the City's participation in the County delinquent tax payment fund. See "CITY TAX AND LIMITATIONS – Property Tax Collections" herein.

Operating Lease

In 1998, the Kent County Building Authority ("KCBA") sold \$65,650,000 of bonds to finance the construction of a new courthouse. In November 2005 the KCBA refunded a portion of such outstanding bonds with a \$49,990,000 issue of refunding bonds. In August 2014 the KCBA refunded another portion of the outstanding bonds with a \$4,460,000 refunding bond issue. The City entered into a 28-year operating lease with Kent County to utilize approximately 31.35% of the facility to house the 61st District Court and related City facilities. Through fiscal year 2021, the City paid the KCBA 31.35% of the debt service payments on the bonds issued for the courthouse, in fiscal year 2022 the city's share was reduced to 26.16% to match proportionate usage. The city also pays its proportionate share of facility operating and maintenance costs.

Future Financing

On September 17, 2024, the City issued \$20,740,000 of Limited Tax General Obligation Parks and Recreation Improvement Bonds and on December 11, 2024, the City issued \$21,970,000 of Limited Tax General Obligation Bonds for a parking structure next to the Acrisure Amphitheater. The City has an agreement with the Convention Arena Authority for repayment of the parking structure bonds.

It is currently expected that in fiscal year 2025, debt financing may be used to provide approximately \$11 million in capital improvement funds for various facilities projects and approximately \$15 million for a fire training center. The City may also issue an additional \$27 million and \$100 million for the Acrisure Amphitheater and the Amway Soccer Stadium respectively. An agreement between the City, Kent County, and the Convention Arena Authority would require the repayment of debt to be paid from the County's Lodging Tax.

To finance its capital asset management programs, the Water and Sewer Systems issue debt, to supplement System cash, every two to three years. Debt financing may include issuance of junior lien debt through the State of Michigan's Drinking Water Revolving Fund or Clean Water Revolving Fund loan programs if it is more cost effective.

Any outstanding City bond issue which becomes eligible for refunding based on optional redemption covenants will be considered for refunding if the net present value ("NPV") refunding savings meets or exceeds the City's 5% NPV savings threshold.

EMPLOYEE BENEFITS AND LABOR CONTRACTS

Vacation and Sick Leave Benefits and Associated Liabilities

Employees of the City can earn up to 27 days of paid vacation per year based on various years of service formulas outlined in bargaining unit contracts and non-represented staff benefit plans. Unless an unusual exception is granted by the City Manager, the use, conversion, and carryover of paid vacation time is established by the current contract for each bargaining unit and can vary from one bargaining unit to another. Terminated or retiring employees are paid for unused vacation days.

Depending on the bargaining unit, employees of the City may also earn from one-half day to one day of paid sick leave per month depending on the particular labor contract. Based on the number of years of service,

employees are paid for up to 90 days of accumulated sick leave at termination or retirement provided they have worked a minimum of 10 continuous years. At time of retirement, employees can also elect to purchase pension service credit with unused sick leave hours.

The City accrues paid vacation and sick leave liabilities as assigned fund equity on the Governmental Fund Balance Sheet. For the fiscal year ended June 30, 2024, the amount of \$12,293,516 was so assigned for the City's General Fund.

Other Postemployment Benefits

In June, 2015 the Governmental Accounting Standards Board ("GASB") issued its Statement 75 – "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions." Other postemployment benefits ("OPEB") include postemployment healthcare insurance as well as other forms of postemployment benefits (for example, life insurance) when provided separately from a pension plan. GASB Statement 75 replaced the requirements of Statement 45. This Statement established standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures for defined benefit OPEB plans. It also addressed note disclosures and required supplementary information in the financial reports of state and local governmental employers.

The City provides postemployment healthcare insurance until age 65 (or the date of Medicare eligibility depending on the labor contract) for its employees who retire prior to age 65, were hired prior to 2009, and meet other criteria. Similar to other governmental units, the City historically funded its OPEB program on a pay-as-you-go basis prior to 2007; however with the implementation of GASB 45 in 2010, the City began reporting OPEB costs and also contributing to the unfunded liability.

Modifications to the retiree health care benefit have been made with the goal of reducing the long-term liability. All new hires since 2009 participate in a defined contribution ("DC") retiree health care plan which is a retirement health savings plan ("RHSA") rather than a defined benefit plan. Currently approximately 76% of City employees are participating in the DC RHSA. Employees who remain in the closed defined benefit ("DB") plans now earn the benefit incrementally over the course of their careers, and employees who retire after June 30, 2010 will "float" with active employees relative to health care plan design and premium sharing.

Both GASB Statement 45 and 75 require that OPEB assets be held within an irrevocable trust fund to be considered "Plan Assets." During 2010, the City established three irrevocable trusts to accumulate the assets. Plan operation is administered by City staff. Actuarial reports are prepared annually, currently, by Gabriel, Roeder, Smith and Company of Southfield, Michigan.

The DB OPEB plans provide other postemployment benefits consisting of health care benefits for eligible retirees and their eligible dependents until the retiree is age 65 (or Medicare eligible, depending on the particular labor contract). Because different bargaining units have different eligibility standards to qualify for the benefit, the City established three separate plans, Police, Fire, and General. All three DB plans are closed to new entrants.

The most recent actuarial valuation studies were completed as of June 30, 2024. The reports use a assumed investment return rate of 5%. The 5% investment rate of return is believed to be appropriate because the plans have been closed to new entrants and, therefore, a shorter time horizon for investing is deemed to be appropriate.

Current employees not covered by one of the DB OPEB plans are covered by the DC RHSA plan created in 2009 and administered by the City. The plans do not issue separate financial statements. However, basic financial information regarding assets, liabilities and net position, basis of accounting and funding policy is included in Notes 9-11 of the City's Annual Comprehensive Financial Report.

City of Grand Rapids
Other Postemployment Benefits Plan Membership
At the June 30, 2023 Valuation Date

	<u>General</u>	<u>Police</u>	<u>Fire</u>	<u>TOTAL</u>
Retirees and beneficiaries receiving benefit payments	161	141	102	404
Non-covered retirees purchasing benefit at subsidized rate	9	6	-	15
Inactive plan members entitled to but not yet receiving benefit payments	-	11	3	14
Active plan members	159	51	84	294
Employees eligible to purchase benefit at subsidized rate after retirement	<u>778</u>	<u>228</u>	<u>123</u>	<u>1,129</u>
TOTAL	<u>1,107</u>	<u>437</u>	<u>312</u>	<u>1,856</u>

Source: Gabriel, Roeder, Smith and Company and the City of Grand Rapids

General Retiree Health Care Plan
Schedule of Changes in Net OPEB Liability and Related Ratios, last five fiscal years

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Total OPEB Liability					
Service cost	\$ 382,721	\$ 462,915	\$ 660,142	\$ 625,532	\$ 902,797
Interest	1,359,738	1,558,985	1,616,466	2,171,878	2,660,640
Changes of benefit terms	-	-	-	-	-
Difference between expected and actual experience	(4,095,291)	(4,272,314)	(2,142,892)	(12,678,006)	(6,625,742)
Changes of assumptions	504,373	385,336	657,341	1,000,494	(3,375,513)
Benefit payments, including refunds	<u>(2,216,876)</u>	<u>(1,942,538)</u>	<u>(1,741,657)</u>	<u>(2,749,260)</u>	<u>(3,648,296)</u>
Net change in total OPEB liability	<u>(4,065,335)</u>	<u>(3,807,616)</u>	<u>(950,600)</u>	<u>(11,629,362)</u>	<u>(10,086,114)</u>
Total OPEB liability - beginning	<u>28,111,853</u>	<u>31,919,469</u>	<u>32,870,069</u>	<u>44,499,431</u>	<u>54,585,545</u>
Total OPEB liability - ending	<u>\$ 24,046,518</u>	<u>\$ 28,111,853</u>	<u>\$ 31,919,469</u>	<u>\$ 32,870,069</u>	<u>\$ 44,499,431</u>
Plan Fiduciary Net Position					
Contributions - employer	\$ 1,562,491	\$ 2,094,675	\$ 2,444,430	\$ 3,761,766	\$ 5,742,193
Federal Grants	-	99,464	36,078	-	-
Net investment income (loss)	1,127,292	(2,084,025)	3,526,908	370,640	382,690
Administrative expenses	(181,563)	(198,400)	(172,387)	(182,840)	(161,545)
Benefit payments	<u>(2,216,876)</u>	<u>(1,942,538)</u>	<u>(1,741,657)</u>	<u>(2,749,260)</u>	<u>(3,648,296)</u>
Net change in Plan Fiduciary Net Position	<u>291,344</u>	<u>(2,030,824)</u>	<u>4,093,372</u>	<u>1,200,306</u>	<u>2,315,042</u>
Plan fiduciary net position - beginning	<u>16,164,064</u>	<u>18,194,888</u>	<u>14,101,516</u>	<u>12,901,210</u>	<u>10,586,168</u>
Plan fiduciary net position - ending	<u>\$ 16,455,408</u>	<u>\$ 16,164,064</u>	<u>\$ 18,194,888</u>	<u>\$ 14,101,516</u>	<u>\$ 12,901,210</u>
Net OPEB liability - ending	<u>\$ 7,591,110</u>	<u>\$ 11,947,789</u>	<u>\$ 13,724,581</u>	<u>\$ 18,768,553</u>	<u>\$ 31,598,221</u>
Plan fiduciary net position as a percentage of the total OPEB liability	68.4%	57.5%	57.0%	42.9%	29.0%
Covered payroll	\$ 65,873,077	\$ 61,308,381	\$ 59,945,337	\$ 56,663,231	\$ 54,394,629
Net OPEB liability (asset) as a percentage of covered payroll	11.5%	19.5%	22.9%	33.1%	58.1%

Source: City of Grand Rapids

Police Retiree Health Care Plan
Schedule of Changes in Net OPEB Liability (Asset) and Related Ratios, last five fiscal years

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Total OPEB Liability					
Service cost	\$ 472,567	\$ 595,782	\$ 690,578	\$ 804,671	\$ 1,238,893
Interest	1,898,884	2,257,795	2,216,149	2,813,960	3,201,058
Changes of benefit terms	-	-	-	-	-
Difference between expected and actual experience	(4,302,013)	(7,870,484)	(1,363,025)	(14,875,348)	(5,847,660)
Changes of assumptions	737,276	564,560	1,674,298	1,586,120	(3,931,708)
Benefit payments, including refunds	<u>(2,956,950)</u>	<u>(2,389,598)</u>	<u>(2,286,342)</u>	<u>(2,170,815)</u>	<u>(2,200,071)</u>
Net change in total OPEB liability	(4,150,236)	(6,841,945)	931,658	(11,841,412)	(7,539,488)
Total OPEB liability - beginning	<u>39,210,570</u>	<u>46,052,515</u>	<u>45,120,857</u>	<u>56,962,269</u>	<u>64,501,757</u>
Total OPEB liability - ending	<u>\$ 35,060,334</u>	<u>\$ 39,210,570</u>	<u>\$ 46,052,515</u>	<u>\$ 45,120,857</u>	<u>\$ 56,962,269</u>
Plan Fiduciary Net Position					
Contributions - employer	\$ 258,037	\$ 1,184,482	\$ 1,378,330	\$ 2,786,728	\$ 4,099,293
Federal Grants	-	73,713	70,268	-	-
Net investment income (loss)	2,733,240	(5,348,951)	10,122,593	944,532	1,064,305
Administrative expenses	(193,112)	(236,617)	(199,014)	(173,855)	(142,446)
Benefit payments	(2,956,950)	(2,389,598)	(2,286,342)	(2,170,815)	(2,200,071)
Other	<u>(891)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in Plan Fiduciary Net Position	(159,676)	(6,716,971)	9,085,835	1,386,590	2,821,081
Plan fiduciary net position - beginning	<u>40,326,994</u>	<u>47,043,965</u>	<u>37,958,130</u>	<u>36,571,540</u>	<u>33,750,459</u>
Plan fiduciary net position - ending	<u>\$ 40,167,318</u>	<u>\$ 40,326,994</u>	<u>\$ 47,043,965</u>	<u>\$ 37,958,130</u>	<u>\$ 36,571,540</u>
Net OPEB liability - ending	<u>\$ (5,106,984)</u>	<u>\$ (1,116,424)</u>	<u>\$ (991,450)</u>	<u>\$ 7,162,727</u>	<u>\$ 20,390,729</u>
Plan fiduciary net position as a percentage of the total OPEB liability	114.6%	102.8%	102.2%	84.1%	64.2%
Covered payroll	\$ 29,616,489	\$ 28,134,282	\$ 26,833,251	\$ 25,716,075	\$ 25,571,833
Net OBEB liability (asset) as a percentage of covered payroll	-17.2%	-4.0%	-3.7%	27.9%	79.7%

Source: City of Grand Rapids

Fire Retiree Health Care Plan
Schedule of Changes in Net OPEB Liability (Asset) and Related Ratios, last five fiscal years

