

ANNUAL REPORT COVER SHEET

CITY OF GRAND RAPIDS, MICHIGAN

This cover sheet, the Annual Report, and the Comprehensive Annual Financial Report (CAFR) are being sent to the Municipal Securities Rulemaking Board's Electronic Municipal Market Access (EMMA) pursuant to the Securities and Exchange Commission Rule 15c2-12(b)(5)(i)(A) and (B).

City's name: City of Grand Rapids, Michigan

Page 1 of 2

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

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

50 pages plus the Comprehensive Annual Financial Report for the period ending June 30, 2012

Bond Issues to which this Annual Report relates:

CUSIP	Name of Bond Issue	Date of Such Bonds:
386289	\$83,650,000 City of Grand Rapids, Michigan Sanitary Sewer System Improvement & Refunding Revenue Bonds, Series 1998A	July 1, 1998
386244	\$20,000,000 City of Grand Rapids Building Authority Building Authority Bonds, Series 1998	September 1, 1998
386226	\$11,020,000 City of Grand Rapids, Michigan Transportation Fund Improvement and Refunding, Series 1999	December 1, 1999
386244	\$25,500,000 City of Grand Rapids Building Authority Building Authority Bonds, Series 2000	November 2, 2000
386316 *	\$88,930,000 City of Grand Rapids, Michigan (See Note below) Water Supply System Refunding Revenue Bonds, Series 2000	November 21, 2000
386244	\$14,620,000 City of Grand Rapids Building Authority Building Authority Bonds, Series 2001	October 1, 2001
386244	\$3,500,000 City of Grand Rapids Building Authority Building Authority Bonds, Series 2002	May 1, 2002
386226	\$3,750,000 City of Grand Rapids, Michigan Transportation Fund Bonds, Series 2003	May 8, 2003
386244	\$9,285,000 City of Grand Rapids Building Authority Building Authority Refunding Bonds, Series 2003	May 8, 2003
490278	\$5,290,000 Silver Creek Drainage District Silver Creek Drain Refunding Bonds, Series 2003	September 3, 2003
386303	\$3,805,000 SmartZoneLocal Development Authority Local Development Bonds, Series 2004	May 20, 2004
386289	\$37,475,000 City of Grand Rapids, Michigan Sanitary Sewer System Revenue Bonds, Series 2004	August 12, 2004
386289	\$51,525,000 City of Grand Rapids, Michigan Sanitary Sewer System Revenue Bonds, Series 2005	October 27, 2005
386316	\$35,000,000 City of Grand Rapids, Michigan Water Supply System Revenue Bonds, Series 2005	December 14, 2005
386226	\$4,470,000 City of Grand Rapids, Michigan Municipal Purchase Notes, Series 2006	April 13, 2006
386244	\$7,375,000 City of Grand Rapids Building Authority Building Authority Bonds, Series 2006	November 15, 2006
386226	\$3,660,000 City of Grand Rapids, Michigan Municipal Purchase Notes, Series 2006A	December 6, 2006
386226	\$14,740,000 City of Grand Rapids, Michigan Capital Improvement Bonds, Series 2007	May 2, 2007
386316	\$32,900,000 City of Grand Rapids, Michigan Water Supply System Revenue Refunding Bonds, Series 1993 Conversion	April 3, 2008
386289	\$67,260,000 City of Grand Rapids Michigan Sanitary Sewer System Revenue Bonds, Series 2008	July 24, 2008

List continues on next page

Note *: The Official Statement for this issue includes references to CUSIP 386226. According to Bond Counsel, Dickinson Wright PLLC, the correct CUSIP is 386316 as indicated above.

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Page 2 of 2

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

50 pages plus the Comprehensive Annual Financial Report for the period ending June 30, 2012

Bond Issues to which this Annual Report relates:

CUSIP	Name of Bond Issue	Date of Such Bonds
490278	\$7,870,000 Grand River Floodwalls and Embankments Drainage District Grand River Floodwalls and Embankments Drain Refunding Bonds, Series 2008	September 18, 2008
386244	\$8,980,000 City of Grand Rapids Building Authority Building Authority Bonds, Series 2008	December 23, 2008
386244	\$18,005,000 City of Grand Rapids Building Authority Building Authority Refunding Bonds, Series 2009	March 4, 2009
59455T	\$28,430,000 Michigan Municipal Bond Authority Local Government Loan Program Revenue Bonds, Series 2009A	March 18, 2009
386316	\$30,000,000 City of Grand Rapids, Michigan Water Supply System Refunding Revenue Bonds, Series 2009	April 21, 2009
386226	\$7,410,000 City of Grand Rapids, Michigan Capital Improvement Bonds, Series 2009	September 3, 2009
386289	\$29,625,000 City of Grand Rapids, Michigan Sanitary Sewer System Revenue Refunding Bonds, Series 2010	January 26, 2010
386244	\$1,770,000 City of Grand Rapids, Michigan Building Authority Bonds, Series 2010A	March 30, 2010
386244	\$2,815,000 City of Grand Rapids, Michigan Building Authority Bonds, Series 2010B	March 30, 2010
386244	\$7,325,000 City of Grand Rapids Building Authority Building Authority Bonds, Series 2010C	September 15, 2010
386316	\$43,025,000 City of Grand Rapids, Michigan Water Supply System Refunding Revenue Bonds, Series 2010	October 4, 2010
386289	\$24,815,000 City of Grand Rapids, Michigan Sanitary Sewer System Revenue Bonds, Series 2010A and 2010B	December 2, 2010
386244	\$14,585,000 City of Grand Rapids Building Authority Building Authority Refunding Bonds, Series 2011	July 28, 2011
386205	\$2,325,000 City of Grand Rapids, Michigan Brownfield Redevelopment Authority Tax Increment Bonds, Series 2012	June 12, 2012
386289	\$30,000,000 City of Grand Rapids, Michigan Sanitary Sewer System Improvement Revenue Bonds, Series 2012	September 26, 2012

I hereby represent that I am authorized by the City or its agent to distribute this information publicly:

Signature: 
 Name: Scott Buhner
 Title: Chief Financial Officer
 Employer: City of Grand Rapids
 Address: Financial Planning, 7th Floor, 300 Monroe Avenue, N.W.
 City, State, ZIP code: Grand Rapids, Michigan 49503
 Voice telephone number: 616-456-3950



**CITY OF
GRAND
RAPIDS**

**CITY OF GRAND RAPIDS, MICHIGAN
CONTINUING DISCLOSURE CERTIFICATE
AS OF JUNE 30, 2012**

Prepared by Jana M. Wallace
Debt and Authority Finance Officer
City of Grand Rapids - Fiscal Services
300 Monroe Avenue, N.W.; 7th Floor
Grand Rapids, Michigan 49503
Telephone: 616-456-4514
Fax: 616-456-4655
Email: jwallace@grcity.us

December 27, 2012

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Attachments:

- Table A - Matrix of Continuing Disclosure Requirements by Debt Issuance
- Comprehensive Annual Financial Report, Year Ended June 30, 2012

CITY OF GRAND RAPIDS

City of Grand Rapids Population

The City's 1970, 1980, 1990 and 2000 census populations are as follows:

<u>Year of Census</u>	<u>Population</u>	<u>Percent Change</u>
1970	197,649	0.23%
1980	181,843	(8.00)
1990	189,126	4.01
2000	197,800	4.59
2010	188,040	(4.93)

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 Valuations

The value of all taxable real and personal property in the City as of December 31 of each year is assessed by the City and then equalized by Kent County (the "County") and again by the State. The value as equalized by the State becomes the state equalized valuation ("State Equalized Valuation" or "SEV"). Property taxpayers may appeal their property values to the City Assessor, the City's Board of Review and ultimately, in some cases directly, to the State Tax Tribunal. Estimated revenue losses related to outstanding appeals are accrued annually at the end of each fiscal year and are not anticipated to significantly impact the financial condition of the City.

Article IX, Section 3, of the Michigan Constitution limits the proportion of true cash value at which taxable property can be assessed to a percentage not to exceed 50%. The Michigan Legislature has provided that taxable property shall be assessed at 50% of its true cash value. The Michigan Legislature or the electorate may at some future time change the percentage of true cash value at which property is assessed.

In 1994, the electors of the State approved an amendment to the Michigan Constitution permitting the Michigan Legislature to authorize real and personal ad valorem 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, taxable property has two valuations, SEV and Taxable Value. Property taxes are levied on Taxable Value. Generally, the Taxable Value of property is the lesser of (a) the 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 therefore the Taxable Value of property may be different from the same property's SEV.

When property is sold or transferred, Taxable Value is adjusted to the SEV, which under existing law is 50% of the current true cash value. The Taxable Value of new construction is equal to current SEV. Taxable Value and SEV of existing property are also adjusted annually for additions and losses.

Ad Valorem Taxable Value does not include any value of tax-exempt property (e.g., hospitals, governmental facilities, churches, public schools, etc.) or property granted tax abatement under Act 198, Public Acts of Michigan, 1974, as amended ("Act 198"), Act 146, Public Acts of Michigan, 2000, as amended ("Act 146") and Act 147, Public Acts of Michigan, 1992, as amended ("Act 147"). For its fiscal year ended June 30, 2012, the equivalent effect of the abatements granted under Act 198, Act 146 and Act 147 is to understate the City's Taxable Value by \$37,285,000 or 0.80%. Including the Equivalent Taxable Value (hereinafter defined) of these properties, the City's total Taxable Value ("Total Taxable Value") has decreased \$154,333,342 or approximately 3.22% between the fiscal years ended or ending June 30, 2008 through 2012. See the following table and "CITY TAXATION AND LIMITATIONS -- Tax Abatements" herein.

**City of Grand Rapids
Total Taxable Value
Fiscal Years Ended June 30, 2008 Through 2012**

Assessed Value as of <u>December 31</u>	Year of State Equalization and Tax <u>Levy</u>	City's Fiscal Year Ended <u>June 30</u>	Ad Valorem Taxable Value (1)	Equivalent Taxable Value of Property Granted Tax Abatements Under Act 198, Act 146 and Act 147 (2)	Total Taxable Value	Percent Increase Over Prior Year
2006	2007	2008	\$4,741,321,799	\$46,230,329	\$4,787,552,128	4.82%
2007	2008	2009	4,868,590,553	45,998,260	4,914,588,813	2.65
2008	2009	2010	4,857,768,355	44,624,913	4,902,393,268	(0.25)
2009	2010	2011	4,722,366,946	38,637,966	4,761,004,912	(2.88)
2010	2011	2012	4,595,933,786	37,285,000	4,633,218,786	(2.68)

Per Capita Total Taxable Value for the Fiscal Year Ended June 30, 2012 (3)..... \$24,639.54

(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 ("Act 376"), as amended. 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 ended June 30, 2012, the Taxable Value of property qualified for the benefits of the Zone program totaled \$94,757,576. Beginning with the fiscal year ending June 30, 2010, exemptions for most of the City's Zone designated property begin to phase-out according to the schedule created when the designation was awarded by the State of Michigan. For most of the City's Zone, property and income tax exemptions were reduced to 75% in fiscal year 2010, 50% in fiscal year 2011, to 25% in fiscal year 2012, and will be reduced to 0% in fiscal year 2013.

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

(3) Based on the City's 2010 Census of 188,040.

Source: City of Grand Rapids

Including the value of property granted tax abatements under Act 198, Act 146 and Act 147, a breakdown of the City's Total Taxable Value by use and class for the fiscal years ended June 30, 2008 through 2012 is shown below.