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Total OPEB Liability					
Service cost	\$ 687,344	\$ 767,927	\$ 784,961	\$ 758,192	\$ 1,105,487
Interest	1,185,143	1,349,793	1,358,995	1,683,852	2,018,137
Changes of benefit terms	-	-	-	-	-
Difference between expected and actual experience	(2,775,415)	(3,601,760)	(1,830,266)	(7,774,257)	(4,759,934)
Changes of assumptions	453,132	328,772	1,407,146	916,082	(2,544,676)
Benefit payments, including refunds	<u>(2,103,072)</u>	<u>(2,091,861)</u>	<u>(1,700,811)</u>	<u>(2,487,966)</u>	<u>(2,174,165)</u>
Net change in total OPEB liability	(2,552,868)	(3,247,129)	20,025	(6,904,097)	(6,355,151)
Total OPEB liability - beginning	<u>24,410,717</u>	<u>27,657,846</u>	<u>27,637,821</u>	<u>34,541,918</u>	<u>40,897,069</u>
Total OPEB liability - ending	<u>\$ 21,857,849</u>	<u>\$ 24,410,717</u>	<u>\$ 27,657,846</u>	<u>\$ 27,637,821</u>	<u>\$ 34,541,918</u>
Plan Fiduciary Net Position					
Contributions - employer	\$ 798,652	\$ 1,346,555	\$ 1,421,902	\$ 2,106,558	\$ 2,945,869
Federal Grants	-	167,426	29,313	-	-
Net investment income (loss)	1,483,008	(2,883,885)	5,323,922	487,782	586,976
Administrative expenses	(131,173)	(167,778)	(140,797)	(138,589)	(116,428)
Benefit payments	<u>(2,103,072)</u>	<u>(2,091,861)</u>	<u>(1,700,811)</u>	<u>(2,487,966)</u>	<u>(2,174,165)</u>
Net change in Plan Fiduciary Net Position	47,415	(3,629,543)	4,933,529	(32,215)	1,242,252
Plan fiduciary net position - beginning	<u>21,670,742</u>	<u>25,300,285</u>	<u>20,366,756</u>	<u>20,398,971</u>	<u>19,156,719</u>
Plan fiduciary net position - ending	<u>\$ 21,718,157</u>	<u>\$ 21,670,742</u>	<u>\$ 25,300,285</u>	<u>\$ 20,366,756</u>	<u>\$ 20,398,971</u>
Net OPEB liability - ending	<u>\$ 139,692</u>	<u>\$ 2,739,975</u>	<u>\$ 2,357,561</u>	<u>\$ 7,271,065</u>	<u>\$ 14,142,947</u>
Plan fiduciary net position as a percentage of the total OPEB liability	99.4%	88.8%	91.5%	73.7%	59.1%
Covered payroll	\$ 20,554,957	\$ 19,494,547	\$ 18,336,826	\$ 16,593,930	\$ 16,283,919
Net OPEB liability (asset) as a percentage of covered payroll	0.7%	14.1%	12.9%	43.8%	86.9%

Source: City of Grand Rapids

Contribution levels are calculated annually by the Plan's actuary and include the expected pay-as-you-go cash outlays from each plan, and amortization of the Unfunded Actuarial Accrued Liability (UAAL). No contributions are required from current employees covered by the DB RHSA plans, but retirees may have a required premium based on date of retirement and the particular labor contract. For budgeting and cost allocation purposes, the City calculates a blended rate (i.e. a single rate) to charge funds and departments for all employees without regard to whether employees are eligible for the DB or the DC benefits.

The June 30, 2023 valuations recommended \$2,031,863 in Actuarially Computed Employer Contributions ("ACEC"), which includes DB contributions as well as DC RHSA contributions for the fiscal year beginning July 1, 2024 (i.e., FY2025.) The ACEC was \$1,211,029 for General employees, \$113,928 for Police employees, and \$706,906 for Fire employees.

For the FY2025, the adopted budget incorporates the following blended rates for retiree healthcare benefits: General Employees 3.59%; Emergency Communication Operators 2.84% (a component of the General Employee agent plan); Police Employees 1.93%; and 3.5% for Fire Employees.

For more information regarding the City's other postemployment benefits, please refer to the City's Annual Comprehensive Financial Report for the Year Ended June 30, 2024, Notes 9-11.

Pension Plans

The City maintains two defined benefit retirement plans which cover some full-time City employees. The plans, known as the City of Grand Rapids General Retirement System ("GRS") and the City of Grand Rapids Police

and Fire Retirement System (“PFRS”), are administered by local pension boards, members of which are appointed by the Mayor and/or elected by members of the respective system.

Note, the GRS has been closed to most general employees, i.e. non-police and fire, hired after 2011 and all general employees hired after June 30, 2014. General employees hired after 2011 (and 2014) are eligible for defined contribution pension benefits funded with 6 - 7% contributions from the City, depending on bargaining unit and 6% from the employee.

The GRS is funded on a level dollar basis and PFRS plan is funded on a level percent-of-payroll basis. These contributions are equal to normal cost (the current value of benefits accrued by active members during the year) and both interest and principal on the unfunded actuarial accrued liability (the difference between actuarial accrued liability and the system assets). The actuary for both of the retirement systems is Gabriel, Roeder, Smith and Company of Southfield, Michigan. Contributions are made by employees and the City based on covered wages. Covered wages for the GRS consist of base wages while for the PFRS covered wages include most pay premiums (i.e. gross wages).

Both the GRS and the PFRS conduct experience studies once every five years. The purpose of these studies is to review the actual and projected future experience of key variables and assumptions that are used in the annual valuation of system liabilities. The GRS and PFRS Boards (the “Pension Boards”) have agreed to review the assumed rate of return annually to determine if any modifications need to be made. The GRS valuation dated June 30, 2023 and the PFRS valuation dated December 31, 2022 used the investment rate of return of 6.75%. The City will continue to fund the annual required contributions specified by the annual valuations.

For FY2024, the actuarial valuation results require that GRS member employees contribute 7.81% (weighted average) and that the City contribute 55.54% of covered wages. However, the annual required contribution amounts computed in the actuarial report will be reduced by blending pensionable wages with employees participating in the defined contribution pension plan. The blending is done so departments are charged a consistent rate regardless of the benefits for which their particular employees are eligible. The FY2024 adopted budget incorporates the blended rate of 22.89% for general employees. For FY2024, the actuarial valuation results require that PFRS member employees contribute 11.93% (weighted average) and that the City contribute 36.36% of covered wages.

**City of Grand Rapids
Police and Fire Retirement System Membership**

	FYE	FYE	FYE
	<u>12/31/2020</u>	<u>12/31/2021</u>	<u>12/31/2022</u>
Retirees and beneficiaries receiving pension benefits	758	783	788
Terminated plan members entitled to but not yet receiving benefits	19	17	16
Active plan members	460	433	441
TOTAL	<u>1,237</u>	<u>1,233</u>	<u>1,245</u>

**City of Grand Rapids
General Retirement System Membership**

	FYE	FYE	FYE
	<u>06/30/2021</u>	<u>06/30/2022</u>	<u>06/30/2023</u>
Retirees and beneficiaries receiving pension benefits	1,180	1,202	1,204
Terminated plan members entitled to but not yet receiving benefits	105	103	96
Active plan members	387	345	314
TOTAL	<u>1,672</u>	<u>1,650</u>	<u>1,614</u>

Source: Gabriel, Roeder, Smith and Company for both tables.

General Retirement System
Schedule of Changes in Net Pension Liability and Related Ratios, last five fiscal years

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Total Pension Liability					
Service cost	\$ 3,928,077	\$ 4,001,976	\$ 4,206,804	\$ 4,576,153	\$ 4,657,970
Interest	38,333,221	38,200,989	37,960,117	36,699,090	36,626,148
Changes of benefit terms	-	-	-	-	-
Difference between expected and actual experience	1,613,525	4,141,442	(1,383,882)	(945,207)	(2,877,132)
Changes of assumptions	-	14,430,114	-	12,565,643	7,963,218
Benefit payments, including refunds	<u>(37,483,996)</u>	<u>(39,648,835)</u>	<u>(34,830,364)</u>	<u>(34,562,300)</u>	<u>(34,058,491)</u>
Net change in total Pension liability	6,390,827	21,125,686	5,952,675	18,333,379	12,311,713
Total Pension liability - beginning	<u>584,677,526</u>	<u>563,551,840</u>	<u>557,599,165</u>	<u>539,265,786</u>	<u>526,954,073</u>
Total Pension liability - ending	<u>\$ 591,068,353</u>	<u>\$ 584,677,526</u>	<u>\$ 563,551,840</u>	<u>\$ 557,599,165</u>	<u>\$ 539,265,786</u>
Plan Fiduciary Net Position					
Contributions - employer	\$ 11,918,613	\$ 12,568,944	\$ 11,284,613	\$ 11,325,243	\$ 12,920,265
Contributions - member	2,410,147	2,373,612	2,523,078	2,595,588	2,677,960
Net investment income (loss)	24,002,408	(27,476,181)	107,922,370	5,494,862	21,371,497
Administrative expenses	(648,308)	(592,461)	(558,139)	(605,388)	(596,090)
Benefit payments, including refunds	(37,483,996)	(39,648,835)	(34,830,364)	(34,562,300)	(34,058,491)
Other	<u>(64,549)</u>	<u>(47,768)</u>	<u>(45,847)</u>	<u>(54,466)</u>	<u>-</u>
Net change in Plan Fiduciary Net Position	134,315	(52,822,689)	86,295,711	(15,806,461)	2,315,141
Plan fiduciary net position - beginning	<u>436,881,613</u>	<u>489,704,302</u>	<u>403,408,591</u>	<u>419,215,052</u>	<u>416,899,911</u>
Plan fiduciary net position - ending	<u>\$ 437,015,928</u>	<u>\$ 436,881,613</u>	<u>\$ 489,704,302</u>	<u>\$ 403,408,591</u>	<u>\$ 419,215,052</u>
Net Pension liability - ending	<u>\$ 154,052,425</u>	<u>\$ 147,795,913</u>	<u>\$ 73,847,538</u>	<u>\$ 154,190,574</u>	<u>\$ 120,050,734</u>
Plan fiduciary net position as a percentage of the total Pension liability	73.9%	74.7%	86.9%	72.3%	77.7%
Covered payroll	\$ 25,739,793	\$ 26,760,793	\$ 27,657,053	\$ 28,873,053	\$ 29,695,997
Net Pension liability (asset) as a percentage of covered payroll	598.5%	552.3%	267.0%	534.0%	404.3%

Source: City of Grand Rapids

Police and Fire Retirement System
Schedule of Changes in Net Pension Liability and Related Ratios, last five fiscal years

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Total Pension Liability					
Service cost	\$ 13,092,487	\$ 11,755,473	\$ 10,109,359	\$ 9,269,719	\$ 9,071,101
Interest	43,692,739	41,634,797	40,340,298	38,670,466	37,279,003
Changes of benefit terms	-	109,480	-	-	-
Difference between expected and actual experience	6,059,836	14,806,552	7,963,985	2,397,342	2,068,208
Changes of assumptions	-	-	17,216,930	16,339,734	-
Benefit payments, including refunds	<u>(38,032,984)</u>	<u>(38,940,560)</u>	<u>(32,923,031)</u>	<u>(30,382,544)</u>	<u>(27,730,677)</u>
Net change in total Pension liability	24,812,078	29,365,742	42,707,541	36,294,717	20,687,635
Total Pension liability - beginning	<u>659,770,087</u>	<u>630,404,345</u>	<u>587,696,804</u>	<u>551,402,087</u>	<u>530,714,452</u>
Total Pension liability - ending	<u>\$ 684,582,165</u>	<u>\$ 659,770,087</u>	<u>\$ 630,404,345</u>	<u>\$ 587,696,804</u>	<u>\$ 551,402,087</u>
Plan Fiduciary Net Position					
Contributions - employer	\$ 16,366,549	\$ 13,124,901	\$ 11,660,533	\$ 10,716,480	\$ 9,672,074
Contributions - member	6,062,639	5,927,247	5,930,546	5,379,200	5,832,668
Net investment income (loss)	50,136,968	(63,118,350)	83,738,143	44,596,181	71,134,823
Administrative expenses	(645,899)	(622,188)	(550,780)	(576,813)	(592,306)
Benefit payments, including refunds	(38,032,984)	(38,940,560)	(32,923,031)	(30,382,544)	(27,730,677)
Other	<u>-</u>	<u>(52,798)</u>	<u>(46,903)</u>	<u>(56,632)</u>	<u>(44,775)</u>
Net change in Plan Fiduciary Net Position	33,887,273	(83,681,748)	67,808,508	29,675,872	58,271,807
Plan fiduciary net position - beginning	<u>459,630,121</u>	<u>543,311,869</u>	<u>475,503,361</u>	<u>445,827,489</u>	<u>387,555,682</u>
Plan fiduciary net position - ending	<u>\$ 493,517,394</u>	<u>\$ 459,630,121</u>	<u>\$ 543,311,869</u>	<u>\$ 475,503,361</u>	<u>\$ 445,827,489</u>
Net Pension liability - ending	<u>\$ 191,064,771</u>	<u>\$ 200,139,966</u>	<u>\$ 87,092,476</u>	<u>\$ 112,193,443</u>	<u>\$ 105,574,598</u>
Plan fiduciary net position as a percentage of the total Pension liability	72.1%	69.7%	86.2%	80.9%	80.9%
Covered payroll	\$ 46,909,560	\$ 42,471,823	\$ 41,018,362	\$ 40,201,129	\$ 39,566,105
Net Pension liability (asset) as a percentage of covered payroll	407.3%	471.2%	212.3%	279.1%	266.8%

Source: City of Grand Rapids

For more information regarding the City's retirement plans, please refer to the City's Annual Comprehensive Financial Report for the Year Ended June 30, 2024; Notes to the Financial Statements, Notes 7 & 8 – Pension Plans.

Labor Contracts

As of October 12, 2024, approximately 94% of the City's 1,593 full and permanent part-time employees are currently represented by labor organizations. The following table describes the labor organizations that represent City employees, the number of members and the expiration dates of the present contracts.

<u>Labor Organizations</u>	<u>Current Membership¹</u>	<u>Contract Expiration Date</u>
Grand Rapids Police Officers Association (Officers and Sergeants Unit)	270	June 30, 2025
Grand Rapids Police Officers Association – CST Unit	10	June 30, 2025
Grand Rapids Police Officers Association – ECO Unit	33 ²	June 30, 2025
Grand Rapids Command Police Officers Association	22	June 30, 2025
International Association of Firefighters	209	June 30, 2025
Grand Rapids Employees Independent Union	534	June 30, 2025
Grand Rapids Employees Independent Union (61 st District Court Affiliate)	47 ³	June 30, 2025
Grand Rapids Employees Independent Union (Library Supervisor Affiliate)	21	June 30, 2025
Grand Rapids Employees Independent Union (Library Non-Supervisor Affiliate)	63.5 ⁴	June 30, 2025
Association of Public Administrators	224	June 30, 2025
Association of Public Administrators (61 st District Court Chapter)	15	June 30, 2025
Teamsters – Emergency Communication Supervisors	5	June 30, 2025
Non-represented employees	<u>103</u>	N/A
Total FTE City Employees	<u>1,556.5</u>	

¹Actual number of full-time equivalents (FTE) on October 12, 2024.

² 32 full-time and 2 part-time employees at 50% FTE

³ 46 full-time and 2 part-time employees at 50% FTE

⁴ 29 full-time and 69 part-time employees at 50% FTE

Source: City of Grand Rapids.

SANITARY SEWER SYSTEM

Wastewater Volumes

Five years of annual tributary flows to the Water Resource Recovery Facility (“WRRF”), formerly known as the Waste Water Treatment Plant (“WWTP”), are shown in the following table.

Fiscal Year	Total Sales ⁽¹⁾ in Million Gallons	Additional Inflow and Infiltration in MG to the WRRF ⁽²⁾	Total WRRF Influent in MG	Treated Average Daily Influent in MG	Known Bypass in MG	Total Annual Billing in Million Dollars
<u>June 30</u>						
2020	7,949,500	9,019	16,968	46.5	-	56.2
2021	7,720,357	5,162	12,882	35.3	-	56.6
2022	8,039,158	7,126	15,166	41.5	-	61.9
2023	8,109,605	6,872	14,982	41.0	-	63.4
2024	7,804,112	6,898	14,702	40.3	-	63.4

(1) Sales are based upon customer water consumption, excepting large wholesale customers whose sewage flow is metered.

- (2) Additional inflow and infiltration into the Sanitary Sewer System is a result of wet weather, leakage, unauthorized drainage and other types of wastewater infiltration.

Source: City of Grand Rapids

Wastewater Characteristics –

The quality of the wastewater influent received at the WRRF and the quality of the effluent discharged into the Grand River is measured in four principal ways. The table below compares the quality of the wastewater treated by the WRRF with the amounts allowed under the National Pollutant Discharge Elimination System (“NPDES”) permit issued to the City. WRRF effluent consistently meets all applicable permitted discharge standards.

City of Grand Rapids, Michigan
Water Resource Recovery Facility Effluent - 30 Month History Through June 30, 2024

Month	Carbonaceous BOD*		Suspended Solids *		Total Phosphorous *		Ammonia*	
	Allowed/Actual		Allowed/Actual		Allowed/Actual		Allowed/Exceedances	
June-24	16	2.56	29	4.2	1	0.94	8.5	0
May-24	23	3.35	29	6.55	1	0.96	18	0
April-24	23	3.89	29	4.97	1	0.86	18	0
March-24	23	4.01	29	4.27	1	0.75	18	0
February-24	23	4.43	29	3.41	1	0.52	18	0
January-24	23	4.09	29	3.13	1	0.73	18	0
December-23	23	4.33	29	2.84	1	0.59	18	0
November-23	23	4.1	29	3.7	1	0.49	18	0
October-23	23	4.19	29	3.88	1	0.95	18	0
September-23	16	4.49	29	3.48	1	0.6	8.5	0
August-23	16	4.47	29	2.89	1	0.34	8.5	0
July-23	16	4.89	29	2.51	1	0.41	8.5	0
June-23	16	4.15	29	3.9	1	0.66	8.5	0
May-23	23	4.75	29	5.98	1	0.84	18	0
April-23	23	5.37	29	10.74	1	0.47	18	0
March-23	23	5.35	29	11.51	1	1.12	18	0
February-23	23	4.59	29	4.2	1	0.8	18	0
January-23	23	4.9	29	3.19	1	0.79	18	0
December-22	23	4.98	29	3.69	1	0.92	18	0
November-22	23	4.7	29	3.52	1	0.98	18	0
October-22	23	4.19	29	2.89	1	0.84	18	0
September-22	16	4.24	29	2.69	1	0.8	8.5	0
August-22	16	4.29	29	3.53	1	0.74	8.5	0
July-22	16	4.46	29	4.35	1	0.69	8.5	0
June-22	16	4.18	29	3.93	1	0.67	8.5	0
May-22	23	4.04	29	5.66	1	0.77	18	0
April-22	23	2.41	29	3.56	1	0.77	18	0
March-22	23	2.84	29	5.24	1	0.89	18	0
February-22	23	3.51	29	4.97	1	0.73	18	0
January-22	23	3.01	29	4.63	1	0.82	18	0

* The concentrations in this table are presented in milligrams per liter. CBOD, TSS, and TP show monthly allowed limits and actual monthly averages.

** Ammonia shows a daily allowed limit and the number of times during the month that the daily limit was exceeded.

Source: City of Grand Rapids Water Resource Recovery Facility

If effluent discharge levels exceed levels allowed under the permit issued to the City, the City reports that fact to the Michigan Department of Environment, Great Lakes, and Energy (the "EGLE"), formerly the Michigan Department of Environmental Quality (the "MDEQ"). EGLE has not sought any fines, penalties or other sanctions against the City for discharges which exceed the limits or restrictions set forth above. The City files monthly operating reports and reports of any spills associated with its wastewater system to EGLE as mandated in its NPDES wastewater discharge permit. All reports have been filed with EGLE as required.

Organization, Management, and Staffing

The City administers the Sanitary Sewer System ("SSS") through its Environmental Services Department ("ESD") which is aligned under the Public Works Services Group. This service group operates under the administrative direction of the Managing Director. The daily operations of the ESD are overseen by the Department Manager.

The ESD administers the SSS through five divisions - Operations, Maintenance, Environmental Assessment, Field Operations, and Utilities Engineering. The Maintenance Division is responsible for all mechanical/electrical/facilities maintenance. Field Operations is responsible for pipeline assessment, cleaning, and repair in the collection system. The Operations Division maintains the remote pumping stations, meter stations, regulator stations and operates the WRRF. The Environmental Assessment Division provides laboratory services, industrial monitoring and surveillance, and special field investigations. Sewer Maintenance provides assessments and cleaning of the sanitary sewerage system. Utilities Engineering provides utility engineering support for process engineering and collection system repair services for the ESD. The Water Department's Business Office manages both Water and Sewer Department customer billing and account management.

The fiscal year 2024 budget for these divisions authorized a total of 117.6 Full Time Equivalent (FTE) employees. The City believes the ESD is adequately staffed to operate and maintain the collection and treatment system in accordance with its NPDES permit.

Regulatory Requirements

The SSS is subject to extensive regulation under the Federal Water Pollution Control Act, as amended by the Clean Water Act of 1977 and the Water Quality Act of 1987 as amended and other federal and state statutes. In Michigan, the regulatory requirements of the Clean Water Act are administered by the United States Environmental Protection Agency (the "EPA") through EGLE. Regulations of these agencies deal primarily with the quality of effluent discharged to the Grand River, disposal of biosolids and other requirements imposed on the SSS as a condition of its participation in federal financial assistance for construction of wastewater facilities.

Included in the Clean Water Act regulatory framework administered by EPA is the NPDES permit program. This program requires the operation of wastewater treatment facilities according to discharge limitations and reporting requirements set forth in permits issued for each facility.

The Grand River, which receives the treated effluent from the WRRF, has a water quality standard for partial body contact, recreational use, and the ability to support warm water fish and supply agricultural and industrial water needs. The City's previous NPDES permit was issued on November 1, 2017, and remained in effect until October 1, 2021. The City submitted a new permit application on April 1, 2021. Since then, the SSS has received a draft NPDES permit from EGLE that would be scheduled to expire on October 1, 2026. The City supplied EGLE with comments on the draft permit. On July 14, 2023, EGLE made a formal request for updated information and additional side stream testing to be added to the previous permit application. The City organized the testing and reported as requested. The City and EGLE have progressed through discussions of the draft permit changes in good faith through 2024. The City will continue to operate under the terms of the previous November 1, 2017, permit until a new permit is signed into effect.

Since 2013 EGLE has registered 107 active violations and 7 Compliance Communications in the State of Michigan MiEnviro Portal system (tracking system for permit compliance). Most of the violations were procedural

in nature and the balance were operational. For example, the 9 recently recorded violations for unpreventable Sanitary Sewer Overflows (SSO) did not result in harm to the environment. None of the items have resulted in an adverse effect on the operation of System. Upon notice, the City promptly took any necessary corrective actions to address the issue at hand, and most had been addressed prior to receiving notice. The violations and/or compliance actions have not resulted in fines or penalties. However, in connection with the construction of the biodigester facility at the WRRF (2020), the City did not request the issuance of an air quality permit from EGLE in a timely fashion. The permit has been obtained; however, the City was required to pay a fine of \$50,000.

Retail Billings and Collections

The following table sets forth the history of billings and collections for the SSS for the fiscal years ended June 30, 2020, through 2024.

CITY OF GRAND RAPIDS, MICHIGAN SANITARY SEWER SYSTEM RETAIL BILLINGS AND COLLECTIONS

Fiscal Year Ended June 30	Total Billings	Paid 0-30 Days	Paid 31-90 Days	Paid Over 90 Days	Total Collected⁽¹⁾
2020	50,975,029	42,718,437	5,822,179	1,240,682	49,781,298
2021	54,096,489	45,462,536	5,665,340	1,659,594	52,787,470
2022	57,803,709	48,869,801	6,296,545	1,662,350	56,828,697
2023	60,413,479	50,873,280	6,541,953	1,601,325	59,016,558
2024	59,160,549	50,680,570	6,447,290	1,761,593	58,889,452

(1) Reflects penalty and interest charges and the receipt of delinquent payments from period prior to commencement of fiscal year.

Source: City of Grand Rapids

Ten Largest Retail Customers

The following table sets forth the ten largest retail customers of the SSS for the one-year period ended on June 30, 2024, and their respective volumes of usage and the amounts billed.

CITY OF GRAND RAPIDS, MICHIGAN SANITARY SEWER SYSTEM TEN LARGEST RETAIL CUSTOMERS BY BILLINGS FISCAL YEAR ENDED JUNE 30, 2024

Customer	Volume of Usage (Sewer Gallons)	Dollar Amount Billed Per Year	Percent of Total Billings
Spectrum Health Hospitals	95,067,678	\$624,263	1.50%
Vicinity Energy	98,047,917	587,532	1.41
Great Lakes Coca Cola	61,343,252	368,025	0.88
Lacks Trim System	70,048,332	327,651	0.79
Roskam Baking Co	62,586,514	289,788	0.70
Founders Brewing Company	44,090,182	263,694	0.63
Kent Quality Foods	43,628,634	262,232	0.63
Calvin College	38,183,564	255,804	0.61
St. Mary's Hospital	38,272,582	247,950	0.60
Allied Finishing	48,312,935	220,644	0.53

Source: City of Grand Rapids – GR Top 25 Customers Report

Rate Setting Methodology

In 1976, the City undertook the task of establishing a methodology to be used to annually to determine appropriate rates and charges for customers using the SSS. Prior to that time, the City had periodically adjusted rates for City users based on short-term projections of cash flow requirements and indexed suburban customer rates at a factor of two times the City rates. The rates that resulted from such adjustments did not adequately reflect the long term needs of the SSS and did not adequately reflect the variations in usage rates and operating and capital costs of providing service to the various suburban customer communities.