City of Grand Rapids
Total Taxable Value by Use and Class
Fiscal Years Ended June 30, 2008 Through 2012

<u>Use</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Commercial	\$1,338,656,217	\$1,407,235,429	\$1,427,756,898	\$1,412,553,412	\$1,420,557,313
Utility	60,880,715	60,596,600	68,535,300	76,285,100	75,081,000
Industrial.....	487,419,530	479,284,592	482,989,243	467,193,367	417,007,350
Residential.....	<u>2,900,595,666</u>	<u>2,967,472,192</u>	<u>2,923,111,827</u>	<u>2,804,973,033</u>	<u>2,720,573,123</u>
	<u>\$4,787,552,128</u>	<u>\$4,914,588,813</u>	<u>\$4,902,393,268</u>	<u>\$4,761,004,912</u>	<u>\$4,633,218,786</u>

<u>Class</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Real Property.....	\$4,320,536,013	\$4,457,091,313	\$4,437,301,718	\$4,308,378,662	\$4,182,262,386
Personal Property	<u>467,016,115</u>	<u>457,497,500</u>	<u>465,091,550</u>	<u>452,626,250</u>	<u>450,956,400</u>
	<u>\$4,787,552,128</u>	<u>\$4,914,588,813</u>	<u>\$4,902,393,268</u>	<u>\$4,761,004,912</u>	<u>\$4,633,218,786</u>

Source: City of Grand Rapids

City of Grand Rapids
Percent of Total Taxable Value by Use and Class
Fiscal Years Ended June 30, 2008 Through 2012

<u>Use</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Commercial	27.96%	28.64%	29.12%	29.67%	30.66%
Utility	1.27	1.23	1.40	1.60	1.62%
Industrial.....	10.18	9.75	9.85	9.81	9.00%
Residential.....	<u>60.59</u>	<u>60.38</u>	<u>59.63</u>	<u>58.92</u>	<u>58.72%</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>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Real Property.....	90.25%	90.69%	90.51%	90.49%	90.27%
Personal Property	<u>9.75%</u>	<u>9.31</u>	<u>9.49</u>	<u>9.51</u>	<u>9.73%</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

Aside from its use in determining Taxable Value for the purpose of 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., hospitals, governmental facilities, churches, public schools, etc.) or property granted tax abatement under Act 198, Act 146 or Act 147. The effect of the abatements granted under Act 198, Act 146 and Act 147 is to understate the City's Ad Valorem SEV for its fiscal year ended June 30, 2012 by \$71,266,100 or 1.43%. Including the SEV of these properties, the City's total SEV ("Total SEV") has decreased \$624,157,800 or approximately 11.11% between the fiscal years ended June 30, 2008 through 2012. See the following table and "CITY TAXATION AND LIMITATIONS – Tax Abatement" herein.

**City of Grand Rapids
Total State Equalized Valuation
Fiscal Years Ended June 30, 2008 Through 2012**

<u>Assessed Value as of December 31</u>	<u>Year of State Equalization and Tax Levy</u>	<u>City's Fiscal Year Ended June 30</u>	<u>Ad Valorem SEV</u>	<u>Property Granted Tax Abatement Under Act 198, Act 146 and Act 147 (1)</u>	<u>Total SEV</u>	<u>Percent Increase Over Prior Year</u>
2006	2007	2008	\$5,525,318,800	\$91,053,800	\$5,616,372,600	2.90%
2007	2008	2009	5,533,017,200	89,243,700	5,622,260,900	0.10
2008	2009	2010	5,471,356,300	87,149,100	5,558,505,400	(1.13)
2009	2010	2011	5,192,219,200	74,299,500	5,266,518,700	(5.25)
2010	2011	2012	4,920,948,700	71,266,100	4,992,214,800	(5.21)

Per Capita Total SEV for the Fiscal Year Ended June 30, 2012 (2) \$26,548.69

(1) See "CITY TAXATION AND LIMITATIONS – Tax Abatement" herein.

(2) Based on the City's 2010 census of 188,040.

Source: City of Grand Rapids

Including the value of property granted tax abatement under Act 198, Act 146 and Act 147 a breakdown of the City's Total SEV by use and class for the fiscal years ended or ending June 30, 2008 through 2012 is shown below. See "CITY TAXATION AND LIMITATIONS – Tax Abatement" herein.

**City of Grand Rapids
Total SEV by Use and Class
Fiscal Years Ended June 30, 2008 Through 2012**

<u>Use</u>	<u>Fiscal Year Ended June 30</u>				
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Commercial	\$1,511,191,200	\$1,555,643,900	\$1,644,543,200	\$1,600,746,500	\$1,564,206,200
Industrial	557,504,200	558,084,000	551,526,700	531,612,300	465,192,900
Residential	3,486,561,100	3,447,936,400	3,293,900,200	3,057,874,800	2,887,734,700
Utility	<u>61,116,100</u>	<u>60,596,600</u>	<u>68,535,300</u>	<u>76,285,100</u>	<u>75,081,000</u>
	<u>\$5,616,372,600</u>	<u>\$5,622,260,900</u>	<u>\$5,558,505,400</u>	<u>\$5,266,518,700</u>	<u>\$4,992,214,800</u>

<u>Class</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Real Property	\$5,127,186,500	\$5,143,624,300	\$5,073,426,900	\$4,795,824,100	\$4,523,306,000
Personal Property	<u>489,186,100</u>	<u>478,636,600</u>	<u>485,078,500</u>	<u>470,694,600</u>	<u>468,908,800</u>
	<u>\$5,616,372,600</u>	<u>\$5,622,260,900</u>	<u>\$5,558,505,400</u>	<u>\$5,266,518,700</u>	<u>\$4,992,214,800</u>

Source: City of Grand Rapids

City of Grand Rapids
Percent of Total SEV by Use and Class
Fiscal Years Ended June 30, 2008 Through 2012

<u>Use</u>	<u>Fiscal Year Ended June 30</u>				
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Commercial	26.91%	27.67%	29.59%	30.40%	31.33%
Industrial	9.92	9.92	9.92	10.09	9.32
Residential	62.08	61.33	59.26	58.06	57.85
Utility	<u>1.09</u>	<u>1.08</u>	<u>1.23</u>	<u>1.45</u>	<u>1.50</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>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Real Property	91.29%	91.49%	91.27%	91.06%	90.61%
Personal Property	<u>8.71</u>	<u>8.51</u>	<u>8.73%</u>	<u>8.94%</u>	<u>9.39</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 temporarily been 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 exactly 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's Education Tax (as determined by the State Treasurer).

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 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 only the building 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 Act. Act 147 allows specific local governments to create "Neighborhood Enterprise Zones". The goal of the Neighborhood Enterprise Zone ("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 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 FY2011, the NEZ Tax rate is 15.665 mills for a new Principal Residence Exemption ("Pre") facility and 24.185 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 has established goals, objectives and procedures to provide the opportunity for residential, industrial and commercial development and expansion. The SEV of properties that have been granted tax abatement under Act 198, Act 146 and Act 147, removed from the Ad Valorem Tax Roll and placed on the IFT Tax Roll, the Obsolete Properties Tax Roll and the NEZ roll totaled \$71,266,100 for the fiscal year ended June 30, 2012. The IFT, Obsolete Properties and NEZ taxes paid on these properties are equivalent to Ad Valorem Taxes paid on \$37,285,000 of Taxable Value at the full tax rate (the "Equivalent Taxable Value"). Upon expiration of the industrial facilities exemption, obsolete property rehabilitation and NEZ certificates the current equalized valuation of the abated properties will return 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 State Tax Commission, the City designated certain areas as eligible distressed areas. Under Act 328, the City has exempted personal property related to eleven twelve year agreements for the 2011 (FY 2012) assessment roll. To date, through roll year 2011 / FY 2012 it is estimated that personal property assessed value in the amount of \$5,359,300 is currently eligible for PA 328 abatements.

Personal Property Tax Reform Proposal

In its waning hours, Michigan's 96th Legislature enacted a series of bills providing personal property tax relief for most industrial and some commercial personal property and providing for municipalities to receive funds partially making up for the lost revenues. Lieutenant Governor Calley was the principal architect and proponent of the enacted bills. A group of West Michigan municipal leaders,

including City officials, collaborated with the Lieutenant Governor and other administration officials over the last several months to address a number of concerns about personal property reform legislation. Their comments and suggestions were warmly received and many of their suggestions were included in the final legislation. There is a commitment from the Lieutenant Governor to incorporate other suggestions in the 2013 follow-up legislation which is needed to address tax increment financing and other technical issues.

A key component of the legislation is the requirement under HB 6026 to hold a statewide referendum at the August 2014 primary election on creating a "Metropolitan Areas Component" ("MAC") portion of the use tax (the "MAC tax") which, pursuant to HB 6025, would be distributed by the "Michigan Metropolitan Areas Metropolitan Authority" ("MAMA") pursuant to a statutory formula. All of the legislation is now tie-barred to the voters' approval of that proposal. Therefore, if the voters fail to approve the shift in use tax to dedicate a portion to the MAC, the personal property tax relief will be repealed and other bills providing replacement funding (HB 6024 and 6025) will not go into effect.

No assurance can be given that any future legislation or administrative action, if enacted or implemented, will not adversely affect the market price or marketability of the City's bonds or otherwise prevent bondholders from realizing the full current benefit of an investment therein. Purchasers of City bonds should be alert to the potential effect of such measures upon the City's outstanding bonds, the security therefor, and the operations of the City and its authorities.

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 operating purposes (including the library) and 0.3950 mills for additional library purposes limited to twenty years commencing July 1, 1998. A mill is equal to \$1.00 for each \$1,000 of Taxable Value.

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 Michigan Public Act 164, of 1877, as amended. Michigan Public Act 359, of 1925, as amended, also authorizes home rule cities to levy up to \$50,000 for promotional expenses.

For its fiscal year ended June 30, 2012, the City levied 6.1798 mills for operating purposes, 1.8000 mills for refuse collection and disposal, 0.0110 mill for promotion purposes and 0.3805 mills for library capital improvement purposes (see "CITY TAXATION AND LIMITATIONS – State Limitations on Property Taxes" herein). 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, Michigan Public Act 35, of 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 increase 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 the 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, 2012 the Headlee Amendment has the effect of reducing the City's authorized millages as follows:

**City of Grand Rapids
Maximum Property Tax Rates
Fiscal Year Ended June 30, 2012**

<u>Millage Classification</u>	<u>Millage Authorized</u>	<u>Millage Rate As Permanently Reduced by Headlee</u>	<u>Current Year Millage Reduction Fraction</u>	<u>Maximum Allowable Millage</u>
Operating (1).....	6.4100	6.1798	1.0000	6.1798
Refuse Collection and Disposal ..	3.0000	2.7711	1.0000	2.7711
Promotional (2)	\$50,000			0.0110
Library (3).....	0.3950	0.3805	1.0000	0.3805

(1) For the fiscal year ended June 30, 2012, includes operating levies allocated for general, capital reserve and library purposes of 2.8570, 1.2500, and 2.0728 mills respectively.

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

(3) In 1997 the City's electorate amended the City's Charter to increase its operating levy by 0.3950 mills for a period of twenty years commencing July 1, 1998 to be allocated and used solely for the City's public library facilities.

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 annually 6.1798 mills for operating purposes or a maximum of \$6.1798 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, 2008 through 2012 are shown below. See "CITY TAXATION AND LIMITATIONS-State Limitations on Property Taxes" herein.

**City of Grand Rapids
Property Tax Rates
Fiscal Years Ended June 30, 2008 Through 2012**

Levy <u>July 1</u>	Fiscal Year <u>Ended June 30</u>	<u>Operating (1)</u>	<u>Other (2)</u>	<u>Library (3)</u>	<u>Total</u>
2007	2008	6.1798	1.6810	0.3805	8.2413
2008	2009	6.1798	1.6807	0.3805	8.2410
2009	2010	6.1798	1.8106	0.3805	8.3709
2010	2011	6.1798	1.8108	0.3805	8.3711
2011	2012	6.1798	1.8110	0.3805	8.3713

- (1) Includes operating levies allocated for general, capital reserve and library purposes.
- (2) Includes refuse collection and disposal as well as promotional levies. See "CITY TAXATION AND LIMITATIONS – Property Taxes" herein.
- (3) In 1997 the City's electorate amended the City's Charter to increase its operating levy by 0.3950 mills for a period of twenty years commencing July 1, 1998 to be allocated and used solely for the City's public library facilities. Headlee required millage rate rollbacks have reduced the authorized levy to 0.3805 mills.

Source: City of Grand Rapids

In addition to the City's property tax rates, businesses and residents of the City pay property taxes to other units of local government. A State education tax of 6.0000 mills 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, 2008 through 2012, are as follows:

**City of Grand Rapids
PRE/Homestead⁽¹⁾ Property Tax Rates per \$1,000 of Taxable Value by Governmental Unit
Fiscal Years Ended June 30, 2008 Through 2012**

<u>Governmental Unit</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
City of Grand Rapids	\$ 8.2413	\$ 8.2410	\$ 8.3709	\$ 8.3711	\$ 8.3713
County of Kent	5.3940	5.3940	5.3940	5.3940	5.3940 ³
State of Michigan	6.0000	6.0000	6.0000	6.0000	6.0000
Grand Rapids Public Schools (2)	2.7000	2.7000	2.4200	2.2900	2.3600
Kent Intermediate School District	4.6903	4.6903	4.6903	4.6903	4.6903
Grand Rapids Community College	1.7865	1.7865	1.7865	1.7865	1.7865
Interurban Transit Partnership	<u>0.9500</u>	<u>1.1200</u>	<u>1.1200</u>	<u>1.1200</u>	<u>1.2900</u>
Total	<u>\$29.7621</u>	<u>\$29.9318</u>	<u>\$29.7817</u>	<u>\$29.6519</u>	<u>\$29.8921</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) Debt millage only. 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 local school millage rates for the fiscal year ended June 30, 2012 ranged from \$2.97 to \$8.70 for each \$1,000 of Taxable Value.