To remedy this and to establish a procedure for implementing annual rate adjustments, the City, in consultation with the customer communities with which it had retail and wholesale water service agreements, adopted a method of adjusting rates annually. The first such annual rate study took eighteen months to complete and resulted in new rates effective January 1, 1978. Agreements with each of the retail and wholesale governmental customer communities serviced by the System were amended in 2000, 2002, 2006, 2010 and 2018 to incorporate rate setting methodology adjustments. In 2000, the first amendment to the contracts established the integrated connection fees required to be paid at the time a User receives a permit to connect to the Water or Sanitary Sewer System and the method by which the fees are set and adjusted annually in the rate study.

The second amendment executed in 2002 further amended the rate setting methodology for the allocation of integrated connection fee revenue as revenue requirement credit among customer communities updating the calculation of distribution based on billed flow and land area factors. In 2006, penalty fees were no longer applied as credits (offsets) to revenue requirements. Instead, penalty fees were used to fund the Individual Circuit Breaker (“ICB”) and City and Customer Community Circuit Breaker (“CCCCB”). The ICB is a program aimed at addressing retail users requiring assistance in payment of their water/sewer bills. The CCCCCB is a mechanism, if sufficient funding is available, to limit retail service area revenue requirement changes to a level in line with the overall systems’ initial proposed changes. In 2010, the agreements were amended further, changing the rate setting methodology to use a three-year average of billed flow and reducing the rate of return on non-integrated fixed assets to the Bond Buyer Index for 20-year Municipal Bonds plus 4.50% per annum (formerly plus 6.00%). In March 2018, the agreements were also amended to change the methodology for calculation of integrated connection fees. This calculation is now based on an annual assessment of service costs rather than formerly being adjusted annually by CPI. The City has conducted annual rate studies each year since 1978 and has adjusted rates accordingly.

The rate setting methodology is founded on the basic principle that rates will be set to meet revenue requirements as defined by historical costs adjusted by known cost increases and decreases. Also, a significant goal of the methodology was the proper allocation of costs and rates among the users in each of the customer communities served. In general, the costs of capital improvements which benefit specific customers of the SSS are allocated to those customers in the rate setting methodology, while the costs of capital improvements related to the operation of the entire SSS are allocated to all users.

The annual rate analysis background material is assembled during the period from August through November of each year. The base period financial information consists of the actual revenues and expenses of the fiscal year ended on the most recent June 30th. Revenue requirements of the SSS are comprised of operating and maintenance expense, depreciation expense, a “return” on the net book value of fixed assets constructed and acquired utilizing the retained earnings of the SSS, and certain debt service costs. Integrated connection fees are an offset to revenue requirements. The revenue requirement components are adjusted to reflect current unit cost data available during the pendency of the rate study. Rates are then calculated that will generate revenues equal to the net revenue requirement. New rates and charges are reported to the City Commission and customer communities on or about November 15th each year with implementation on the following January 1st. The most recent rates were adopted and approved by the City Commission on December 12, 2023, for users within the City and customer communities.

Under the agreements with the customer communities, the rates adopted by the City take effect each January 1, following the completion of each annual rate study. Customer communities cannot delay the imposition

of the new rates but are permitted to seek arbitration to resolve any disagreement over new rates. The arbitrator is required to strictly apply the rate setting methodology to resolve disagreements. Since the implementation of the City's rate setting methodology in 1978, only one such disagreement has arisen which was resolved through arbitration.

The rates consist of a "commodity" charge and a monthly "readiness-to-serve" charge. The commodity charge is assessed upon consumption and comprises approximately 60% of the SSS's revenues. The monthly readiness-to-serve charge is based upon meter size.

The following table "Sanitary Sewer System Rate Studies – Comparative Analysis of Rates 1978 to 2024", demonstrates the rate study methodology's various objectives in four major ways: (1) the methodology has recognized variations among the various communities; (2) the methodology has produced adequate revenues over the period; (3) the methodology has resulted in a wide variety of rate adjustment; and (4) the methodology operates in an open and transparent manner with information available to customer communities and users.

**City of Grand Rapids Sanitary Sewer System Rate Studies
Comparative Analysis of Rates 1978 to 2024
Readiness-to-Serve Charge
(Monthly) Service Charge**

	Commodity	Readiness-to-Serve (Monthly)		Billing	Revenue
<u>Effective</u>	<u>Charge (\$/HCF) ⁽³⁾</u>	<u>3/4" Meter</u>	<u>6" & Over</u>	<u>Volume (HCF) ⁽⁴⁾</u>	<u>Requirements</u>
City of Grand Rapids					
Retail-No Expiration Date					
January 1, 1978	\$0.25	\$1.73	\$89.93	9,631,541	\$3,760,140
January 1, 2024	4.38	17.37	888.03	6,437,028	42,859,112
City of Kentwood					
Retail-expiring December 31, 2053					
January 1, 1978	\$0.25	\$1.84	\$116.50	303,302	\$110,135
January 1, 2024	3.44	9.66	394.59	1,333,643	5,431,575
City of Walker					
Retail-expiring December 31, 2053					
January 1, 1978	\$0.36	\$4.09	\$249.79	339,729	\$228,829
January 1, 2024	3.05	33.84	1942.11	832,147	5,694,980
Cascade Charter Township					
Retail-expiring December 31, 2053					
January 1, 1978	\$0.38	\$4.01	\$254.75	68,492	\$64,685
January 1, 2024	3.41	41.06	2404.19	465,538	3,213,903
Grand Rapids Charter Township					
Retail-expiring December 31, 2053					
January 1, 1978	\$0.36	\$5.87	\$362.45	122,955	\$120,106
January 1, 2024	2.8	32.90	1881.95	391,172	3,114,805
Tallmadge Township					
Retail-expiring December 31, 2053					
January 1, 1995	\$1.47	\$10.06	\$534.85	9,857	\$17,070
January 1, 2024	8.91	28.63	1608.67	41,705	537,901
Wright Township					
Retail-expiring December 31, 2053					
January 1, 2004	\$47.37**	--	--	23,618	\$192,899
January 1, 2024	57.08**	--	--	19,797	289,381

City of East Grand Rapids

Wholesale-expiring December 31, 2053

January 1, 1978	\$172.62*	--	\$2,018.00 ⁽²⁾	1,235,707	\$183,765
January 1, 2024	2,959.00*	--	2,184.00 ⁽²⁾	564,315	1,275,227

Ada Township

Wholesale-expiring December 31, 2053

January 1, 1978	\$171.22*	--	\$1,399.00 ⁽²⁾	151,961	\$36,253
January 1, 2024	4,012.00*	--	40,984.00 ⁽²⁾	364,392	1,585,343

Gaines Township⁽¹⁾

Retail-expiring June 6, 2053

January 1, 1993	\$672.00*	--	\$122.00 ⁽²⁾	15,858	\$9,431
January 1, 2024	2,574.00*	--	1,619.00 ⁽²⁾	155,749	139,293

Caledonia Charter Township

Wholesale-expiring December 31, 2053

January 1, 2014	\$15,478.00*	--	\$285.00 ⁽²⁾	4,881	\$59,920
January 1, 2024	7,618.00*	--	728.00 ⁽²⁾	36,937	219,217

Total all Entities

January 1, 1978 and other initial years				11,907,901	\$4,783,233
January 1, 2024				10,642,423	\$64,540,737

Source: City of Grand Rapids

* Rate charged per one million gallons.

**Rate charged per REU.

(1) Operating under the 1978 Agreement.

(2) Wholesale readiness to serve charge based on rate study.

(3) HCF: Hundred Cubic Feet

(4) Billing volume used in the Rate Study is the average of the last 3 years for communities that are partners to the uniform service agreements; except in Gaines Township where billing volume in the Rate Study is the prior fiscal year billed volume.

Revenue Requirements and Percentage Rate Adjustments – Historical

The rate setting methodology when applied in the annual rate studies for the years 2019 through 2023 has yielded the revenue requirements and percentage rate increases/(decreases) set forth in the table below for the calendar years commencing January 1, 2020 through January 1, 2024.

**CITY OF GRAND RAPIDS, MICHIGAN
SANITARY SEWER SYSTEM**

REVENUE REQUIREMENTS AND PERCENTAGE RATE INCREASES – HISTORICAL

	Rate Study Year	2019	2020	2021	2022	2023
	Effective Date	1/1/20	1/1/21	1/1/22	1/1/23	1/1/24
Operation & Maintenance		\$30,407,882	\$31,491,001	\$35,624,656	\$36,537,965	\$37,031,601
Depreciation		8,025,112	10,833,191	11,276,357	11,428,082	11,606,736
Return on Investment		13,816,207	14,196,963	12,683,413	13,658,739	14,611,126
Less: Revenue Credits		(342,427)	(418,643)	(138,265)	(138,246)	(285,973)
CSO Project Debt Service		7,971,030	8,186,466	7,040,368	6,434,579	6,044,866
Less: Integrated Connection Fee Credit		(2,630,285)	(2,697,078)	(3,017,703)	(4,288,226)	(4,069,725)
Less: Circuit Breaker Program		(278,102)	(349,611)	(525,768)	(400,151)	(397,894)
Plus: Capital Investment		-	-	-	-	-
Total Revenue Requirements		56,969,417	61,242,290	62,943,059	63,232,742	64,540,737
Gross Rate Increases (Decreases) Necessary to Meet						
Total Revenue Requirement ⁽¹⁾		3.49%	7.92%	4.00%	1.07%	1.33%

(1) The percentage rate changes differ from the annual percentage changes in total Revenue Requirements due to differences in usage volumes.

Source: City of Grand Rapids

Connection Fees

On June 27, 2000, the Grand Rapids City Commission enacted Ordinance No. 2000-32 establishing a schedule of integrated connection base fee increases for initial connection to the SSS for periods through December 31, 2008. The fees have been adjusted annually thereafter, most recently on December 12, 2023 when the Grand Rapids City Commission approved a resolution establishing the fees effective January 1, 2024. These integrated connection fees apply to all users of the SSS except users in Gaines Township. The receipts from these fees are shown in the table "SANITARY SEWER SYSTEM – STATEMENT OF OPERATIONS."

**CITY OF GRAND RAPIDS, MICHIGAN
SANITARY SEWER SYSTEM
INTEGRATED CONNECTION BASE FEE SCHEDULE - HISTORICAL**
Effective On and After

<u>Water Meter Size</u>	<u>1/1/14</u>	<u>1/1/15</u>	<u>1/1/16</u>	<u>1/1/17</u>	<u>1/1/18</u>
3/4" or less	\$ 2,873.00	\$ 2,922.00	\$ 2,928.00	\$ 2,959.00	\$ 3,016.00
1"	4,798.00	4,880.00	4,890.00	4,942.00	5,037.00
1-1/2"	9,567.00	9,730.00	9,750.00	9,853.00	10,043.00
2"	15,313.00	15,574.00	15,606.00	15,771.00	16,075.00
3"	33,528.00	34,100.00	34,170.00	34,532.00	35,197.00
4"	60,333.00	61,362.00	61,488.00	62,139.00	63,336.00
6" & over	134,083.00	136,370.00	136,650.00	138,097.00	140,757.00

Source: City of Grand Rapids

*This rate was only effective prior to April 1, 2018. The customer service agreements were amended in March 2018 to change the methodology for calculation of integrated connection fees. For the new integrated connection fee is effective as of April 1, 2018, see the below table.

**CITY OF GRAND RAPIDS, MICHIGAN
SANITARY SEWER SYSTEM
INTEGRATED CONNECTION FEE – PLAN REVIEW AND CONNECTION FEE (PRC FEE)**

<u>Residential User</u> <u>(three residential</u> <u>units or less)</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>% Change</u>
Meter Size					
3/4" or less	\$370	\$370	\$380	\$390	2.63%
1"	380	380	390	410	5.13%
1-1/2"	380	380	390	410	5.13%

All Other Users
(three
residential
units or
more)

	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>% Change</u>
Meter Size					
3/4" or less	710	715	725	755	4.14%
1"	935	945	960	1,010	5.21%
1-1/2"	1,250	1,260	1,270	1,340	5.51%
2"	1,725	1,740	1,750	1,850	5.71%
3"	2,150	2,160	2,180	2,305	5.73%
4"	3,100	3,110	3,130	3,320	6.07%
6" & over	4,380	4,390	4,400	4,675	6.25%

CITY OF GRAND RAPIDS, MICHIGAN
SANITARY SEWER SYSTEM
INTEGRATED CONNECTION FEE – METER CAPACITY CHARGE (MCC)¹

<u>Meter Size</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>% Change</u>
3/4" or less	\$210	\$210	\$210	\$210	0%
1"	250	250	300	300	0%
1-1/2" - T2	750	750	750	750	0%
2" - T2	880	880	880	880	0%
3" - T2	1,100	1,100	1,650	2,162	31%
4" T2	2,135	2,135	at cost	at cost	0%
5" & over - T2	3,460	3,460	at cost	at cost	0%
1-1/2" - C2	1,200	1,200	at cost	at cost	0%
2" - C2	1,385	1,385	at cost	at cost	0%
3" - C2	1,755	1,755	at cost	at cost	0%
4" - C2	3,050	3,050	at cost	at cost	0%
6" & over - C2	5,265	5,265	at cost	at cost	0%

- (1) The MCC schedule is separated by two meter types; "T2" which is a traditional turbo style meter and "C2" which is a compound meter used for capturing a wider range of flows. The meter type is chosen at the City's discretion.