The total tax rates for property owners in other school districts would change accordingly.

City of Grand Rapids
Non-PRE/Non-Homestead Property⁽¹⁾ Tax Rates per \$1,000 of Taxable Value by Governmental Unit
Fiscal Years Ended June 30, 2008 Through 2012

<u>Governmental Unit</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
City of Grand Rapids	\$ 8.2413	\$ 8.2410	\$ 8.3709	\$ 8.3711	\$ 8.3713
County of Kent.....	5.3940	5.3940	5.3940	5.3940	5.3940
State of Michigan.....	6.0000	6.0000	6.0000	6.0000	6.0000
Grand Rapids Public Schools (2).....	20.7000	20.7000	20.4200	20.2900	20.3600
Kent Intermediate School District.....	4.6903	4.6903	4.6903	4.6903	4.6903
Grand Rapids Community College	1.7865	1.7865	1.7865	1.7865	1.7865
Interurban Transit Partnership.....	<u>0.9500</u>	<u>1.1200</u>	<u>1.1200</u>	<u>1.1200</u>	<u>1.2900</u>
Total	<u>\$47.7621</u>	<u>\$ 47.9318</u>	<u>\$ 47.7817</u>	<u>\$47.6519</u>	<u>\$47.8921</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) 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 local school millage rates for the fiscal year ended June 30, 2012 ranged from \$20.97 to \$26.70 for each \$1,000 of Taxable Value.

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 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, 2008 through 2012.

**City of Grand Rapids
Property Tax Collections
Fiscal Years Ended June 30, 2008 Through 2012**

<u>July 1 Levy</u>	<u>Fiscal Year Ended June 30</u>	<u>City Tax Levy (1)</u>	<u>Collections to March 1 Following Levy (2)</u>	<u>Percent Collected</u>
2007	2008	\$37,211,023	\$35,235,025	94.7%
2008	2009	38,091,543	36,100,643	94.8
2009	2010	39,986,363	37,959,572	94.6
2010	2011	38,191,675	36,428,727	95.4
2011	2012	37,456,094	35,576,860	95.0

(1) Excludes taxes on properties granted tax abatement under Act 198, Act 146 and Act 147. 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 Michigan Public Act 197, of 1975, as amended, Michigan Public Act 281, of 1986, as amended, Michigan Public Act 381, of 1996, as amended, and Michigan Public Act 450, of 1980, as amended, the City has established authorities which capture property tax increment. The City's general operating levies reflected in its audited financial statements are net of such capture.

Real Estate Market Developments

There has been a broad-based decline in the market prices of real estate in the United States since the beginning of calendar year 2006, resulting in a slowing in appreciation and declines in residential and other real property assessed valuations. A decline in the assessed market valuation of any individual residential or non-residential real property will result in a reduction in the individual SEV for that property. When the SEV of an individual parcel of real property falls below the Taxable Value for that real property for the same year, the reduced SEV becomes the Taxable Value for that real property. All such individual reductions have, in the aggregate, negatively affected the City's total SEV and total Taxable Value. Each mill, then, that the City levies against the reduced Taxable Value produces less property tax revenue than the same mill levied in the prior year. The City is aware of the consequences of this trend in real estate valuations and has been making changes to the City's current and future fiscal year budgets to adjust expenditures when property tax receipts are reduced as a result of the downturn in the real estate market.

Taxpayers with Largest Valuations

The taxpayers with the largest valuations in the City, their principal product or service and Total Taxable Value for the fiscal year ended June 30, 2012 are as follows:

**City of Grand Rapids
Largest Valuations ⁽¹⁾
Fiscal Year Ended June 30, 2012**

<u>Taxpayer</u>	<u>Principal Product or Service</u>	<u>Total Taxable Value (2)</u>	<u>Percent of Total (3)</u>
Consumers Energy Company	Electric utility	\$54,670,017	1.18%
Amway Hotel Corporation	Hotel / real estate	37,394,114	0.81
Kellogg/Keebler Subsidiary (4)	Bakery products	35,820,500	0.77
HP3 LLC	Hotel	26,152,000	0.56
Steelcase, Inc.	Office systems design / manufacture	23,110,608	0.50
Fifth Third Bank	Banking / real estate holding	21,603,021	0.47
Centerpointe Development LLC	Shopping center / real estate	20,518,791	0.44
SH-2 LLC and BT-2 LLC	Real estate holding and development	19,957,200	0.43
Michigan Street Development	Medical office building development	19,491,504	0.42
Michigan Consolidated Gas	Gas utility	<u>19,377,494</u>	<u>0.42</u>
		<u>\$278,095,249</u>	<u>6.00%</u>

- (1) Property taxpayers and Taxable Value are based on the July 1, 2011 tax bills.
- (2) Includes the Equivalent Taxable Value of property granted tax abatement under Act 198, Act 146 and Act 147. See "CITY TAXATION AND LIMITATIONS – Tax Abatement" herein.
- (3) Based on \$4,633,218,786 which is the City's Total Taxable Value for the fiscal year ended June 30, 2012. Includes the Taxable Value of property granted tax abatement under Act 198, Act 146 and Act 147 as applicable. See "CITY TAXATION AND LIMITATIONS – Property Valuations" and "CITY TAXATION AND LIMITATIONS – Tax Abatement" herein.
- (4) Keebler Company's, a division of Kellogg USA Inc., real and personal property is eligible through 2017 for property tax exemptions under Act 376, Public Acts of Michigan, 1996, as amended.

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.

The United States has been experiencing a severe economic downturn, which is affecting employment opportunities in the State of Michigan and the City. The future effect of the economic downturn on the City's income tax collections cannot be predicted. The City is aware of the negative consequences of the current economic downturn on the City's finances and has made and intends to continue making changes to the City's current and future fiscal year budgets as necessary to adjust City expenditures if future income tax collections are less than forecasted.

Set forth below is a five year history of income tax collections.

**City of Grand Rapids
Income Tax Collections
Fiscal Years Ended June 30, 2008 Through 2012**

Fiscal Years Ended June 30	Gross Tax Collections ¹	Less: Refunds	Net Income Tax Collections ¹	% Increase or (Decrease) over Prior Year
2007	\$66,383,912	\$7,918,626	\$58,475,286	0.47%
2008	67,204,450	7,708,167	59,496,283	1.75
2009	60,799,646	7,712,661	53,086,985	(10.77)
2010	60,254,179	7,597,999	52,656,180	(0.81)
2011 ²	71,602,332	7,749,406	63,852,923	21.26
2012	76,085,701	7,906,292	68,179,409	6.78

¹ Including interest and penalties.

² Net collections were \$55,335,670 net of temporary income tax increase effective July 1, 2010.

Source: City of Grand Rapids

REVENUES FROM THE STATE OF MICHIGAN

The state fiscal year 2012 budget eliminated Michigan sales tax funded statutory revenue sharing for cities, villages and townships and replaces it with a \$215,000,000 new incentive-based revenue sharing program known as the Economic Vitality Incentive Program (“EVIP”), that was distributed to municipalities which comply with certain “best practices” such as local unit consolidation, sharing costs of services with other communities, reducing employee pension costs and requiring employees to pay at least 20% of the cost of their health insurance as soon as labor contracts expire. The fiscal year 2012 budget did not alter the distribution of constitutionally dedicated sales tax revenues. The fiscal year 2012 State of Michigan budget also included estimated increased constitutional revenue sharing distribution to cities, villages and townships of approximately \$15.25 million.

Since the City implemented the “best practices” described in the next paragraph, it received \$4.57 million from the EVIP program in addition to \$13.28 constitutional revenue sharing. The State of Michigan administration has committed to fund the EVIP program for at least two years. Because the EVIP program is new and the continuation of the program is subject to the State’s appropriation process, the City accounts for the EVIP revenue in the Transformation Fund where the City also accounts for the temporary income tax revenue increases resulting from the voter-approved five year increase in the City’s income tax rate. Revenue sharing payments are issued by the State during even-number months.

Under the EVIP program, an eligible municipality such as the City can receive (i) one-third of the money for which it is eligible if it produces a citizen’s guide to its finances and a performance dashboard; (ii) another third if it develops plans to increase its existing level of cooperation, collaboration and consolidation, both internally and with neighboring jurisdictions, and (iii) a final third if it develops a compensation plan that, among other things, limits public employer health care premium contributions to no more than eighty percent (80%) of the cost and reduces pension multipliers. In April, 2012 the Michigan legislation passed House Bill (HB) 5189 which modified the criteria required to qualify for the third leg of the EVIP program. HB 5189 specified that for fiscal year ending September 30, 2012, a city, village or township can meet the compensation standards by complying with Senate Bill 152 which was enacted into law during 2011. The City of Grand Rapids complies with the revised compensation standards and, as a result, was eligible for all of the EVIP funding appropriated by the State for the City of Grand Rapids for fiscal year 2013.

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, 2008 through June 30, 2012.

**City of Grand Rapids
General Operating Fund Revenues from the State of Michigan
Fiscal Years Ended June 30, 2008 Through 2012**

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Sales Tax	\$22,444,741	\$21,665,044	\$19,268,890	\$19,268,890	\$13,276,420 ¹
Grants and Other	<u>729,586</u>	<u>742,923</u>	<u>781,881</u>	<u>453,721</u>	<u>604,629</u>
Total Revenues from the State of Michigan.....	<u>\$23,174,327</u>	<u>\$22,407,967</u>	<u>\$20,050,771</u>	<u>\$19,722,611</u>	<u>\$13,881,049</u>

¹ Constitutional revenue sharing is \$13,276,420 based on the January 2012 consensus revenue estimates. In addition, the City received Statutory revenue sharing under the EVIP program of \$4,570,056 which was budgeted in the City's Transformation Fund.

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.

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 June 12, 2012.

Debt Limit ⁽¹⁾	\$499,221,480
Debt Outstanding ⁽²⁾	\$554,155,702
Less: Exempt Debt	(392,770,438)
Legal Debt Margin ⁽²⁾	<u>161,385,264</u>
	<u>\$337,836,216</u>

(1) 10% of \$4,992,214,800 which is the City's Total SEV for the fiscal year ending June 30, 2012. Includes the SEV of property granted tax abatement under Act 198, Act 146 and Act 147. See "CITY TAXATION AND LIMITATIONS – Property Valuations" and "CITY TAXATION AND LIMITATIONS – Tax Abatement" herein.

(2) See “CITY DEBT – Statutory and Constitutional Debt Provisions” above.

Source: 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 June 12, 2012. Direct debt that is shown as self-supporting is paid from sources other than the City's general fund. The City's ability to levy taxes to pay the debt service on the obligations that are 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 September 30, 2008 (Limited Tax)	\$ 6,100,000	\$ -	\$ 6,100,000
Dated September 30, 2003 (Limited Tax)	1,506,640	-	1,506,640
Subtotal.....	\$7,606,640	\$ -	\$7,606,640
Share of Joint Building Authority Bonds:			
Dated December 1, 1993 (Limited Tax)	\$ 515,000	\$ 515,000	\$ -
Building Authority Bonds:			
Dated July 28, 2011 (Limited Tax)	\$ 14,585,000	\$ -	\$14,585,000
Dated September 15, 2010 (Limited Tax, Series C)	7,105,000	-	7,105,000
Dated March 30, 2010 (Limited Tax, Series A)	1,770,000	-	1,770,000
Dated March 30, 2010 (Limited Tax, Series B)	2,735,000	-	2,735,000
Dated March 5, 2009 (Limited Tax)	15,855,000	-	15,855,000
Dated December 23, 2008	8,515,000	8,515,000	-
Dated November 15, 2006	6,685,000	6,685,000	-
Dated November 18, 2004 (4)	15,225,000	15,225,000	-
Dated May 8, 2003	355,000	355,000	-
Dated June 15, 2002 (4)	15,680,000	15,680,000	-
Dated September 1, 1998 (Limited Tax)	10,030,000	-	10,030,000
Subtotal.....	\$98,540,000	\$46,460,000	\$52,080,000
Tax Increment Authority Bonds:			
Dated June 12, 2012 (Limited Tax)	\$ 2,325,000	\$ 2,325,000	\$ -
Dated March 18, 2009 (Limited Tax)	28,430,000	28,430,000	-
Dated May 20, 2004 (Limited Tax)	3,320,000	3,320,000	-
Dated November 15, 1994	5,375,476	5,375,476	-
Subtotal.....	\$39,450,476	\$39,450,476	\$ -
Sewer Revenue Bonds:			
Senior Lien			
Dated December 15, 2010 (Series 2010A)	\$ 21,330,000	\$ 21,330,000	\$ -
Dated December 15, 2010 (Series 2010B)	3,300,000	3,300,000	-
Dated January 26, 2010	29,625,000	29,625,000	-
Dated August 6, 2008	63,565,000	63,565,000	-
Dated October 27, 2005	47,325,000	47,325,000	-
Dated August 26, 2004	35,965,000	35,965,000	-
Dated July 1, 1998	33,165,000	33,165,000	-
Junior Lien			
Dated June 24, 2011 (Limited Tax)(6)	-	-	-
Dated April 8, 2011 (Limited Tax)(7)	-	-	-
Dated September 28, 1995 (Limited Tax)	1,010,000	1,010,000	-
Dated June 29, 1995 (Limited Tax)	771,209	771,209	-
Dated September 29, 1994 (Limited Tax)	900,000	900,000	-