CITY OF GRAND RAPIDS, MICHIGAN
SANITARY SEWER SYSTEM
INTEGRATED CONNECTION FEE – IRRIGATION/FIRE PROTECTION REVIEW FEE

Meter Size	2021	2022	2023	2024	% Change
All sizes	\$730	\$740	\$750	\$790	5.33%

**CITY OF GRAND RAPIDS, MICHIGAN
SANITARY SEWER SYSTEM
INTEGRATED CONNECTION FEE – COMMERCIAL PLAN ASSESSMENT FEE**

Meter Size	2021	2022	2023	2024	% Change
All sizes	\$125	\$125	\$125	\$125	0%

Statement of Operations - Historical

The rate increases/(decreases) under the rate setting methodology have produced the results of operations from the SSS for the fiscal years ended June 30, 2020 through 2024 as set forth in the table below.

**CITY OF GRAND RAPIDS, MICHIGAN
SANITARY SEWER SYSTEM
STATEMENT OF OPERATIONS – HISTORICAL**

	Fiscal Years Ended June 30,				
	2020	2021	2022	2023	2024
REVENUES					
Services Charges - Retail	\$53,517,010	\$54,052,977	\$58,603,464	\$59,907,223	\$60,248,066
Services Charges - Wholesale	2,661,446	2,526,126	3,301,466	3,449,417	3,104,987
Sewage Surcharge	2,393,466	2,741,451	3,718,914	2,731,720	2,455,953
Renewable Natural Gas Sales	0	0	52,072	1,314,199	3,045,510
Connection Fees/Front Foot Fees	562,180	428,783	817,068	287,684	536,708
Industrial Pretreatment Permit Fee	46,659	52,777	55,843	55,483	58,622
Interest on Investments	1,022,889	769,582	883,718	1,437,663	1,979,106
Miscellaneous ⁽¹⁾	866,360	912,711	992,862	1,045,863	1,012,915
Total Gross Revenues	61,070,010	61,484,407	68,425,407	70,229,251	72,441,867
OPERATING EXPENSES					
Wastewater Treatment	17,801,657	18,969,951	22,285,371	23,686,328	22,995,214
Sanitary Sewer Repair & Maintenance	4,716,586	5,024,765	5,133,060	5,490,012	6,351,858
Customer Services	2,659,486	2,540,798	2,484,493	2,461,880	2,804,437
Administration	4,268,668	2,661,389	2,716,516	2,278,631	3,055,332
Industrial Pretreatment	799,450	726,968	806,067	930,034	1,141,706
Depreciation	15,478,452	18,882,231	19,002,219	19,152,880	19,260,704
Total Gross Expense	45,724,299	48,806,102	52,427,726	53,999,765	55,609,250
Additions - Depreciation	15,478,452	18,882,231	19,002,219	19,152,880	19,260,704
NET EARNINGS⁽²⁾	\$30,824,163	\$31,560,536	\$34,999,900	\$35,382,366	\$36,094,934

⁽¹⁾ Includes jobbing materials, service fees, rebates, penalties, and reimbursements.

⁽²⁾ Pursuant to bond ordinance definition of net earnings.

Source: City of Grand Rapids

Net Earnings and Bond Coverage – Historical & Projected

The SSS Bond Ordinance requires that the net revenue generated by the SSS must be sufficient to meet the cash requirements of the SSS which include: (a) administrative, operation and maintenance expenses; (b) debt service requirements on bonded debt; and (c) expenditures for capital improvements not financed from bond proceeds or contributions. In addition, the City covenants and agrees that it will, at all times, on a pro-forma basis, prescribe and maintain and thereafter collect rates and charges for the services and facilities furnished by the SSS which, together with other income, are reasonably expected to yield annual net earnings in the current fiscal year equal to at least one hundred twenty percent (120%) of annual principal & interest requirements in such fiscal year.

Net earnings of the SSS are calculated in the section entitled “Results of Operations.” The table below sets forth the debt service and the coverage ratio based on the net earnings of the SSS for the fiscal years ended June 30, 2020 through 2024. The Coverage Ratio has been determined by dividing the Net Earnings for each fiscal year by the total annual principal and interest payments for each fiscal year.

**CITY OF GRAND RAPIDS, MICHIGAN
SANITARY SEWER SYSTEM
NET EARNINGS AND BOND COVERAGE - HISTORICAL**

	Fiscal Years Ended June 30,				
	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Net Earnings of the SSS	\$30,824,163	\$31,560,536	\$34,999,900	\$35,382,366	\$36,094,934
Total Net Senior Debt Service ⁽¹⁾	21,472,012	22,740,830	24,689,893	23,265,175	23,225,519
Coverage-Senior Debt	1.44	1.39	1.42	1.52	1.55
Debt Service on Junior Lien Bonds ⁽²⁾	469,624	466,375	467,999	469,374	545,134
Coverage Ratio - All Debt	1.40	1.36	1.39	1.49	1.52
Total Available After Debt Service	\$8,882,527	\$8,353,332	\$9,842,008	\$11,647,817	\$12,324,281

⁽¹⁾ Net of the Build America Bonds 35% interest expense subsidy in the amount of \$6,149,587 pertaining to the SSS Series 2010A bonds.

⁽²⁾ Based on maximum principal draws without principal forgiveness incentives.

Source: City of Grand Rapids

**CITY OF GRAND RAPIDS, MICHIGAN
SANITARY SEWER SYSTEM
NET EARNINGS AND BOND COVERAGE - PROJECTED**

	Fiscal Year Ended June 30,				
	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>2029</u>
Net Earnings of the SSS	\$31,976,697	\$32,514,070	\$34,558,677	\$35,666,254	\$36,960,317
Total Net Senior Debt Service ⁽¹⁾	23,180,225	23,242,589	23,279,392	23,270,535	18,534,652
Coverage-Senior Debt	1.38	1.40	1.48	1.53	1.99
Debt Service on Junior Lien Bonds ⁽²⁾	612,049	607,699	920,318	924,587	923,465
Coverage Ratio - All Debt	1.34	1.36	1.43	1.47	1.90
Total Available After Debt Service	8,184,423	8,663,782	10,358,967	11,471,132	17,502,200

⁽¹⁾ Net of the Build America Bonds 35% interest expense subsidy in the amount of \$6,149,587 pertaining to the SSS Series 2010A bonds.

⁽²⁾ Based on maximum principal draws without principal forgiveness incentives.

Source: Projections are taken from the City’s FY2025-2029 Fiscal Plan.

Revenue Requirements and Percentage Rate Adjustments – Projected

The rate setting methodology when applied to future operations and maintenance costs, depreciation and return on investment requirements results in the following projected revenue requirements and anticipated rate adjustments for the calendar years commencing January 1, 2024, through January 1, 2028.

City of Grand Rapids, Michigan
Sanitary Sewer System
Projected Revenue Requirements and
Anticipated Percentage Rate Adjustments ⁽¹⁾

Rate Study Year	2024	2025	2026	2027	2028
Date Effective	1/1/25	1/1/26	1/1/27	1/1/28	1/1/29
Operation & Maintenance ⁽²⁾	\$41,055,861	\$46,647,670	\$49,759,070	\$50,037,721	\$51,158,566
Depreciation Expense ⁽³⁾	11,477,788	11,962,952	11,728,359	11,823,515	11,507,714
Return on System Investment ⁽⁴⁾	13,358,186	13,491,768	13,626,686	13,762,952	13,900,582
Less: Revenue Credits ⁽⁵⁾	(334,425)	154,500	154,500	154,500	155,500
CSO Project Debt Service ⁽⁴⁾	6,045,257	4,124,551	4,128,382	4,147,877	4,146,562
Less: Integrated System Credits ⁽⁵⁾	(4,293,365)	(5,750,000)	(5,750,000)	(5,750,000)	(5,750,000)
Less: Circuit Breaker ⁽⁵⁾	(607,198)	(491,451)	(495,709)	(498,488)	(500,585)
Total Revenue Requirements	<u>\$70,139,990</u>	<u>\$73,151,287</u>	<u>\$73,678,077</u>	<u>\$74,618,339</u>	<u>\$76,224,772</u>
Percentage Gross Rate Increase (Decrease) From Prior Year Necessary to Meet Total Revenue Requirements ⁽⁶⁾	2.91%	5.15%	4.29%	0.72%	1.28%

- (1) Revenue requirements per the 2024 Rate Study.
- (2) Projections for 2025 Rate Study and thereafter are increased proportionate to the City's FY2025-2029 Fiscal Plan
- (3) Projections for 2025 Rate Study and thereafter are based on the City's fixed asset system projections based on assets in service on June 30, 2024.
- (4) Projections for 2025 Rate Study and thereafter are based on the 2024 Rate Study.
- (5) Projections for 2025 Rate Study and thereafter are based on the City's FY2025-2029 Fiscal Plan.
- (6) These percentages represent the required changes in gross revenues of the System if the three-year average billed volume remains the same as in the 2024 Rate Study, but, because of changes in billed volume and other factors, such as capital improvement projects servicing specific customer communities, the actual percentage change in rates for the individual customer communities will vary from these figures.

Source: City of Grand Rapids

Statement of Operations - Projected

The City projects that the rates in effect for the year commencing January 1, 2024 and the projected rate increases for future years as shown above will yield the projected results of operations for the SSS for the fiscal years ending June 30, 2025 through June 30, 2029 as set forth in the table below.

City of Grand Rapids, Michigan
Sewage Disposal System Fund
Statement of Operations - Projected ⁽¹⁾

	Fiscal Years Ending June 30,				
	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>2029</u>
REVENUES:					
Retail Service Charges ⁽⁴⁾	\$60,850,720	\$63,988,593	\$66,116,788	\$68,100,291	\$70,143,301
Wholesale Service Charges ⁽⁴⁾	3,511,605	3,698,170	3,832,582	3,947,559	4,065,986
Sewer Surcharges	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000
Connection/Front Foot Fees	450,000	450,000	450,000	450,000	450,000
Industrial Pretreatment Permit Fees	110,800	110,800	110,800	110,800	110,800
RNG, Phos, & Liquid Indus. Byproduct ⁽⁴⁾	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000
Interest on Investments	1,614,494	1,583,213	1,612,663	1,614,438	1,591,123
Miscellaneous ⁽⁴⁾	1,239,796	1,239,796	1,239,796	1,240,796	1,241,796
Total Revenues	73,277,415	76,570,572	78,862,629	80,963,884	83,103,006
OPERATING EXPENSES:					
Water Resource Recovery Facility ⁽⁴⁾	\$28,347,454	\$30,870,951	\$30,994,097	\$31,301,823	\$31,893,548
Sanitary Sewer Repair & Maintenance	6,950,833	7,355,432	7,668,407	7,964,269	8,135,367
Customer Services ⁽⁴⁾	3,418,586	3,742,481	3,757,848	4,058,612	4,058,612
Administration ⁽⁴⁾	1,252,188	712,772	551,292	598,632	655,324
Industrial Pretreatment	1,331,657	1,374,866	1,332,308	1,374,294	1,399,838
Depreciation ⁽²⁾	19,740,690	19,681,183	19,510,598	19,310,923	18,892,369
Total Expenses	61,041,408	63,737,685	63,814,550	64,608,553	65,035,058
Additions: Depreciation	19,740,690	19,681,183	19,510,598	19,310,923	18,892,369
NET EARNINGS ⁽³⁾	\$31,976,697	\$32,514,070	\$34,558,677	\$35,666,254	\$36,960,317

(1) Projections are taken from the City's FY2025-2029 Fiscal Plan, except as noted in (2) and (4) below.

(2) Projections are taken from the City's fixed asset system, based on assets in service on June 30, 2024.

(3) Pursuant to the bond ordinance definition of Net Earnings.

(4) Projections updated for revenue and expense adjustments. Administration expenses may appear as negatives due to appropriation lapses.

WATER SUPPLY SYSTEM

Annual Water Sales

CITY OF GRAND RAPIDS, MICHIGAN WATER SUPPLY SYSTEM ANNUAL WATER SALES IN GALLONS, PUMPAGE, AND DOLLARS BILLED

<u>Fiscal Year</u> <u>Ended June 30</u>	<u>Total Sales in</u> <u>Billion Gallons</u>	<u>Total Pumpage in</u> <u>Billion Gallons</u>	<u>Total Annual Billings</u> <u>in Millions of Dollars</u>
2020	11.151	12.735	43.906
2021	12.245	13.381	45.816
2022	11.942	13.365	45.954
2023	12.328	13.651	49.612
2024	11.982	12.899	51.600

Source: City of Grand Rapids

Daily Water Pumpage

CITY OF GRAND RAPIDS, MICHIGAN WATER SUPPLY SYSTEM DAILY WATER PUMPAGE IN MILLIONS OF GALLONS

	<u>Fiscal Years Ended June 30</u>				
	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Average Day Pumpage	34.8	36.6	36.6	37.4	35.2
Maximum Day Pumpage	63.1	75.1	68.8	70.2	64.5

Source: City of Grand Rapids

Retail Billings and Collections

The following table sets forth the history of billings and collections for the Water Supply System (“WSS”) for the fiscal years ended June 30, 2020, through June 30, 2024.