Dated June 28, 1994 (Limited Tax)	1,830,000	1,830,000	-
Dated September 30, 1993 (Limited Tax)	1,415,000	1,415,000	-
Dated June 29, 1993 (Limited Tax)	1,235,000	1,235,000	-
Dated September 24, 1992	205,000	205,000	-
Dated June 25, 1992	1,695,000	1,695,000	-
Dated December 20, 1991	140,000	140,000	-
Subtotal.....	<u>\$243,476,209</u>	<u>\$243,476,209</u>	<u>\$ -</u>
Water Revenue Bonds:			
Senior Lien			
Dated October 4, 2010	\$ 37,480,000	\$ 37,480,000	\$ -
Dated May 6, 2009	28,890,000	28,890,000	-
Dated December 14, 2005	30,965,000	30,965,000	-
Dated March 18, 1993	24,400,000	24,400,000	-
Junior Lien			
Dated September ____, 2012 (Limited Tax)(8)	-	-	-
Dated September 23, 2011(Limited Tax)(9)	-	-	-
Dated June 24, 2011 (Limited Tax)(10)	-	-	-
Dated April 8, 2011 (Limited Tax)(11)	-	-	-
Subtotal.....	<u>\$121,735,000</u>	<u>\$121,735,000</u>	<u>\$ -</u>
Michigan Transportation Fund Bonds:			
Dated May 8, 2003 (Limited Tax)	\$1,120,000	\$1,120,000	\$ -
Dated December 1, 1999 (Limited Tax)	2,915,000	2,915,000	-
Subtotal.....	<u>\$4,035,000</u>	<u>\$4,035,000</u>	<u>\$ -</u>
Installment Purchase Notes:			
Dated November 13, 2008 (Limited Tax)	\$ 785,000	\$ -	\$ 785,000
Dated December 20, 2006 (Limited Tax)	405,000	-	405,000
Dated April 13, 2006 (Limited Tax)	330,000	-	330,000
Dated December 1, 2002 (Limited Tax)	550,000	-	550,000
Subtotal.....	<u>\$2,070,000</u>	<u>\$ -</u>	<u>\$2,070,000</u>
Capital Improvement Bonds:			
Dated September 3, 2009 (Limited Tax)	\$ 5,885,000	\$ -	\$ 5,885,000
Dated May 16, 2007 (Limited Tax)	12,400,000	-	12,400,000
Subtotal.....	<u>\$18,285,000</u>	<u>-</u>	<u>\$18,285,000</u>
Michigan Department of Transportation Loan:			
Dated August 16, 2001 (Limited Tax)	<u>\$ 293,624</u>	<u>\$ -</u>	<u>\$ 293,624</u>
Share of Biosolids Authority Bonds:			
Dated April 1, 2008 (5)	\$ 8,692,793	\$ 8,692,793	\$ -
Dated September 20, 2007 (5)	9,455,960	9,455,960	-
Subtotal.....	<u>\$18,148,753</u>	<u>\$18,148,753</u>	<u>\$ -</u>
Total Direct Debt	<u><u>\$554,155,702</u></u>	<u><u>\$473,820,438</u></u>	<u><u>\$ 80,335,264</u></u>

Total Direct Debt - continued

Per Capita Net Direct Debt (1)	\$427.22
Percent of Net Direct Debt to Total SEV (2)	1.61%

	City Share As		Net
	Gross	Percent of Gross	
Overlapping Debt (3)			
Caledonia Community Schools	\$108,033,516	0.10%	\$ 108,034
Forest Hills Public Schools	193,990,000	1.97%	3,821,603
Godwin Heights Public Schools	8,695,000	5.68%	493,876
Grand Rapids Public Schools	142,640,000	100.00%	142,640,000
Grandville Public Schools	13,325,000	0.00%	0
Kenowa Hills Public Schools	37,225,000	0.11%	40,948
Kentwood Public Schools	67,565,000	8.53%	5,763,295
Kent County	184,320,000	21.65%	39,905,280
Grand Rapids Community College	44,935,000	21.04%	9,454,324
Total Overlapping Debt	\$800,728,516		\$202,227,360
Total City Direct and Overlapping Debt	\$ 1,354,884,218		\$282,562,624

Per Capita Net Overlapping Debt (1)	\$1,075.45
Percent of Net Overlapping Debt to Total SEV (2)	4.05%

Per Capita Net Direct and Overlapping Debt (1)	\$1,502.67
Percent of Net Direct and Overlapping Debt to Total SEV (2)	5.66%

(1) Based on the City's 2010 Census of 188,040.

(2) Based on \$4,992,214,800, which is the City's Total SEV for the fiscal year ending June 30, 2012. Includes the SEV of property granted tax abatements under Act 198, Act 146 or Act 147.

(3) Overlapping debt is the portion of another taxing unit's debt for which property taxpayers of the City are liable in addition to debt issued by the City.

(4) Debt service is payable only from rental revenues received from the State of Michigan.

(5) Estimated based on total authorized and allocated to the City of Grand Rapids.

(6) Project 3016-01: Bonds have been issued for which the maximum principal will be \$3,160,000.

(7) Project 5454-01: Bonds have been issued for which the maximum principal will be \$4,753,500.

(8) Project 7374-01: Bonds to be issued for which the maximum principal will be \$4,770,000.

(9) Project 7365-01: Bonds have been issued for which the maximum principal will be \$2,941,000.

(10) Project 7364-01: Bonds have been issued for which the maximum principal will be \$816,000.

(11) Project 7346-01: Bonds have been issued for which the maximum principal will be \$1,125,675.

Source: The City of Grand Rapids and 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 June 12, 2012:

Fiscal Year Ending June 30	County Issued Bonds	Joint Building Authority Bonds	Building Authority Bonds*	Tax Increment Authority Bonds	Sewer Revenue Bonds	Water Revenue Bonds	Michigan Transportation Fund Bonds	Installment Purchase Notes	Capital Improvement Bonds	Michigan Dept of Tran Loan	Biosolids Authority Bonds ¹
2013	\$1,226,992	\$ 250,000	\$5,630,000	\$1,213,969	\$8,436,129	\$9,515,000	\$1,170,000	\$ 590,000	\$1,440,000	\$ 293,624	\$ 899,989
2014	1,282,352	265,000	5,500,000	1,159,047	8,596,776	9,880,000	1,225,000	600,000	1,490,000	-	921,272
2015	1,125,040	-	5,785,000	1,271,247	7,155,094	10,350,000	1,305,000	445,000	1,545,000	-	939,515
2016	1,182,256	-	6,235,000	1,207,487	6,063,209	10,750,000	280,000	315,000	1,460,000	-	954,717
2017	930,000	-	6,620,000	1,509,572	6,170,000	11,295,000	55,000	120,000	1,135,000	-	976,001
2018	970,000	-	6,985,000	1,299,600	6,255,000	11,870,000	-	-	1,175,000	-	1,000,325
2019	285,000	-	5,145,000	3,894,554	6,590,000	5,220,000	-	-	1,040,000	-	1,018,568
2020	295,000	-	5,390,000	4,765,000	6,925,000	5,495,000	-	-	1,030,000	-	1,039,582
2021	310,000	-	5,655,000	5,035,000	7,225,000	1,880,000	-	-	805,000	-	1,064,175
2022	-	-	3,900,000	5,295,000	10,100,000	1,970,000	-	-	835,000	-	1,082,418
2023	-	-	3,695,000	5,570,000	10,635,000	2,065,000	-	-	890,000	-	1,106,743
2024	-	-	3,880,000	4,990,000	11,175,000	2,175,000	-	-	930,000	-	1,131,066
2025	-	-	4,080,000	355,000	11,730,000	2,280,000	-	-	975,000	-	1,152,350
2026	-	-	4,290,000	380,000	12,320,000	2,395,000	-	-	1,025,000	-	1,176,674
2027	-	-	4,510,000	410,000	12,945,000	2,515,000	-	-	1,080,000	-	1,204,039
2028	-	-	4,750,000	445,000	13,585,000	2,640,000	-	-	1,135,000	-	1,228,362
2029	-	-	5,000,000	155,000	8,445,000	2,765,000	-	-	145,000	-	1,252,687
2030	-	-	2,445,000	160,000	8,870,000	2,895,000	-	-	150,000	-	-
2031	-	-	1,750,000	165,000	9,315,000	3,040,000	-	-	-	-	-
2032	-	-	1,835,000	170,000	9,785,000	3,195,000	-	-	-	-	-
2033	-	-	935,000	-	10,280,000	3,355,000	-	-	-	-	-
2034	-	-	975,000	-	10,800,000	3,520,000	-	-	-	-	-
2035	-	-	1,010,000	-	10,730,000	3,700,000	-	-	-	-	-
2036	-	-	1,055,000	-	5,630,000	1,615,000	-	-	-	-	-
2037	-	-	675,000	-	5,900,000	1,695,000	-	-	-	-	-
2038	-	-	260,000	-	6,185,000	1,785,000	-	-	-	-	-
2039	-	-	270,000	-	3,710,000	1,875,000	-	-	-	-	-
2040	-	-	280,000	-	3,875,000	-	-	-	-	-	-
2041	-	-	-	-	4,045,000	-	-	-	-	-	-
	<u>\$7,606,640</u>	<u>\$515,000</u>	<u>\$98,540,000</u>	<u>\$39,450,476</u>	<u>\$ 243,476,209</u>	<u>\$121,735,000</u>	<u>\$4,035,000</u>	<u>\$2,070,000</u>	<u>\$18,285,000</u>	<u>\$293,624</u>	<u>\$18,148,753</u>

¹ Estimated. The City's share of the annual bond maturities will vary from year to year based on its share of total biosolids treated and disposed at the biosolids facilities 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 sold \$65,650,000 of bonds to finance the construction of a new courthouse. In November, 2005 the Kent County Building Authority refunded a portion of such outstanding bonds with a \$49,990,000 issue of refunding bonds. 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. The City pays the Kent County Building Authority 31.35% of the debt service payments on the bonds issued for the courthouse as well as its proportionate share of facility operating and maintenance costs.

Future Financing

After the City's June 30, 2012 fiscal year-end but before publication of this continuing disclosure document, the City issued the \$30,000,000 Series 2012 Sanitary Sewer System Improvement Revenue Bonds for improvements to the sewer system and components and public infrastructure directly affected by those improvements. Within the next twenty-four months the City is expecting to issue approximately \$3 million through the Michigan Finance Authority's Revolving Fund program. The City is also considering issuing Water Supply System senior and/or junior lien revenue bonds pursuant to its Comprehensive Master Plan. The City plans to work with the State of Michigan to refund the Grand Rapids Building Authority (the "GRBA") Series 2002A bonds and the GRBA Series 2004A bonds both of which were issued by the GRBA on behalf of the State of Michigan. The City also plans to work with the County of Kent to refund the Kent County Building Authority's Series 2003A and Series 2003B bonds issued to partially support the construction of the DeVos Place Convention Center. City staff regularly review outstanding bond issues to determine whether all or a portion of such series of bonds should be refunded due to the current historically low interest rates.

Vacation and Sick Leave Benefits and Associated Liabilities

Employees of the City earn up to 25 days of paid vacation per year based on various years of service formulas. Unless an exception is granted by the City Manager or by way of a given labor contract, paid vacation must be used within 14 months from the time it is earned or it is forfeited. Terminated or retiring employees are paid for unused vacation days.

Employees of the City also earn up to 1 day of paid sick leave per month. 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. Employees at time of retirement can also elect to purchase pension service credit with unused sick leave hours.

The City no longer accrues paid vacation and sick leave liabilities as a liability in the General Fund. Instead, beginning with the fiscal year ended June 30, 2003, the City has designated fund equity on the Governmental Fund Balance Sheet. For the fiscal year ended June 30, 2012, the amount of \$6,942,492 was so designated for the City's General Fund.

Other Postemployment Benefits

In June, 2004 the Governmental Accounting Standards Board (“GASB”) issued its Statement 45 – “Accounting and Financial Reporting by Employers 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 45 established standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information in the financial reports of state and local governmental employers.

The City provides postemployment healthcare insurance until age 65 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.

GASB Statement 45 requires that OPEB assets be held within an irrevocable trust fund in order to be considered “Plan Assets.” During 2010, the City established irrevocable trusts to accumulate the assets for fulfilling the postemployment benefits obligations. The City had begun to partially prefund those obligations in prior fiscal years, but did not place the assets into irrevocable trusts. Because the City had not established the irrevocable trusts, the actuarial valuations used an assumed rate of return of 3%. Using such criteria, the July 1, 2009 actuarial studies recommended that the City’s annual contributions for its 2011 fiscal year be 19.84% of general payroll, 29.3% of police payroll, and 25.18% of fire payroll. The General Retiree Health Care Plan, Police Retiree Health Care Plan and the Fire Retiree Health Care Plan as of July 1, 2009 the City had combined OPEB unfunded actuarial accrued liabilities (“UAAL”) of \$223 million.

The retiree health care benefit has been modified. All employees hired after specific dates determined in the individual collective bargaining agreements participate in a defined contribution retiree health care plan rather than a defined benefit plan. Currently, approximately 30% of City employees are participating in the defined contribution retiree health care plan. Employees who remain in the defined benefits plan 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.

The most recent actuarial studies were completed as of June 30, 2012. These studies used an assumed rate of return of 5% because plan assets are now held in trusts and invested by the Municipal Employees Retirement System (MERS) of Michigan. The June 30, 2012 valuations recommended annual required contributions for the fiscal year beginning July 1, 2012 (i.e., FY2013) in the amount of \$5,758,546 for general employees, \$4,594,163 for police employees, and \$3,190,079 for fire employees. The combined unfunded actuarial accrued liabilities are \$131 million. The fiscal year 2013 Adopted Budget incorporates the annual required contribution as recommended.

For more information regarding the City’s postemployment benefits see Appendix B – Comprehensive Annual Financial Report for the fiscal year ended June 30, 2012, Note 8 – Postemployment Benefits Other than Pensions.

Pension Plans

The City maintains two defined benefit retirement plans that cover substantially all 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.

For the fiscal year ended June 30, 2012, the City was required to make contributions of 20.13% of covered wages to the GRS while GRS member employees contributed 4.41% (weighted average) of their covered wages to

the fund. For the fiscal year beginning July 1, 2012, GRS employees contribute 9.05% (weighted average) and the City is contributing 18.01% of covered wages.

Police and fire employees contributed 4.18% to the PFRS and the City contributed 21.18% of covered wages for the fiscal year ended June 30, 2012. Based on the December 31, 2011 valuation, for the fiscal year beginning July 1, 2012, police and fire employees will contribute 5.24% to the PFRS and the City is contributing 22.26% of covered wages.

The plans are advance 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.

Collective bargaining has modified pension benefits for future years of service. Employees will contribute additional amounts or earn pension services with lower multipliers, or select from a combination of both alternatives. All alternatives were calculated by the plan actuary to reduce employer contribution by 5% of covered wages for future years. Covered wages for the GRS consist of base wages and for the PFRS covered ages include most pay premiums (i.e. gross wages).

The GRS has been closed to most employees hired after 2011 who, instead, will be eligible for defined contribution pension benefits funded with 6% contributions from both the City and the employee. The financial impacts from these changes will be reflected in subsequent actuarial valuations.

For additional information regarding “Actuarial Accrued Liability” and “Actuarial Value of Plan Assets” please refer to the Notes to the Financial Statements – Retirement Plans section of the June 30, 2012 Comprehensive Annual Financial Report.

**City of Grand Rapids
General Retirement System
Fiscal Years Ended June 30, 2008 Through 2012**

Valuation Date	Actuarial Accrued <u>Liabilities</u>	Actuarial Value of <u>Plan Assets</u>	Assets as a Percent of Actuarial <u>Accrued Liabilities</u>
<u>June 30</u>			
2008	\$376,984,359	\$398,766,770	105.8%
2009	391,339,300	381,136,182	97.4
2010	435,893,490	366,543,009	84.1
2011	445,762,361	360,280,315	80.8
2012	448,864,237	349,486,629	77.9 ¹

Source: Gabriel, Roeder, Smith and Company

¹ The General Retirement System actuarial report was prepared as of June 30, 2012 by Gabriel, Roeder, Smith and Company. The General Retirement System contribution requirements are mitigated in the short term by the 5-year smoothing process. Without significant recovery in investment markets over the next few years relatively large increases in contributions to the General Retirement System by the City will be necessary.

**City of Grand Rapids
Police and Fire Retirement System
Fiscal Years Ended December 31, 2007 Through 2011**

Valuation Date <u>December 31</u>	Actuarial Accrued <u>Liabilities</u>	Actuarial Value of <u>Plan Assets</u>	Assets as a Percent of Actuarial <u>Accrued Liabilities</u>
2007	\$300,989,725	\$365,116,538	121.3%
2008	310,236,119	346,472,441	111.7
2009	348,250,068	334,247,051	96.0
2010	360,573,351	328,609,947	91.1
2011	365,300,394	321,207,218	87.9 ¹

Source: Gabriel, Roeder, Smith and Company

¹ The Police and Fire Retirement System actuarial report was prepared as of December 31, 2011 by Gabriel, Roeder, Smith and Company. The Police and Fire Retirement System contribution requirements are mitigated in the short term by the 5-year smoothing process. Without significant recovery in the investment markets over the next few years relatively large increases in contributions to the Police and Fire Retirement System by the City will be necessary.

Labor Contracts

Approximately 95.2% of the City's 1,458 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)	283	June 30, 2014
Grand Rapids Police Officers Association – CST Unit	9	June 30, 2014
Grand Rapids Police Officers Association – ECO Unit	45	June 30, 2014
Grand Rapids Command Police Officers Association	22	June 30, 2014
International Association of Firefighters	226	June 30, 2014
Grand Rapids Employees Independent Union	508	June 30, 2013
Grand Rapids Employees Independent Union (61 st District Court Affiliate)	56	June 30, 2013
Grand Rapids Employees Independent Union (Library Supervisor Affiliate)	16	June 30, 2014
Grand Rapids Employees Independent Union (Library Non-Supervisor Affiliate)	66	June 30, 2014
Association of Public Administrators	135	June 30, 2014
Association of Public Administrators (61 st District Court Chapter)	18	June 30, 2014
Teamsters – Emergency Communication Supervisors	4	June 30, 2014
Non-union	<u>70</u>	N/A
Total FTE City Employees	<u>1,458</u>	

¹Actual number of employees (full-time and FTE) on August 13, 2012.

Source: City of Grand Rapids.

The following table reflects the diversity of the major employers in the greater Grand Rapids area by the products manufactured or services performed and the approximate number of employees.

**City of Grand Rapids, Michigan
Profile of Major Area Employers**

<u>Company</u>	<u>Principal Product or Service</u>	<u>Grand Rapids Area Employees</u>
Spectrum Health	Hospitals, clinics and medical care	16,600
Meijer, Inc.	Retailer - food and general merchandise	7,725
Axios Incorporated	Human resource and employment services	8,000
Spartan Stores, Inc.	Food wholesaler and retailer	4,258
Amway Corporation (formerly Alticor Inc)	Home care, nutritional and other products	4,000
Mercy General Health Partners	Hospital, clinics and medical care	3,653
Grand Rapids Public Schools	Elementary and secondary schools	3,297
Steelcase Inc.	Office, commercial & health industry furniture	3,227
Perrigo Company	Generic & over the counter pharmaceuticals	3,200
Wal-Mart Stores, Inc.	Retailer - general merchandise and food	3,131
Herman Miller Inc	Office, commercial & health industry furniture	3,100
Grand Valley State University	Education	3,091
Gentex Corporation	Advanced electro-optical & fire prevention products	2,759
Saint Mary's Health Care	Hospital, clinics and medical care	2,672
Magna International Inc.	Truck and automobile mirrors, trim & handles	2,500
Haworth Inc	Office, commercial, & health industry furniture	2,450
Metro Health Hospital	Hospital and medical care	2,284
Grand Rapids Community College	Pre-university and technical training	2,254
Farmers Insurance Group	Direct property and casualty insurance carrier	2,157
Alcoa Howmet Corp	Precision superalloy, titanium & aluminum castings	2,030
Fifth Third Bank	Banking and financial services	1,937
Holland Community Hospital	Hospital and medical care	1,906
Lacks Enterprises, Inc.	Decorative plastics—automotive, telecom, electronics	1,750
County of Kent	County government	1,725
Calvin College	Private liberal arts college	1,700
Wolverine World Wide Inc	Footwear and leather products	1,640
U. S. Postal Svc - 493, 494, 495	Mail and package delivery services	1,633
Gordon Food Service	Food services wholesaler	1,600
City of Grand Rapids	Municipal government	1,458

Source: 2011 data compiled by The Right Place, Inc.

Employment

Reflected below are the not seasonally adjusted unemployment statistics for the City and the State for the calendar years 2008 through 2012.

City of Grand Rapids:	<u>2008⁽¹⁾</u>	<u>2009⁽¹⁾</u>	<u>2010⁽¹⁾</u>	<u>2011⁽¹⁾</u>	<u>2012⁽³⁾</u>
Employed	94,478	86,670	85,474	87,307	91,364
Unemployed	<u>9,830</u>	<u>14,837</u>	<u>13,987</u>	<u>10,932</u>	<u>7,665</u>
Labor Force	<u>104,308</u>	<u>101,507</u>	<u>99,461</u>	<u>98,239</u>	<u>99,029</u>
Unemployed as % of Labor Force ⁽²⁾	9.4%	14.6%	14.1%	11.1%	7.7%
State of Michigan:	<u>2008⁽¹⁾</u>	<u>2009⁽¹⁾</u>	<u>2010⁽¹⁾</u>	<u>2011⁽¹⁾</u>	<u>2012⁽³⁾</u>
Employed	4,554,000	4,200,000	4,147,000	4,178,000	4,298,000
Unemployed	<u>412,000</u>	<u>651,000</u>	<u>601,000</u>	<u>480,000</u>	<u>388,000</u>
Labor Force	<u>4,966,000</u>	<u>4,851,000</u>	<u>4,747,000</u>	<u>4,658,000</u>	<u>4,686,000</u>
Unemployed as % of Labor Force ⁽²⁾	8.3%	13.4%	12.7%	10.3%	8.3%

(1) Annual average.

(2) Totals and percentages may differ due to rounding by the Michigan Department of Labor and Economic Growth.

(3) Data as of October 31, 2012.

Source: Michigan Department of Technology, Management and Budget.

Retail Sales

The following table reflects the projected breakdown of retail sales according to major purchase categories for the City and County of Kent.

	<u>City of Grand Rapids</u>		<u>County of Kent</u>	
	<u>Retail Sales*</u>	<u>Number of Stores</u>	<u>Retail Sales*</u>	<u>Number of Stores</u>
Automotive.....	\$900,088	93	\$2,871,592	259
Furniture.....	141,029	45	448,945	127
Electrical Appliances.....	132,886	40	472,835	112
Lumber & Hardware	348,979	72	1,240,508	200
Food	263,457	88	872,181	247
Health Care.....	145,460	63	491,223	177
Gasoline	268,920	67	817,583	188
Clothing.....	137,994	89	518,481	248
General Merchandise.....	<u>546,520</u>	<u>29</u>	<u>1,948,060</u>	<u>81</u>
Totals	<u>\$2,885,334</u>	<u>772</u>	<u>\$9,681,408</u>	<u>2,156</u>

* Dollar amounts in thousands.

Source: 2006 Editor & Publishers Market Guide. Updated data for this table is no longer available.

Estimated 2003 Retail Sales

The following table reflects the projected breakdown of retail sales according to major purchase categories for the City of Grand Rapids, State of Michigan and United States for the year ended 2003. This is the most recent year for which this information is available in this format.

	City of Grand Rapids		State of Michigan		United States	
	Retail Sales *	Percent of Total	Retail Sales *	Percent of Total	Retail Sales *	Percent of Total
Automotive	\$623,350	26.97 %	\$22,012,826	16.74 %	\$889,259,170	23.87 %
Food	129,765	5.61	14,597,321	11.10	489,332,034	13.14
General Merchandise	385,493	16.68	21,583,094	16.41	483,234,307	12.97
Restaurant	205,866	8.91	11,676,649	8.88	257,906,000	6.92
Furniture-Appliances	201,812	8.73	8,285,129	6.30	197,787,828	5.31
Other	764,881	33.10	53,346,471	40.57	1,407,472,691	37.79
Total	<u>\$2,311,167</u>	<u>100.00 %</u>	<u>\$131,501,490</u>	<u>100.00 %</u>	<u>\$3,724,992,030</u>	<u>100.00 %</u>

* Dollar amount in thousands

Source: Survey of Buying Power, "Sales and Marketing Management Magazine," September, 2003.