CITY OF GRAND RAPIDS, MICHIGAN WATER SUPPLY SYSTEM RETAIL BILLINGS AND COLLECTIONS

<u>Fiscal Year</u> <u>Ended June 30</u>	<u>Total</u> <u>Billed</u>	<u>Paid</u> <u>0-30 Days</u>	<u>Paid</u> <u>31-90 Days</u>	<u>Paid Over</u> <u>90 Days</u>	<u>Total</u> <u>Collected</u> ⁽¹⁾
2020	37,769,100	32,712,216	4,574,240	1,204,184	38,490,640
2021	41,468,277	35,690,340	4,877,649	1,676,773	42,244,762
2022	40,922,635	35,666,374	5,016,649	1,706,844	42,389,867
2023	44,340,928	38,060,957	5,266,312	1,546,503	44,873,772
2024	45,576,583	40,072,520	5,396,137	1,732,325	47,200,983

⁽¹⁾ Reflects penalties & interest charges and receipt of delinquent payments from the period prior to the commencement of the fiscal year.

Source: City of Grand Rapids

Ten Largest Retail Customers

The following table sets forth the ten largest retail customers of the WSS for the one-year period ended on June 30, 2024 and their respective volumes of usage and the amounts billed.

**CITY OF GRAND RAPIDS, MICHIGAN
WATER SUPPLY SYSTEM
TEN LARGEST RETAIL CUSTOMERS BY BILLINGS
FISCAL YEAR ENDED JUNE 30, 2024**

<u>Customer</u>	<u>Volume of Usage (Water Gallons)</u>	<u>Dollar Amount Billed Per Year</u>	<u>Percent of Total Billings</u>
Great Lakes Coca Cola Distribution	136,462,876	\$446,354	0.98%
Spectrum Health Systems	100,478,092	365,295	0.80
Vicinity Energy (Veolia Energy)	98,041,108	318,746	0.70
Roskam Baking Co.	75,192,700	200,493	0.44
Lacks Trim Systems	71,813,236	194,406	0.43
Founders Brewing Company	53,524,636	172,117	0.38
Kent Quality Foods	44,550,132	144,268	0.32
Calvin College	38,263,940	141,947	0.31
Plastic Plate Inc.	39,673,920	140,140	0.31
St. Mary's Hospital	38,783,052	137,903	0.30

Source: City of Grand Rapids

Organization, Management and Staffing

The City administers the WSS through its Water Department, which is aligned under the Public Works Services Group. This service group operates under the administrative direction of the Managing Director. The daily operations of the WSS are overseen by the Department Manager.

The Water Department consists of four divisions: Engineering, Field Operations, Business Office, and Filtration and Treatment. Engineering provides utility engineering technical support for planning and management of water system assets. The Field Operations Division is responsible for maintenance and repair of WSS assets. The Business Office manages both WSS and Sanitary Sewer Department customer billing and account management. The Filtration and Treatment provides laboratory services, operation of the water filtration plant, and control of system pumping and distribution.

The fiscal year 2024 budget for these divisions authorized a total of 120.28 employees. The City believes the WSS is adequately staffed in accordance with regulatory compliance.

Regulatory Requirements

The Michigan Department of Environment, Great Lakes, and Energy (the "EGLE", formerly known as the Michigan Department of Environmental Quality the "MDEQ") has primary enforcement authority in Michigan for the Federal Safe Drinking Water Act under the legislative authority of the Michigan Safe Drinking Water Act. As such, the EGLE has regulatory oversight for the monitoring of water quality and enforcement of standards and policy.

Rate Setting Methodology

In 1976, the City undertook the task of establishing a methodology to be used annually to determine appropriate rates and charges for customers using the WSS. Prior to that time, the City had periodically adjusted rates for City users based on short-term projections of cash flow requirements and indexed suburban customer rates at a factor of two times the City rates. The rates that resulted from such adjustments did not adequately reflect the

long term needs of the WSS and did not adequately reflect the variations in usage rates and operating and capital costs of providing service to the various suburban customer communities.

To remedy this and to establish a procedure for implementing annual rate adjustments, the City, in consultation with the customer communities with which it had retail and wholesale water service agreements, adopted a method of adjusting rates annually. The first such annual rate study took eighteen months to complete and resulted in new rates effective January 1, 1978. Agreements with each of the retail and wholesale governmental customer communities serviced by the System were amended in 2000, 2002, 2006, 2010 and 2018 to incorporate rate setting methodology adjustments.

In 2000, the first amendment to the contracts established the integrated connection fees required to be paid at the time a User receives a permit to connect to the Water or Sanitary Sewer System and the method by which the fees are set and adjusted annually in the rate study. The second amendment executed in 2002 further amended the rate setting methodology for the allocation of integrated connection fee revenue as revenue requirement credit among customer communities updating the calculation of distribution based on billed flow and land area factors. In 2006, penalty fees were no longer applied as credits (offsets) to revenue requirements. Instead, penalty fees were used to fund the Individual Circuit Breaker (“ICB”) and City and Customer Community Circuit Breaker (“CCCCB”). The ICB is a program aimed at addressing retail users requiring assistance in payment of their water/sewer bills. The CCCCCB is a mechanism, if sufficient funding is available, to limit retail service area revenue requirement changes to a level in line with the overall systems’ initial proposed changes. In 2010, the agreements were amended further, changing the rate setting methodology to use a three-year average of billed flow and reducing the rate of return on non-integrated fixed assets to the Bond Buyer Index for 20-year Municipal Bonds plus 4.50% per annum (formerly plus 6.00%). In March 2018, the agreements were also amended to change the methodology for calculation of integrated connection fees. This calculation is now based on an annual assessment of service costs rather than formerly being adjusted annually by CPI. The City has conducted annual rate studies each year since 1978 and has adjusted rates accordingly.

The rate setting methodology is founded on the basic principle that rates will be set to meet revenue requirements as defined by historical costs adjusted by known cost increases and decreases. Also, a significant goal of the methodology was the proper allocation of costs and rates among the users in each of the customer communities served. In general, the costs of capital improvements which benefit specific customers of the WSS are allocated to those customers in the rate setting methodology, while the costs of capital improvements related to the operation of the entire WSS are allocated to all users.

The annual rate analysis background material is assembled during the period from August through November of each year. The base period financial information consists of the actual revenues and expenses of the fiscal year ended on the most recent June 30th. Revenue requirements of the WSS are comprised of operating and maintenance expense, depreciation expense, a “return” on the net book value of fixed assets constructed and acquired utilizing the retained earnings of the WSS, and certain debt service costs. Integrated connection fees are an offset to revenue requirements. The revenue requirement components are adjusted to reflect current unit cost data available during the pendency of the rate study. Rates are then calculated that will generate revenues equal to the net revenue requirement. New rates and charges are reported to the City Commission and customer communities on or about November 15th each year with implementation on the following January 1st. The most recent rates were adopted and approved by the City Commission on December 12, 2023, for users within the City and customer communities.

Under the agreements with the customer communities, the rates adopted by the City take effect each January 1, following the completion of each annual rate study. Customer communities cannot delay the imposition of the new rates but are permitted to seek arbitration to resolve any disagreement over new rates. The arbitrator is required to strictly apply the rate setting methodology to resolve disagreements. Since the implementation of the City’s rate setting methodology in 1978, only one such disagreement has arisen which was resolved through arbitration.

The rates consist of a “commodity” charge and a monthly “readiness-to-serve” charge. The commodity charge is assessed upon consumption and comprises approximately 64% of the WSS revenues. The monthly readiness-to-serve charge is based upon meter size.

The following table “Water Supply System Rate Studies – Comparative Analysis of Rates 1978 to 2024”, demonstrates the rate study methodology’s various objectives in four major ways: (1) the methodology has recognized variations among the various communities; (2) the methodology has produced adequate revenues over the period; (3) the methodology has resulted in a wide variety of rate adjustment; and (4) the methodology operates in an open and transparent manner with information available to customer communities and users.

**CITY OF GRAND RAPIDS, MICHIGAN
WATER SUPPLY SYSTEM RATE STUDIES
COMPARATIVE ANALYSIS OF RATES 1978 TO 2024⁽¹⁾**

<u>Effective</u>	<u>Commodity</u>	<u>Readiness-to-Serve (Monthly)</u>		<u>Billing</u>	<u>Revenue</u>
	<u>Charge (\$/HCF) ⁽³⁾</u>	<u>3/4" Meter</u>	<u>6" & Over</u>	<u>Volume (HCF) ⁽⁴⁾</u>	<u>Requirements</u>
City of Grand Rapids					
Retail-No Expiration Date					
January 1, 1978	\$0.24	\$2.48	\$94.46	11,628,762	\$5,226,903
January 1, 2024	2.45	13.34	620.03	8,362,613	32,070,442
City of Kentwood					
Retail-expiring December 31, 2053					
January 1, 1978	\$0.48	\$3.63	\$206.49	307,080	\$243,459
January 1, 2024	1.84	17.67	897.15	1,714,141	5,111,309
City of Walker					
Retail-expiring December 31, 2053					
January 1, 1978	\$0.48	\$2.79	\$133.20	414,437	\$294,613
January 1, 2024	1.97	15.24	741.63	1,256,449	4,122,807
Grand Rapids Charter Township					
Retail-expiring December 31, 2053					
January 1, 1978	\$0.48	\$2.99	\$144.11	95,466	\$82,603
January 1, 2024	2.22	19.10	988.67	749,278	2,967,839
City of East Grand Rapids					
Wholesale-expiring December 31, 2053					
January 1, 1978	\$0.24	\$0.00	\$1,163.00	650,641	\$170,752
January 1, 2024	1.31	0.00	17,047.00	596,970	986,593
Ada Township ⁽²⁾					
Wholesale-expiring December 31, 2053					
January 1, 1982	\$0.37	\$0.00	\$1,111.00	22,878	\$21,792
January 1, 2024	1.50	0.00	60,124.00	631,212	1,668,303
Tallmadge Charter Township ⁽²⁾					
Retail-expiring December 31, 2053					
January 1, 1995	\$2.58	\$10.93	\$535.75	9,759	\$27,891
January 1, 2024	2.71	4.35	44.67	68,733	268,734
Cascade Charter Township					
Retail-expiring December 31, 2053					
January 1, 1978	\$0.48	\$3.38	\$179.15	135,393	\$149,357
January 1, 2024	2.64	25.47	1,396.35	936,558	4,276,791
Ottawa County ⁽²⁾					
Wholesale-expiring November 1, 2029					
January 1, 1979	\$0.27	\$0.00	\$60.00	100,365	\$27,315
January 1, 2024	1.43	0.00	0.00	1,966,731	2,811,283
Total all Entities					
January 1, 1978 and other initial years				13,364,781	\$6,244,685
January 1, 2024				16,282,685	54,284,101

(1) Rates effective January 1, 2024.

(2) Ottawa County, Ada Township in Kent County, and Tallmadge Charter Township in Ottawa County were added to the WSS after January 1, 1978.

(3) HCF: Hundred Cubic Feet.

(4) Billing volume used in the Rate Study is the average of the last three years for customer communities that are partners to the uniform service agreements.

Source: City of Grand Rapids

Revenue Requirements and Percentage Rate Adjustments - Historical

The rate setting methodology, when applied in the annual rate studies for the years 2019 through 2023, has yielded the revenue requirements and percentage increases/(decreases) set forth in the table below for the calendar years commencing January 1, 2020 through January 1, 2024.

CITY OF GRAND RAPIDS, MICHIGAN WATER SUPPLY SYSTEM REVENUE REQUIREMENTS AND PERCENTAGE RATE ADJUSTMENTS HISTORICAL

Rate Study Year Date Effective	2019 1/1/2020	2020 1/1/2021	2021 1/1/2022	2022 1/1/2023	2023 1/1/2024
Operation & Maintenance	\$26,296,991	\$25,768,766	\$26,888,077	\$27,112,417	\$28,975,501
Depreciation	7,780,110	9,172,624	10,169,698	10,419,655	10,202,421
Return on Investment	13,325,270	12,013,676	12,397,703	13,932,687	16,778,845
Less: Revenue Credits	(923,803)	(806,508)	(1,008,242)	(714,862)	(893,898)
Less: Integrated Connection Fee Credit	(359,368)	(386,298)	(356,108)	(347,095)	(365,459)
Less: Circuit Breaker	(366,203)	(260,317)	(398,233)	(280,729)	(288,624)
Total Revenue Requirements	\$45,752,997	\$45,501,943	\$47,692,895	\$50,122,073	\$54,408,787
Gross Rate Increase/(Decrease) Necessary to Meet Total Revenue Requirements (1)	2.47%	0.62%	4.08%	5.68%	6.50%

(1) The percentage rate changes differ from the annual percentage changes in Total Revenue Requirements due to differences in usage volumes.

Source: City of Grand Rapids

Connection Fees

On June 27, 2000, the Grand Rapids City Commission enacted Ordinance No. 2000-32 establishing a schedule of integrated connection base fee increases for initial connection to the WSS for periods through December 31, 2008. The fees have been adjusted annually thereafter, most recently on December 12, 2023, when the Grand Rapids City Commission approved a resolution establishing the fees effective January 1, 2024. These integrated connection fees apply to all users of the WSS except users in Ottawa County. The receipts from these fees are shown in the table "WATER SUPPLY SYSTEM – Statement of Operations".

**CITY OF GRAND RAPIDS, MICHIGAN
WATER SUPPLY SYSTEM
INTEGRATED CONNECTION BASE FEE SCHEDULE**

INTEGRATED CONNECTION BASE FEE SCHEDULE – HISTORICAL

<u>Water Meter Size</u>	<u>Effective On and After</u>				
	<u>1/1/14</u>	<u>1/1/15</u>	<u>1/1/16</u>	<u>1/1/17</u>	<u>1/1/2018*</u>
3/4" or less	\$2,873	\$2,922	\$2,928	\$2,959	\$3,016
1"	4,798	4,880	4,890	4,942	5,037
1-1/2"	9,567	9,730	9,750	9,853	10,043
2"	15,313	15,574	15,606	15,771	16,075
3"	33,528	34,170	34,170	34,532	35,197
4"	60,333	61,488	61,488	62,139	63,336
6" & over	134,083	136,650	136,650	138,097	140,757

Source: City of Grand Rapids

*This rate was only effective prior to April 1, 2018. The customer service agreements were amended in March 2018 to change the methodology for calculation of integrated connection fees. For the new integrated connection fee is effective as of April 1, 2018, see the below table.

**CITY OF GRAND RAPIDS, MICHIGAN
WATER SUPPLY SYSTEM
INTEGRATED CONNECTION FEE – PLAN REVIEW AND CONNECTION FEE (PRC FEE)**

<u>Residential User</u>					
<u>(three residential units or less)</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>% Change</u>
Meter Size					
3/4" or less	\$370	\$370	\$380	\$390	2.63%
1"	380	380	390	410	5.13%
1-1/2"	380	380	390	410	5.13%
 <u>All Other Users</u>					
<u>(three residential units or more)</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>% Change</u>
Meter Size					
3/4" or less	\$710	\$715	\$725	\$755	4.14%
1"	935	945	960	1,010	5.21%
1-1/2"	1,250	1,260	1,270	1,340	5.51%
2"	1,725	1,740	1,750	1,850	5.71%
3"	2,150	2,160	2,180	2,305	5.73%
4"	3,100	3,110	3,130	3,320	6.07%
6" & over	4,380	4,390	4,400	4,675	6.25%

**CITY OF GRAND RAPIDS, MICHIGAN
WATER SUPPLY SYSTEM
INTEGRATED CONNECTION FEE – METER CAPACITY CHARGE (MCC)¹**

<u>Meter Size</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>% Change</u>
3/4" or less	\$210	\$210	\$210	\$210	0%
1"	250	250	300	300	0%
1-1/2" - T2	750	750	750	750	0%
2" - T2	880	880	880	880	0%
3" - T2	1,100	1,100	1,650	2,162	31%
4" - T2	2,135	2,135	at cost	at cost	N/A
6" & over - T2	3,460	3,460	at cost	at cost	N/A
1-1/2" - C2	1,200	1,200	at cost	at cost	N/A
2" - C2	1,385	1,385	at cost	at cost	N/A
3" - C2	1,755	1,755	at cost	at cost	N/A
4" - C2	3,050	3,050	at cost	at cost	N/A
6" & over - C2	5,265	5,265	at cost	at cost	N/A

(1) The MCC schedule is separated by two meter types; "T2" which is a traditional turbo style meter and "C2" which is a compound meter used for capturing a wider range of flows. The meter type is chosen at the City's discretion.

**CITY OF GRAND RAPIDS, MICHIGAN
WATER SUPPLY SYSTEM
INTEGRATED CONNECTION FEE – IRRIGATION/FIRE PROTECTION REVIEW FEE**

<u>Meter Size</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>% Change</u>
All sizes	\$730	\$740	\$750	\$790	5.33%

**CITY OF GRAND RAPIDS, MICHIGAN
WATER SUPPLY SYSTEM
INTEGRATED CONNECTION FEE – COMMERCIAL PLAN ASSESSMENT FEE**

<u>Meter Size</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>% Change</u>
All sizes	\$125	\$125	\$125	\$125	0.00%

Statement of Operations – Historical

The rate increases or decreases under the rate setting methodology have produced the results of operations from the WSS for the fiscal years ended June 30, 2020 through June 30, 2024 as set forth below.

**CITY OF GRAND RAPIDS, MICHIGAN
WATER SUPPLY SYSTEM
STATEMENT OF OPERATIONS – HISTORICAL**

	Fiscal Years Ended June 30,				
	2020	2021	2022	2023	2024
REVENUES					
Retail Service Charges	\$39,901,920	\$41,259,130	\$41,342,724	\$44,566,989	\$46,519,232
Wholesale Service Charges	4,076,500	4,710,234	4,586,264	5,112,597	5,150,314
Connection & Front Foot Fees	580,227	603,736	793,788	740,193	959,219
Sewage Disposal Fund-Customer Svc.	2,659,486	2,540,798	2,489,516	2,467,057	2,809,504
Other Operating Revenues ⁽¹⁾	1,553,374	2,136,799	1,830,755	1,994,381	2,046,889
Interest on Investments	902,755	879,714	824,521	1,502,124	2,209,805
Miscellaneous (Non-Operating)	671,903	665,451	554,199	732,177	748,572
Total Revenues	\$50,346,165	\$52,795,862	\$52,421,767	\$57,115,518	\$60,443,535
OPERATING EXPENSES					
Administration	\$3,238,471	\$3,354,236	\$3,006,603	\$3,374,241	\$3,475,647
Customer Services	6,230,849	6,424,493	6,484,229	6,486,829	7,238,525
Engineering	1,260,864	1,248,934	1,339,695	1,378,520	1,409,232
Distribution System	2,476,336	3,014,745	2,626,306	2,866,706	2,915,980
Repair & Maintenance	6,574,836	6,847,226	7,591,060	7,542,513	8,077,599
Filtration Plant	8,080,908	7,731,856	8,055,061	10,165,710	10,385,788
Depreciation	9,831,819	10,931,700	11,785,530	11,186,530	11,574,106
Total Expenses	\$37,694,083	\$39,553,190	\$40,888,484	\$43,001,049	\$45,076,877
ADDITIONS - DEPRECIATION	9,831,819	10,931,700	11,785,530	11,186,530	11,574,106
NET EARNINGS ⁽²⁾	\$22,483,901	\$24,174,372	\$23,318,813	\$25,300,999	\$26,940,764

⁽¹⁾ Includes public fire protection, contractor services, jobbing materials, penalties, service fees, and unmetered water sales.

⁽²⁾ Pursuant to bond ordinance definition of Net Earnings.

Source: City of Grand Rapids

Net Earnings and Bond Coverage – Historical & Projected

The Bond Ordinance requires that the net revenue generated by the WSS must be sufficient to meet the cash requirements of the WSS which include: (a) administrative, operation, and maintenance expenses; (b) debt service requirements on bonded debt; and (c) expenditures for capital improvements not financed from bond proceeds or contributions. In addition, the City covenants and agrees that it will, at all times, on a pro forma basis, prescribe and maintain and thereafter collect rates and charges for the services and facilities furnished by the WSS which, together with other income, are reasonably expected to yield annual net earnings in the current fiscal year equal to at least one hundred twenty percent (120%) of the annual principal and interest requirement in such fiscal year.

Net earnings of the WSS are stated in the section entitled “Statements of Operations.” The table below sets forth the debt service and coverage ratio based upon the net earnings of the WSS for the fiscal years ended June 30, 2020 through 2024. The coverage ratio has been determined by dividing the net earnings for each fiscal year by the total annual principal and interest payments of outstanding bonds for each fiscal year.

**CITY OF GRAND RAPIDS, MICHIGAN
WATER SUPPLY SYSTEM
NET EARNINGS AND BOND COVERAGE – HISTORICAL**

	Fiscal Years Ended June 30,				
	2020	2021	2022	2023	2024
Net Earnings of the System	\$22,483,901	\$24,174,372	\$23,318,812	\$25,300,999	\$26,940,764
Total Net Senior Debt Service	10,898,719	7,986,382	9,056,269	9,064,331	9,083,831
Coverage-Senior Debt	2.06	3.03	2.57	2.79	2.97
Junior Lien Bonds Debt Service ⁽¹⁾	1,442,812	1,438,463	1,438,487	1,612,870	1,743,045
Coverage Ratio-All Debt	1.82	2.56	2.22	2.37	2.49
Total Available After Debt Service	10,142,370	14,749,527	12,824,056	14,623,798	16,113,888

⁽¹⁾ Based on maximum principal draws with no principal forgiveness incentives.

Source: City of Grand Rapids

**CITY OF GRAND RAPIDS, MICHIGAN
WATER SUPPLY SYSTEM
NET EARNINGS AND BOND COVERAGE – PROJECTED**

	Fiscal Years Ended June 30,				
	2025	2026	2027	2028	2029
Net Earnings of the System	\$20,720,934	\$22,368,447	\$22,947,242	\$22,789,040	\$23,044,942
Total Net Senior Debt Service	9,083,950	9,100,150	9,105,950	9,126,800	8,838,850
Coverage-Senior Debt	2.28	2.46	2.52	2.50	2.61
Junior Lien Bonds Debt Service ⁽¹⁾	2,407,291	2,399,553	2,413,415	2,396,152	2,403,218
Coverage Ratio-All Debt	1.80	1.95	1.99	1.98	2.05
Total Available After Debt Service	9,229,693	10,868,744	11,427,877	11,266,088	11,802,874

⁽²⁾ Based on maximum principal draws with no principal forgiveness incentives.

Source: City of Grand Rapids

Revenue Requirements and Percentage Rate Adjustments – Projected

The rate setting methodology when applied to future operations and maintenance costs, depreciation, and return on investment requirements results in the following projected revenue requirements and anticipated rate adjustments for the calendar years beginning January 1, 2025, through January 1, 2029.

**CITY OF GRAND RAPIDS, MICHIGAN
WATER SUPPLY SYSTEM
REVENUE REQUIREMENTS AND PERCENTAGE RATE ADJUSTMENTS - PROJECTED ⁽¹⁾**

Rate Study Year Date Effective	2024 1/1/2025	2025 1/1/2026	2026 1/1/2027	2027 1/1/2028	2028 1/1/2029
Operation and Maintenance ⁽²⁾	\$30,075,931	\$36,094,125	\$36,382,878	\$36,692,132	\$38,108,448
Depreciation Expense ⁽³⁾	10,527,023	11,336,565	11,313,520	11,254,799	11,192,281
Return on System Investment ⁽⁴⁾	17,135,356	17,306,710	17,479,777	17,654,574	17,831,120
Less: Revenue Credits ⁽⁵⁾	(986,345)	(957,727)	(654,000)	(654,000)	(654,000)
Less: Integrated System Credits ⁽⁵⁾	(532,603)	(375,000)	(375,000)	(375,000)	(375,000)
Less: Circuit Breaker ⁽⁵⁾	(468,631)	(383,549)	(379,291)	(376,512)	(374,415)
Total Revenue Requirements	\$55,750,731	\$63,021,124	\$63,767,884	\$64,195,993	\$65,728,434
Gross Rate Increase / (Decrease) From Prior Year Necessary to Meet Total Revenue Requirements ⁽⁶⁾	2.80%	13.04%	1.18%	0.67%	2.39%

(1) Revenue requirements per the 2024 Rate Study.

(2) Projections for the 2025 Rate Study and thereafter are increased proportionately per the City's FY2025-2029 Fiscal Plan updated with known adjustments.

(3) Projections for the 2025 Rate Study and thereafter are based on the City's fixed asset system projections and on assets in service on June 30, 2024.

(4) Projections for the 2025 Rate Study and thereafter are based on the 2024 Rate Study.

(5) Projections for the 2025 Rate Study and thereafter are based on the City's FY2025-2029 Fiscal Plan.

(6) These percentages represent the required changes in gross revenues of the WSS if the three-year average billed volume remains the same as in the 2024 Rate Study, but because of variations in billed volume and other factors, such as capital improvement projects servicing specific customer communities, the actual percentage change in rates for the individual customer communities will vary from these figures.

Source: City of Grand Rapids

Statements of Operations – Projected

The City projects that the rates in effect for the year commencing January 1, 2024, and the projected rate increases or decreases for future years as shown above will yield the projects results of operations for the WSS for the fiscal years ending June 30, 2025 through June 30, 2029, as set forth in the following table.