2005 Estimated Effective Household Buying Income ("E.H.B.I.")

	% of Households in E.H.B.I. Range		
	City of Grand Rapids	State of Michigan	United States
Under \$19,999.....	26.1 %	20.6 %	21.5 %
20,000-34,999.....	27.0	22.7	22.5
35,000-49,999.....	20.2	19.1	19.3
50,000 and over.....	<u>26.7</u>	<u>37.6</u>	<u>36.7</u>
	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
Median Household Effective Buying Income	\$33,331	\$39,668	\$39,324
Average Household Effective Buying Income	39,905	50,491	51,284
Per Capita Effective Buying Income	14,808	19,444	19,289

Source: Survey of Buying Power, "Sales and Marketing Management Magazine," September 2005. This is the most recent year for which this information is available in this format.

Building Permits

The following are the number and value of building permits issued in the City during the past five fiscal years:

Fiscal Year Ended June 30	Number of Permits Issued	Total Value
2008	1,904	\$415,904,581
2009	1,719	325,535,384
2010	1,747	214,338,626
2011	1,843	140,935,725
2012	2,115	169,780,000

Source: City of Grand Rapids.

MICHIGAN TRANSPORTATION FUND

The principal of and interest on Michigan Transportation Fund bonds (“the Fund”) are paid from the receipt of funds by the City from the Fund. The Michigan Constitution provides that all proceeds of taxes levied by the State on motor vehicle fuels and registered motor vehicles (except general sales and use taxes and regulatory fees) and all or a portion of the proceeds of certain other transportation related taxes must be used exclusively for transportation purposes. The Michigan constitution further provides that at least 90% of all such motor vehicle fuel and registration taxes must be used for the purposes of planning, administering, constructing, financing, and maintaining state, county, city and village roads, streets and bridges. Monies deposited into the Fund (after the deduction of certain specified amounts) are allocated by formula established under Act 51 of the Public Acts of Michigan of 1951, as amended (“Act 51”), and transferred to the State Trunk Line Fund, the Comprehensive Transportation Fund, the county road commissions and the cities and villages of the State, all for use for transportation purposes. The currently existing formula established by Act 51 is as follows:

- ...(a) Not more than \$3,000,000 as may be annually appropriated each fiscal year to the State Trunk Line Fund for subsequent deposit in the Rail Grade Crossing Account.
- .. (b) Not less than \$3,000,000 each year to the Local Bridge Fund established under Act 51 for the purpose of payment of the principal, interest and redemption premium on any notes or bonds issued by the State Transportation Commission under former Section 11b or under subsection (10) of section 10 of Act 51.
- ...(c) Revenue from 3 cents of the tax levied under section 8(1)(a) of 2000 PA 403, MCL 207.1008, MCL 207.102, to the State Trunk Line Fund, county road commissions, and cities and villages in the percentages provided in subdivision (i).
- .. (d) One half of the revenue from 1 cent of the tax levied under section 8(1)(a) of 2000 PA 403, MCL 207.1008, to the State Trunk Line Fund for repair of state bridges under Section 11 of Act 51; and the other one-half of the revenue from 1 cent of such taxes to the Local Bridge Fund for distribution to cities, villages and county road commissions.
- ...(e) \$43,000,000.00 to the State Trunk Line Fund for debt service costs on state of Michigan projects.
- ... (f) 10% to the Comprehensive Transportation Fund.
- .. (g) \$5,000,000 to the Local Bridge Fund.
- .. (h) \$36,775,000 to the State Trunk Line Fund for subsequent deposit in the Transportation Economic Development Fund, and with first priority for allocation to debt service on bonds issued to fund Transportation Economic Development Fund Projects. In addition, \$3,500,000 is appropriated from the Michigan Transportation Fund to the State Trunk Line Fund for subsequent deposit in the Transportation Economic Development Fund to be used for economic development road projects in any of the targeted industries described in section 9(1)(a) of 1987 PA 231, MCL 247.909.
- ... (i) Not less than \$33,000,000 as may be annually appropriated each fiscal year to the Local Program Fund created in Section 11e of Act 51.
- ... (j) The balance of the Michigan Transportation Fund as follows, after deduction of the amounts appropriated in subparagraphs (a) through (i):
 - (i) 39.1% to the State Trunk Line Fund for the purposes described in Section 11 of Act 51.
 - (ii) 39.1% to the county road commissions of the State.
 - (iii) 21.8% to the cities and villages of the State.

The monies received by cities and villages, after certain deductions by the State, are allocated on the basis of population and mileage for the type of street when compared to the total for the State. Pursuant to statutory authorization, a city must first expend such state-returned moneys for payment of principal and interest on its transportation fund bonds and notes.

Michigan Public Act 175 of 1952, as amended (“Act 175”), specifically states that “no city or village may pledge, for annual debt service requirements in excess of 50% of the revenues received during the fiscal year next preceding any borrowing from the Fund pursuant to Act 51.” The effect of this pledge is to provide a minimum of 2.0 times coverage to the bondholders. The City may, but does not expect to, enter into contracts with the Michigan Department of Transportation which pledge on a pari passu basis with the bonds issued by the City under Act 175 the

City's receipts from the Fund and which contract could be the basis of a state bond issue payable from amounts distributed from the Fund and pledge Fund receipts for the payment thereof. The right is reserved in accordance with the provisions of Act 175, to issue additional bond pledging moneys derived from State collected taxes returned to the City for road purposes pursuant to Act 175 and subject to the limitations contained therein.

Listed below are the balances in the accrued cash account for the five most recent fiscal years for the City from the Fund, the maximum debt service and the historical coverage provided.

	Fiscal Years Ended June 30				
	2008	2009	2010	2011	2012
Accrued Revenue (1).....	\$13,306,408	\$12,811,157	\$12,592,453	\$12,789,890	\$13,094,196
Maximum Annual Debt Service (2).....	1,362,185	1,352,188	1,352,188	1,352,188	1,349,310
Historical Debt Service Coverage.....	9.77x	9.47x	9.31x	9.46x	9.70x

- (1) The City usually receives accrued revenue within two months of posting.
(2) The Series 2003 bonds were partially defeased in the fiscal year ended June 30, 2008.

Source: City of Grand Rapids

SANITARY SEWER SYSTEM

Wastewater Volumes

Annual tributary flows to the WWTP for fiscal year 2008 through 2012 are shown in the following table.

Fiscal Year <u>June 30</u>	Total Sales ⁽¹⁾ in Million Gallons ("MG")	Additional Inflow and Infiltration in MG to the WWTP ⁽²⁾	Total WWTP Influent in MG	Treated Average Daily Influent in MG	Known Bypass in MG	Total Annual Billing in Million Dollars
2008	10,700	5,941	16,641	45.6	0.889	\$40.3
2009	9,294	8,676	17,970	49.2	220.928	42.8
2010	8,561	7,081	15,642	42.9	38.447	47.7
2011	8,240	7,082	15,322	42.0	50.055	47.7
2012	8,256	6,665	14,921	40.9	0.343	48.8

- (1) Sales are based upon customer water consumption, excepting large wholesale customers whose sewage flow is metered.
(2) Additional inflow and infiltration into the System is a result of wet weather, leakage, unauthorized drainage and other types of wastewater infiltration within the System.

Source: City of Grand Rapids

Wastewater Characteristics

The quality of the wastewater influent received at the Waste Water Treatment Plant ("WWTP") and the quality of the effluent discharged into the Grand River is measured in four principal ways – carbonaceous biochemical oxygen demand, total suspended solids, ammonia and total phosphorus. The table below summarizes certain measures of the quality of the wastewater treated by the WWTP compared with the amounts allowed under the National Pollutant Discharge Elimination System ("NPDES") permit issued to the City. WWTP effluent consistently meets all applicable permitted discharge standards.

City of Grand Rapids, Michigan
Waste Water Treatment Plant Effluent - 30 Months

<u>Month</u>	<u>Carbonaceous BOD*</u>		<u>Suspended Solids*</u>		<u>Total Phosphorous*</u>		<u>Ammonia*</u>	
	<u>Allowed / Actual</u>	<u>Allowed / Actual</u>	<u>Allowed / Actual</u>	<u>Allowed / Actual</u>	<u>Allowed / Actual</u>	<u>Allowed / Actual</u>	<u>Allowed / Actual</u>	<u>Allowed / Actual</u>
June-12	16	4.1	29	5	1	0.9	8.5	0.6
May-12	23	4.0	29	5	1	0.8	18.0	0.6
April-12	23	3.6	29	4	1	0.6	18.0	0.7
March-12	23	4.8	29	8	1	0.6	18.0	1.6
February-12	23	4.1	29	7	1	0.7	18.0	1.7
January-12	23	2.7	29	4	1	0.8	18.0	0.4
December-11	23	3.9	29	7	1	0.7	18.0	1.4
November-11	23	3.8	29	6	1	0.7	18.0	1.2
October-11	23	2.9	29	8	1	0.8	18.0	2.6
September-11	16	4.3	29	4	1	0.7	8.5	0.8
August-11	16	2.9	29	5	1	0.6	8.5	0.5
July-11	16	2.8	29	7	1	0.7	8.5	0.5
June-11	16	2.6	29	5	1	0.8	8.5	0.5
May-11	23	3.5	29	6	1	0.4	18.0	2.4
April-11	23	5.3	29	8	1	0.3	18.0	3.8
March-11	23	6.6	29	10	1	0.4	18.0	7.1
February-11	23	9.3	29	12	1	0.8	18.0	12.9
January-11	23	7.5	29	7	1	0.9	18.0	6.7
December-10	23	6.5	29	9	1	0.8	18.0	4.3
November-10	23	6.6	29	10	1	0.9	18.0	5.8
October-10	23	3.5	29	5	1	0.8	18.0	2.0
September-10	16	3.8	29	4	1	0.9	8.5	1.3
August-10	16	4.1	29	4	1	0.8	8.5	0.6
July-10	16	3.9	29	5	1	0.6	8.5	0.7
June-10	16	3.8	29	5	1	0.7	8.5	0.6
May-10	23	5.1	29	5	1	0.9	18.0	1.5
April-10	23	5.4	29	6	1	0.8	18.0	3.1
March-10	23	5.4	29	6	1	0.6	18.0	6.8
February-10	23	6.5	29	7	1	0.8	18.0	6.2
January-10	23	7.4	29	7	1	0.6	18.0	4.3

* The concentrations in this table are presented in milligrams per liter averaged on a daily basis over one-month periods. The concentrations are determined from a flow proportion composite of samples taken at intervals over a one-day period. The composite daily concentrations are analyzed and the daily results over a one month period are added together and averaged.

Source: City of Grand Rapids Waste Water Treatment Plant

If discharge levels exceed levels allowed under the permit issued to the City, the City reports that fact to the Michigan Department of Environmental Quality (the "MDEQ"). The MDEQ 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 MDEQ as mandated in its NPDES wastewater discharge permit. All reports have been filed with MDEQ as required.

Organization, Management and Staffing

The City administers the System through its Environmental Services Department ("ESD") which is aligned under the Enterprise Systems Services Group. This service group operates under the administrative direction of the Deputy City Manager. The daily operations of the ESD are overseen by the Department Manager. The ESD administers the System through five divisions - Operations, Maintenance, Environmental Assessment, Sewer Maintenance, and the Utilities Engineering, Distribution and Collection Division ("UEDCD"). The Maintenance Division is responsible for all mechanical/electrical/facilities maintenance as well as pipeline cleaning in the collection system. The Operations Division maintains the remote pumping stations, meter stations, regulator stations and operates the WWTP. 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. The UEDCD provides utility engineering, process engineering and collection system repair services for the ESD.

The fiscal year 2013 budget for these divisions authorizes a total staff of 107.05. The City believes that the ESD is adequately staffed to operate and maintain the collection and treatment system in accordance with its NPDES permit.

Regulatory Requirements

The System 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 the MDEQ. 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 System 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 WWTP, has a water quality standard for partial body contact, recreational use, and the ability to support warm water fish, and the ability to supply agricultural and industrial water. The City's current NPDES permit was issued on November 1, 2006 and was in effect until October 1, 2010. The City applied to renew the NPDES in a timely manner and the permit issued November 1, 2006 is automatically extended until a new permit issued by the MDNRE.