CITY OF GRAND RAPIDS, MICHIGAN WATER SUPPLY SYSTEM STATEMENTS OF OPERATIONS - PROJECTED ⁽¹⁾

	Fiscal Years Ended June 30,				
<u>Revenues</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>2029</u>
Retail Service Charges	\$47,490,405	\$48,960,771	\$49,938,586	\$50,935,958	\$51,953,277
Wholesale Service Charges	5,367,904	5,539,006	5,649,786	5,762,782	5,878,038
Connection & Front Foot Fees	625,000	625,000	625,000	625,000	625,000
Sewage System Customer Svcs	3,425,095	3,749,510	3,764,887	4,066,133	4,188,117
Other Operating Revenues ⁽¹⁾	1,654,000	1,654,000	1,654,000	1,654,000	1,654,000
Interest on Investments	1,752,962	1,742,788	1,775,902	1,777,898	1,676,682
Miscellaneous (Non-Operating)	613,908	629,300	415,190	421,061	443,959
Total Revenues	\$60,929,274	\$62,900,375	\$63,823,351	\$65,242,832	\$66,419,073
<u>Operating Expenses</u>					
Administration ⁽⁴⁾	\$3,441,982	\$2,860,316	\$2,924,569	\$2,969,014	\$3,283,297
Customer Services ⁽⁴⁾	8,920,831	9,304,969	9,362,109	10,048,403	10,065,804
Engineering	1,533,878	1,583,451	1,641,484	1,725,994	1,758,673
Distribution System	4,249,941	4,215,979	4,227,600	4,233,351	4,347,632
Repair & Maintenance	10,090,158	10,340,343	10,567,220	10,832,875	11,084,896
Filtration Plant	11,971,550	12,226,870	12,153,127	12,644,155	12,833,829
Depreciation	12,464,171	12,438,833	12,374,271	12,305,535	12,127,049
Total Expenses	\$52,672,511	\$52,970,761	\$53,250,380	\$54,759,327	\$55,501,180
Additions:					
Depreciation ⁽²⁾	12,464,171	12,438,833	12,374,271	12,305,535	12,127,049
Net Earnings ⁽³⁾	\$20,720,934	\$22,368,447	\$22,947,242	\$22,789,040	\$23,044,942

(1) Projections are taken from the City's FY2025-2028 Fiscal Plan, updated with known adjustments, except as noted in (2) and (4) below.

(2) Projections are taken from the City's fixed asset system based on assets in service on June 30, 2024.

(3) Pursuant to Master Bond Ordinance definition of Net Earnings.

(4) Projections updated for revenue and expense adjustments.

Source: City of Grand Rapids

TABLE A - Page 1 of 3 pages
CITY OF GRAND RAPIDS, MICHIGAN
CONTINUING DISCLOSURE ANNUAL REPORT
MATRIX OF FINANCIAL DISCLOSURES FOR DEBT ISSUES DATED JANUARY 26, 2010 - DECEMBER 11, 2024
December 15, 2024

CUSIP	386289	386289	386205	386316	386445	386316	386226	386289
Internal Issue #	#88	#92	#99	#104	County	#113	#116	#117
Amount of Issue	\$ 29,625,000	\$ 24,815,000	\$ 2,325,000	\$ 3,385,000	\$ 4,550,000	\$ 25,370,000	\$ 19,580,000	\$ 48,410,000
Type	SSS-Rev Refdg	SSS Revenue	BRA-TIF/GOLT	WSS Rev Refd	Drain - FW	WSS-Rev Refd	LTGO-Rfdg	SSS Rev Refd
Date of Issue	01/26/2010	12/15/2010	06/12/2012	03/13/2013	12/03/2014	2/25/2015	2/4/2016	3/3/2016
Final Maturity (including terms)	01/01/2028	01/01/2025	06/01/2032	01/01/2028	11/01/2034	01/01/2035	10/01/2036	01/01/2038
Dissemination Agent	City	City	City	City	City	City	City	City
- Population	X	X	X	X	X	X	X	X
- Taxable Value	X	X	X	X	X	X	X	X
- TV - by Use and Class (\$ / %)	X	X	X	X	X	XX	XX	XX
- State Equalized Value	X	X	X	X	X	X	X	X
- SEV - by Use and Class (\$ / %)	X	X	X	X	X	XX	XX	XX
- Ten Largest Valuations by TV	X	X	-	X	X	X	X	X
- State and Local Tax Limitations	-	-	-	-	-	-	-	-
- Maximum Property Tax Rates	X	-	-	-	-	-	-	-
- Property Tax Rates - Grand Rapids and Homestead / Non-Homestead	X	X	-	XXX	XXX	XXX	XX-	XXX
- Property Tax Collections	X	X	X	X	X	X	X	X
- Status of Labor Contracts	X	X	X	X	X	X	X	X
- Statement of Legal Debt Margin	X	X	X	X	X	X	X	X
- Debt Statement	X	X	X	X	X	X	X	X
- Schedule of Remaining Bond Maturities	X	X	-	X	-	X	X	X
- Income Tax Collections	X	X	X	X	X	X	X	X
- Retirement Plans - General, Police & Fire	X	X	-	XX	XX	XX	XX	XX
- Other Postemployment Benefits (OPEB)	X	X	-	X	X	X	X	X
- Employment	-	-	-	-	-	-	-	-
- General Fund Revenues from Michigan	X	X	X	X	X	X	-	X
- Retail Billings & Collections	X	X	-	X	-	X	-	X
- 10 Largest Retail Customers	X	X	-	X	-	X	-	X
- Comparative Analysis of WSS Rates	-	-	-	-	-	-	-	-
- Stmts of Operations-Historical & Projected	X	X	-	XX	-	XX	-	XX
- Debt Service & Coverage Ratio	X	X	-	X	-	X	-	XX
- Annual Water Sales - Gals/Pumpage/\$	-	-	-	X	-	X	-	-
- Revenue Requirements & % Rate	X	X	-	XX	-	Historical only	-	XXX
- Adjustments - Historical & Projected	X	X	-	X	-	X	-	X
- Integrated Connection Base Fee Sched	X	X	-	-	-	-	-	X
- Wastewater Volumes	X	X	-	-	-	-	-	X

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CITY OF GRAND RAPIDS, MICHIGAN
CONTINUING DISCLOSURE ANNUAL REPORT
MATRIX OF FINANCIAL DISCLOSURES FOR DEBT ISSUES DATED JANUARY 26, 2010 - DECEMBER 11, 2024
December 15, 2024

	CUSIP	386226	386316	386445	386289	386316	386226	386289	386316
Internal Issue #	#118	#120	County	#123	#124	#125	#126	#127	
Amount of Issue	\$ 15,245,000	\$ 36,740,000	\$ 8,445,000	\$ 43,400,000	\$ 38,680,000	\$ 8,210,000	\$ 35,030,000	\$ 26,445,000	
Type	CIB-GOLT	VSS Rev Imp/Ref	Drain - FW	SSS-Revenue	WSS Rev/Rfd	CIB-GOLT	SSS Rev/Rfd	WSS Rev Imp	
Date of Issue	3/31/2016	9/22/2016	11/15/2016	06/13/2018	09/20/2018	12/18/2018	02/12/2020	06/25/2020	
Final Maturity (including term bonds)	04/01/2026	01/01/2046	11/01/2036	01/01/2048	01/01/2048	10/01/2041	01/01/2050	01/01/2050	
Dissemination Agent	City	City	City	City	City	City	City	City	
- Population	X	X	X	X	X	X	X	X	
- Taxable Value	X	X	X	X	X	X	X	X	
- TV - by Use and Class (\$ / %)	XX	XX	X	XX	XX	XX	X	X	
- Total State Equalized Valuation	X	X	X	X	X	X	X	X	
- SEV - by Use and Class (\$ / %)	XX	XX	X	XX	XX	XX	X	X	
- Ten Largest Valuations by TV	X	X	X	X	X	X	X	X	
- State and Local Tax Limitations	-	-	-	-	-	-	-	-	
- Maximum Property Tax Rates	-	-	-	-	-	-	-	-	
Property Tax Rates - Grand Rapids and	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
- Homestead / Non-Homestead									
- Property Tax Collections	X	X	X	X	X	X	X	X	
- Status of Labor Contracts	X	X	X	X	X	X	X	X	
- Statement of Legal Debt Margin	X	X	X	X	X	X	X	X	
- Debt Statement	X	X	X	X	X	X	X	X	
- Schedule of Remaining Bond Maturities	X	X	-	X	X	X	X	X	
- Income Tax Collections	X	X	X	X	X	X	X	X	
- Retirement Systems - General, Police & Fire	XX	XX	XX	XX	XX	XX	XX	XX	
- Other Postemploymt Benefits (OPEB)	X	X	X	X	X	X	X	X	
Employment	-	-	-	-	-	-	-	-	
- General Fund Revs from Michigan	-	X	X	X	X	-	X	X	
- Retail Billings & Collections	-	X	-	X	X	-	X	X	
- 10 Largest Retail Customers	-	X	-	X	X	-	X	X	
- Comparative Analysis of Rates WSS	-	-	-	-	-	-	-	-	
- Results of Ops-Historical & Projected	-	XX	-	XX	XX	-	XX	XX	
- Debt Svc/Coverage Ratio-Hist/Proj	-	X	-	XX	X-	-	XX	X-	
- Annual Water Sales - Gals/Pumpage/\$	-	X	-	-	X	-	-	X	
- Revenue Requirements & % Rate	-	X	-	XX	X-	-	XX	X-	
- Adjustments - Historical & Projected	-								
- Integrated Connection Base Fee Sched	-	X	-	X	X	-	X	X	
- Wastewater Volumes	-	-	-	X	-	-	X	-	

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CITY OF GRAND RAPIDS, MICHIGAN
CONTINUING DISCLOSURE ANNUAL REPORT
MATRIX OF FINANCIAL DISCLOSURES FOR DEBT ISSUES DATED JANUARY 26, 2010 - DECEMBER 11, 2024
December 15, 2024

CUSIP	386244	386244	386226	386289	386226	386226	386226	386226
Internal Issue #	#128	#129	#130	#131	#132	#133	#134	#135
Amount of Issue \$	5,805,000	\$ 11,050,000	\$ 11,790,000	\$ 101,700,000	\$ 9,130,000	\$ 72,770,000	\$ 20,740,000	\$ 21,970,000
Type	GRBARfd	GRBA Tax Rfd	CIB-GOLT	SSS Rfd	LTGO-CIB	LTGO-CIB	LTGO-CIB	LTGO-CIB
Date of Issue	11/18/2020	11/18/2020	07/20/2021	07/21/2021	11/22/2023	6/11/2024	09/17/2024	12/11/2024
Final Maturity (inc term bonds)	10/01/2039	10/01/2032	10/01/2041	01/01/2042	10/01/2043	04/01/2054	10/01/2044	10/01/2054
Dissemination Agent	City	City	City	City	City	City	City	City
- Population	X	X	X	X	X	X	X	X
- Total Taxable Value	X	X	X	X	X	X	X	X
- TV - by Use and Class (\$ / %)	X	X	X	X	X	X	X	X
- Total State Equalized Valuation	X	X	X	X	X	X	X	X
- SEV - by Use and Class (\$ / %)	X	X	X	X	X	X	X	X
- Ten Largest Valuations by TV	-	-	X	X	X	X	X	X
- State and Local Tax Limitations	-	-	-	-	-	-	-	-
- Maximum Property Tax Rates	-	-	-	-	-	-	X	-
- Property Tax Rates - Grand Rapids and Homestead / Non-Homestead	-	-	XXX	XXX	XXX	XXX	XXX	XXX
- Property Tax Collections	X	X	X	X	X	X	X	X
- Status of Labor Contracts	X	X	X	X	X	X	X	X
- Statement of Legal Debt Margin	X	X	X	X	X	X	X	X
- Debt Statement	X	X	X	X	X	X	X	X
- Schedule of Remaining Bond Maturities	-	-	X	X	X	X	X	X
- Income Tax Collections	X	X	X	X	X	X	X	X
- Retirement Systems - General, Police & Fire	-	-	XX	XX	XX	XX	XX	XX
- Other Postemployment Benefits (OPEB)	-	-	X	X	X	X	X	X
- Employment	-	-	-	-	-	-	-	-
- General Fund Revs from Michigan	X	X	-	X	-	-	-	-
- Retail Billings & Collections	-	-	-	X	-	-	-	-
- 10 Largest Retail Customers	-	-	-	X	-	-	-	-
- Comparative Analysis of Rates - WSS	-	-	-	-	-	-	-	-
- Results of Ops - Historical & Projected	-	-	-	XX	-	-	-	-
- Debt Svc/Coverage Ratio-Hist/Proj	-	-	-	XX	-	-	-	-
- Annual Water Sales - Gals/Pumpage/\$	-	-	-	-	-	-	-	-
- Revenue Requirements & % Rate	-	-	-	XX	-	-	-	-
Adjustments - Historical & Projected	-	-	-	-	-	-	-	-
- Integrated Connection Base Fee Sched	-	-	-	X	-	-	-	-
- Wastewater Volumes	-	-	-	X	-	-	-	-