Billings and Collections

The following table sets forth the history of billings and collections for the System for the fiscal years ended June 30, 2008 through 2012.

CITY OF GRAND RAPIDS SANITARY SEWER SYSTEM RETAIL BILLINGS AND COLLECTIONS

<u>Fiscal Year Ended June 30</u>	<u>Total Billings</u>	<u>Paid 0-30 Days</u>	<u>Paid 31-90 Days</u>	<u>Paid Over 90 Days</u>	<u>Total Collected (1)</u>
2008	\$34,667,665	\$25,545,337	\$6,340,519	\$2,007,904	\$33,893,760
2009	38,876,996	27,837,460	7,491,502	2,598,126	37,927,088
2010	43,648,813	31,090,490	8,390,263	2,861,221	42,341,974
2011	46,745,078	33,905,788	8,979,319	3,233,027	46,118,134
2012	46,020,543	33,807,022	8,316,821	2,837,316	44,961,159

(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

10 Largest Retail Customers of the Sanitary Sewer System

No single customer of the Sanitary Sewer System exceeds 1% volume usage. The following table sets forth the ten largest retail customers of the system for the one-year period ended on June 30, 2012, their respective volumes of usage and the amounts billed.

CITY OF GRAND RAPIDS SANITARY SEWER SYSTEM TEN LARGEST RETAIL CUSTOMERS BY BILLINGS

<u>Customer</u>	<u>Volume of Usage (Sewer Gallons)</u>	<u>Dollar Amount Billed Per Year</u>	<u>Percent of Total Billings</u>
Spectrum Health System	89,895,388	\$ 426,330	0.93%
Veolia Energy	91,372,688	409,256	0.89
Lacks Trim Systems	105,164,312	327,509	0.71
Calvin College	52,042,848	250,980	0.55
Coca Cola Enterprises	58,072,476	248,368	0.54
Saint Mary's Hospital	44,577,808	211,427	0.46
Grand Rapids Public Schools	28,624,464	193,125	0.42
Kent Quality Foods	42,957,640	192,609	0.42
Allied Finishing, Inc.	48,388,120	149,926	0.33
Van Andel Institute	32,380,920	146,092	0.32

Source: City of Grand Rapids

Sanitary Sewer System Revenue Requirements and Results of Operations

In 1976, the City undertook the task of establishing a methodology to be used to annually determine appropriate rates and charges for customers using the System. 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 the City rates. The rates that resulted from such adjustments did not adequately reflect the longer term needs of the System 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 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 governmental customer communities serviced by the System were amended in 1978 to incorporate the current rate setting methodology and establish the annual revenue requirement. In 1998, the new Contracts further amended the rate setting methodology. Additionally, in 2006, the rate study was amended further for an amendment to the new Contracts. It no longer applies penalty fees as credits (offsets) to revenue requirements. Instead, the augmentation of revenue requirements for penalty fees is used to fund the Individual Circuit Breaker (“ICB”) program and City and Customer Community Circuit Breaker. The ICB is a program aimed at addressing retail users requiring assistance in payment of their water/sewer bills. The City and Customer Community Circuit Breaker is a funding 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 contracts were amended further, changing the rate setting methodology to begin using a three-year average of billed flow, and reducing the rate of return on fixed assets to the Bond Buyer Index for 20-year municipal bonds plus 4.5% per annum (formerly plus 6.00%). The City has conducted annual rate studies each year since 1978 and has adjusted rates accordingly.

The rate setting methodology when applied in the annual rate studies for the years 2007 through 2011 has yielded the revenue requirements and percentage rate increases/(decreases) set forth in the table below for the calendar years commencing January 1, 2008 through January 1, 2012.

**CITY OF GRAND RAPIDS
SANITARY SEWER SYSTEM
REVENUE REQUIREMENTS AND PERCENTAGE RATE INCREASES**

Rate Study Year Effective Date	2007 1/1/08	2008 1/1/09	2009 1/1/10	2010 1/1/11	2011 1/1/12
Operation & Maintenance	\$24,982,060	\$25,733,839	\$27,624,515	\$24,905,066	\$25,291,179
Depreciation	3,662,553	4,118,250	4,538,170	5,065,445	5,629,182
Return on Investment	6,799,300	8,218,068	8,908,851	9,762,211	11,006,552
Less: Revenue Credits	(250,473)	(192,640)	(192,352)	(121,838)	(367,427)
CSO Project Debt Service	9,057,901	10,687,557	11,760,474	11,141,805	11,085,005
Less: Integrated Connection Fee Credit	(1,058,619)	(960,323)	(627,908)	(650,955)	(2,190,184)
Less: Circuit Breaker Program	(449,897)	(511,826)	(633,326)	(428,344)	(371,766)
Total Revenue Requirements	<u>\$42,742,825</u>	<u>\$47,092,925</u>	<u>\$51,378,424</u>	<u>\$49,673,390</u>	<u>\$50,082,541</u>
Percentage Gross Rate Increases (Decreases) Necessary to Meet Total Revenue Requirement (1)	15.73%	14.69%	14.04%	(3.30%)	2.89%

(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 System for periods through December 31, 2008. On December 20, 2011, the Grand Rapids City Commission enacted Ordinance No. 2011-59 establishing the fees effective January 1, 2012. These integrated connection fees apply to all users of the System 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
SANITARY SEWER SYSTEM
INTEGRATED CONNECTION BASE FEE SCHEDULE**

Water Meter Size	Effective On and After				
	01/01/08	01/01/09	01/01/10	01/01/11	01/01/12
¾" or less	\$2,500	\$2,650	\$2,650	\$2,680	\$2,780
1"	4,150	4,400	4,400	4,480	4,640
1-1/2"	8,300	8,750	8,750	8,920	9,260
2"	13,300	14,050	14,050	14,280	14,820
3"	29,150	30,750	30,750	31,280	32,440
4"	52,450	55,300	55,300	56,280	58,380
6" & over	116,600	122,950	122,950	125,080	129,740

Source: City of Grand Rapids

Effective January 1, 2005, and January 1st of every year thereafter, the Integrated Sanitary Sewer Connection Base Fees are adjusted by an annual percentage which is determined by the annual change (if positive) in the Consumer Price Index – U.S. City Average, All Urban Consumers.

The rate increases (decreases) under the rate setting methodology have produce the results of operations from the System for the fiscal years ended June 30, 2008 through 2012 as set forth in the table below.

**CITY OF GRAND RAPIDS
SANITARY SEWER SYSTEM
STATEMENT OF OPERATIONS
HISTORICAL**

	Fiscal Years Ended June 30,				
	2008	2009	2010	2011	2012
REVENUES					
Service Charges- Retail	\$35,892,087	\$39,277,878	\$44,820,602	\$45,789,223	\$46,728,993
Service Charges-Wholesale	3,177,955	2,345,979	1,601,189	1,893,769	2,042,873
Sewage Surcharge	1,250,054	1,158,864	1,253,705	1,648,582	2,048,421
Connection Fees/Front Foot Fees	1,079,765	732,020	677,349	523,565	629,933
Prelim/Design/Constr Engineering Fees	77,874	82,678	44,277	8,943	990
Industrial Pretreatment Permit Fee	55,426	49,143	60,811	70,529	48,814
Interest on Investments	1,045,804	516,016	600,918	201,359	169,940
Miscellaneous	160,974	136,921	2,203,215	887,098	750,210
Total Gross Revenues	<u>42,739,939</u>	<u>44,299,499</u>	<u>51,262,066</u>	<u>51,023,068</u>	<u>52,420,174</u>
OPERATING EXPENSES					
Wastewater Treatment	14,065,959	14,382,144	15,506,065	15,060,007	14,658,195
Sanitary Sewer Repair & Maintenance	4,103,907	7,272,594	4,611,791	4,630,631	4,875,701
Customer Services	2,208,335	1,863,011	2,101,817	1,895,125	2,179,715
Administration	2,169,009	1,964,714	2,403,827	2,123,746	1,643,768
Industrial Pretreatment	705,646	615,580	567,373	505,984	627,924
Depreciation	10,813,594	11,575,332	12,169,499	12,843,252	12,892,913
Total Gross Expenses	<u>34,066,450</u>	<u>37,673,375</u>	<u>37,360,372</u>	<u>37,058,745</u>	<u>36,878,216</u>
Additions - Depreciation	10,813,594	11,575,332	12,169,499	12,843,252	12,892,913
NET EARNINGS ⁽¹⁾	<u>\$19,487,083</u>	<u>\$18,201,456</u>	<u>\$26,071,193</u>	<u>\$26,807,575</u>	<u>\$28,434,871</u>

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

Source: City of Grand Rapids

Net Earnings and Bond Coverage

The Bond Ordinance requires that the Net Revenue generated by the System must be sufficient to meet the cash requirements of the System which include: (a) System 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 System 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 System are stated in the sections entitled “Sanitary Sewer System Revenue Requirements and Percentage Rate Increases” and “Results of Operations.” The table below sets forth the Debt Service and the Coverage Ratio based on the Net Earnings of the System for the fiscal years ended June 30, 2008 through 2012. 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
SANITARY SEWER SYSTEM
DEBT SERVICE AND COVERAGE RATIO
HISTORICAL**

	Fiscal Years Ended June 30,				
	2008	2009	2010	2011	2012
Net Earnings of the System	\$19,487,083	\$18,201,456	\$26,071,193	\$26,807,575	\$28,434,871
Total Net Senior Debt Service ⁽¹⁾	10,841,357	12,136,283	15,248,325	15,108,948	16,494,970
Coverage-Senior Debt	1.80	1.50	1.71	1.77	1.72
Debt Service on Subordinated (SRF) Bonds	3,900,459	3,881,234	3,885,876	3,859,187	3,737,713
Coverage Ratio-All Debt	1.32	1.14	1.36	1.41	1.41
Total Available After Debt Service	\$4,745,267	\$2,183,939	\$6,936,992	\$7,839,440	\$8,202,188

(1) ... Net of the Build America Bonds 35% interest expense subsidy in the amount of \$522,531 pertaining to the System’s Series 2010A bonds.

Source: City of Grand Rapids

Projected Revenue Requirements and Projected Results of Operations

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, 2013 through January 1, 2017.

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

Rate Study Year Date Effective	2012 ⁽¹⁾ 1/1/13	2013 1/1/14	2014 1/1/15	2015 1/1/16	2016 1/1/17
Operation & Maintenance ⁽²⁾	\$23,774,088	\$24,363,685	\$25,192,050	\$26,015,830	\$26,299,403
Depreciation Expense ⁽³⁾	5,839,562	6,324,363	6,590,895	6,824,510	6,863,201
Return on System Investment ⁽³⁾	11,232,274	12,173,175	12,696,257	13,138,168	13,168,350
CSO Project Debt Service	10,958,348	9,195,253	7,954,800	7,708,529	7,414,972
Less: Integrated Connection Fee Credit ⁽⁴⁾	(2,655,683)	(2,655,683)	(2,655,683)	(2,655,683)	(2,655,683)
Less: Circuit Breaker	<u>(559,006)</u>	<u>(453,000)</u>	<u>(453,000)</u>	<u>(453,000)</u>	<u>(453,000)</u>
Total Revenue Requirements	<u>\$48,183,681</u>	<u>\$48,541,891</u>	<u>\$48,919,417</u>	<u>\$50,172,452</u>	<u>\$50,231,341</u>
Percentage Gross Rate Increase (Decrease) From Prior Year Necessary to Meet Total Revenue Requirements ⁽⁵⁾	(2.46%)	0.74%	0.78%	2.56%	0.12%

(1) Revenue requirements per 2012 Rate Study.

(2) Operations & Maintenance for 2013 Rate Study and thereafter is increased proportionately per the fiscal plan for periods noted.

(3) 2013 Rate Study and thereafter adjusted to phase-in estimated impact of completing cash financed projects and 2012 Series Bond projects. Composite rate of return estimated in 2013 rate study is 4.852%; other years estimated at 5.127%.

(4) Revenue credits are based on 2012 preliminary rate study revenues.

(5) These percentages represent the required changes in gross revenues of the System, 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

The City projects that the rates in effect for the year commencing January 1, 2010 and the projected rate increases for future years as shown above will yield the projected results of operations for the System for the fiscal years ending June 30, 2013 through June 30, 2017 as are 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>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
REVENUES:					
Retail Service Charges	\$47,070,527	\$48,011,898	\$48,972,097	\$49,951,500	\$50,950,491
Wholesale Service Charges	2,104,268	2,146,354	2,189,282	2,233,068	2,277,730
Sewer Surcharges	2,483,700	2,525,700	2,567,700	2,609,700	2,651,700
Connection & Front Foot Fees	658,000	677,740	698,072	719,014	740,584
Industrial Pretreatment Permit Fees	62,000	64,000	66,000	68,000	70,000
Miscellaneous	<u>898,660</u>	<u>930,370</u>	<u>972,101</u>	<u>1,018,854</u>	<u>1,060,630</u>
Total Revenues	<u>\$53,277,155</u>	<u>\$54,356,062</u>	<u>\$55,465,252</u>	<u>\$56,600,136</u>	<u>\$57,751,135</u>
OPERATING EXPENSES:					
Wastewater Treatment Plant	\$15,913,436	\$16,516,413	\$16,868,928	\$16,941,036	\$17,050,015
Sanitary Sewer Repair & Maintenance	4,869,217	4,997,381	5,165,693	5,305,634	5,439,718
Customer Services	1,906,061	1,958,932	2,002,993	2,025,068	2,047,199
Administration	1,243,867	1,275,124	1,522,322	1,553,910	1,364,877
Industrial Pretreatment	646,762	666,165	686,150	706,735	727,937
Depreciation (2)	<u>13,492,913</u>	<u>14,092,913</u>	<u>14,692,913</u>	<u>15,292,913</u>	<u>15,892,913</u>
Total Expenses	\$38,072,255	\$39,506,928	\$40,938,998	\$41,825,297	\$42,522,660
Additions: Depreciation (3)	<u>13,492,913</u>	<u>14,092,913</u>	<u>14,692,913</u>	<u>15,292,913</u>	<u>15,892,913</u>
NET EARNINGS	<u>\$28,697,813</u>	<u>\$28,942,047</u>	<u>\$29,219,167</u>	<u>\$30,067,752</u>	<u>\$31,121,388</u>

(1) Projections are taken from the City's 2013 Fiscal Plan for periods noted.

(2) FY2013 and thereafter adjusts 2012 depreciation for estimated impact of completing cash financed projects and the Series 2012 bonds projects.

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

WATER SUPPLY SYSTEM

Annual Sales

The annual water sales are set forth in the following table:

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

Fiscal Year Ended June 30	Total Sales in Billion Gallons	Total Pumpage in Billion Gallons	Total Annual Billings in Millions of Dollars
2008	13.115*	14.419	\$39.028
2009	11.665*	13.172	37.607
2010	11.211*	12.480	39.331
2011	10.945*	12.488	39.122
2012	11.329	13.176	40.375

*Includes billings (53 million in fiscal year 2008, 17 million in fiscal year 2009, 1 million in fiscal year 2010, and 3 million in fiscal year 2011) for the supplemental agreement, dated May 13, 2004, with Ottawa County.

Source: City of Grand Rapids

The following table summarizes the historical daily volume pumpage.

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

	Fiscal Years Ended June 30				
	2008	2009	2010	2011	2012
Average Day Pumpage	39.4	36.1	34.2	34.2	36.0
Maximum Day Pumpage	87.9	74.3	61.9	62.8	70.2

Source: City of Grand Rapids

The following table sets forth the history of billings and collections for the System for the fiscal years ended June 30, 2008 through June 30, 2012.

CITY OF GRAND RAPIDS WATER SUPPLY SYSTEM RETAIL BILLINGS AND COLLECTIONS

Fiscal Year Ended June 30	Total Billed	Paid 0-30 Days	Paid 31-90 Days	Paid Over 90 Days	Total Collected ⁽¹⁾
2008	\$35,418,041	\$26,551,338	\$7,582,596	\$2,864,087	\$36,998,021
2009	34,619,392	25,334,379	7,595,358	3,347,095	36,276,832
2010	35,161,645	25,545,281	7,700,477	3,268,516	36,514,274
2011	36,569,728	27,063,366	8,099,650	3,544,322	38,707,338
2012	36,073,451	27,278,403	6,919,616	2,426,146	36,624,165

⁽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 System for the one year period ended on June 30, 2011 and their respective volumes of usage and the amounts billed.

**CITY OF GRAND RAPIDS
WATER SUPPLY SYSTEM
TEN LARGEST RETAIL CUSTOMERS BY BILLINGS
FISCAL YEAR ENDED JUNE 30, 2012**

<u>Customer</u>	<u>Volume of Usage (Water Gallons)</u>	<u>Dollar Amount Billed Per Year</u>	<u>Percent of Total Billings</u>
Lacks Trim Systems	105,913,808	\$246,676	0.68%
Spectrum Health	92,824,556	242,677	0.67%
Veolia Energy	91,372,688	222,256	0.62%
Coca Cola Enterprises	89,103,256	214,126	0.59%
Grand Rapids Public Schools	35,392,368	141,541	0.39%
Calvin College	52,042,848	139,247	0.39%
Saint Mary's Hospital	46,160,576	120,542	0.33%
Allied Finishing, Inc.	48,526,500	109,860	0.30%
Kent Quality Foods	42,957,640	104,172	0.29%
Pearson Foods Corp	39,898,320	96,153	0.27%

Source: City of Grand Rapids

Rate Setting Methodology

In 1976, the City undertook the task of establishing a methodology that could be utilized to annually determine appropriate rates and charges for customers using the System. 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 longer term needs of the System 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 1978 to incorporate the current rate setting methodology and establish the annual revenue requirement. In 1998, the new Contracts further amended the rate setting methodology. Additionally, in 2006, the rate study was amended further for an amendment to the new Contracts. It no longer applies penalty fees as credits (offsets) to revenue requirements. Instead, the augmentation of revenue requirements for penalty fees is used to fund the Individual Circuit Breaker ("ICB") program and City and Customer Community Circuit Breaker. The ICB is a program aimed at addressing retail users requiring assistance in payment of their water/sewer bills. The City and Customer Community Circuit Breaker is a funding 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 contracts were amended further, changing the rate setting methodology to begin using a three-year average of billed flow, and reducing the rate of return on fixed assets to the Bond Buyer Index for 20-year Municipal Bonds plus 4.50% per annum (formerly plus 6.00%). 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. Also, a significant purpose of the methodology was the proper allocation of costs and rates among the users in each of the customer communities.

**CITY OF GRAND RAPIDS, MICHIGAN
WATER SUPPLY SYSTEM RATE STUDIES
COMPARATIVE ANALYSIS OF RATES 1978 TO 2012 ⁽¹⁾**

Effective	Commodity Charge (\$/HCF) ⁽³⁾	3/4 " Meter	6 " & Over	Billing Volume (HCF)	Revenue Requirements
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, 2012	1.86	10.32	433.68	8,664,487	25,186,528
Percentage Change	675.0%	316.1%	359.1%	-25.5%	381.9%
City of Kentwood					
Retail-Expiring December 31, 2038					
January 1, 1978	\$0.48	\$3.63	\$206.49	307,080	\$243,459
January 1, 2012	1.69	16.10	803.60	1,594,653	4,351,159
Percentage Change	252.1%	343.5%	289.2%	419.3%	1687.2%
City of Walker					
Retail-Expiring December 31, 2038					
January 1, 1978	\$0.48	\$2.79	\$133.20	414,437	\$294,613
January 1, 2012	1.70	13.15	614.80	1,194,272	3,321,121
Percentage Change	254.2%	371.3%	361.6%	188.2%	1027.3%
Grand Rapids Charter Township					
Retail-Expiring December 31, 2038					
January 1, 1978	\$0.48	\$2.99	\$144.11	95,466	\$82,603
January 1, 2012	1.89	16.38	821.52	651,580	2,194,992
Percentage Change	293.8%	447.8%	470.1%	582.5%	2557.3%
City of East Grand Rapids					
Wholesale-Expiring December 31, 2038					
January 1, 1978	\$0.24	N/A	\$1,163.00	650,641	\$170,752
January 1, 2012	1.24	N/A	17,894.00	582,635	937,189
Percentage Change	412.4%		1438.6%	(10.5%)	448.9%
Ada Township					
Wholesale-Expiring December 31, 2038					
January 1, 1978	\$0.37	N/A	\$1,111.00	22,878	\$21,792
January 1, 2012	1.36	N/A	37,090.00	660,910	1,343,920
Percentage Change	267.6%		3238.4%	2788.8%	6067.0%
Tallmadge Charter Township					
Retail-Expiring December 31, 2038					
January 1, 1978	\$2.58	\$10.93	\$535.75	9,759	\$27,891
January 1, 2012	3.83	8.17	296.08	24,510	145,206
Percentage Change	48.4%	(25.3%)	(44.7%)	151.2%	420.6%
Cascade Charter Township					
Retail-Expiring December 31, 2038					
January 1, 1978	\$0.48	\$3.38	\$179.15	135,393	\$149,357
January 1, 2012	2.26	21.54	1,151.76	808,514	3,152,839
Percentage Change	370.8%	537.3%	542.9%	497.2%	2010.9%
Ottawa County					
Wholesale-Expiring November 1, 2029					
January 1, 1978	\$0.27	N/A	\$60.00	100,365	\$27,315
January 1, 2012	1.31	N/A	231.00	890,594	1,169,450
Percentage Change	394.3%		(285.0%)	787.4%	4181.3%
Total All Entities					
January 1, 1978				13,231,779	\$6,167,687
January 1, 2012				15,072,155	41,802,404
Percentage Change				20.90%	568.00%

(1) Rates effective January 1, 2012.

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

(3) HCF: Hundred Cubic Feet.

Source: City of Grand Rapids.

**CITY OF GRAND RAPIDS
WATER SUPPLY SYSTEM
REVENUE REQUIREMENTS AND PERCENTAGE RATE INCREASES**

Rate Study Year Date Effective	2007 1/1/08	2008 1/1/09	2009 1/1/10	2010 1/1/11	2011 1/1/12
Operation & Maintenance	\$25,369,320	\$26,049,441	\$25,681,117	\$25,267,124	\$24,086,019
Depreciation	5,639,732	5,579,302	5,534,396	5,690,711	6,291,958
Return on Investment	11,092,785	12,323,483	13,307,919	12,222,038	12,619,094
Less: Revenue Credits	(619,764)	(851,764)	(812,987)	(756,419)	(363,461)
Less: Integrated Connection Fee Credit (1)	(1,132,446)	(1,036,449)	(676,881)	(822,349)	(548,364)
Less: Circuit Breaker Program	(79,356)	(46,333)	(93,812)	(400,998)	(282,842)
Total Revenue Requirements	<u>\$40,270,271</u>	<u>\$42,017,680</u>	<u>\$42,939,752</u>	<u>\$41,200,107</u>	<u>\$</u>
Gross Rate Increases/(Decreases) Necessary to Meet Total Revenue Requirements (2)	4.93%	2.45%	9.89%	(6.27%)	5.15%

(1) The collection of integrated connection fees which is to be applied as a credit to the rate base.

(2) The percentage increase/ (decrease) shown in each year accounts for actual results and changes in volume from the previous year. The amounts shown do not equal the annual growth in Total Revenue Requirements.

Source: City of Grand Rapids

Connection Fees

The annual Rate Study establishes a schedule of integrated connection base fees for initial connection to the System, effective the following January 1. These integrated connection fees apply to all users of the System 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
WATER SUPPLY SYSTEM
INTEGRATED CONNECTION BASE FEE SCHEDULE**

Water Meter Size	Effective On and After				
	01/01/08	01/01/09	01/01/10	01/01/11	01/01/12
¾" or less	\$2,500	\$2,650	\$2,650	\$2,680	\$2,780
1"	4,150	4,400	4,400	4,480	4,640
1-1/2"	8,300	8,750	8,750	8,920	9,260
2"	13,300	14,050	14,050	14,280	14,820
3"	29,150	30,750	30,750	31,280	32,440
4"	52,450	55,300	55,300	56,280	58,380
6" & over	116,600	122,950	122,950	125,080	129,740

Source: City of Grand Rapids

Results of Operations

The rate increases and decreases under the rate setting methodology have produced the results of operations from the System for the fiscal years ended June 30, 2008 through June 30, 2012 as are set forth in the table below.

**CITY OF GRAND RAPIDS
WATER SUPPLY SYSTEM
STATEMENT OF OPERATIONS
HISTORICAL**

	Fiscal Years Ended June 30,				
	2008	2009	2010	2011	2012
REVENUES					
Retail Service Charges	\$35,755,220	\$34,397,222	\$35,925,207	\$35,721,146	\$37,216,954
Wholesale Service Charges	3,272,303	3,209,591	3,405,857	3,462,601	3,579,770
Connection & Front Foot Fees	1,184,455	803,526	871,288	571,423	733,700
Engineering Fees	77,874	82,678	44,277	6,164	990
Sewage Disposal Fund–Customer Svc.	2,208,335	1,863,011	2,101,817	1,895,126	2,179,715
Other Operating Revenues (1)	1,591,685	1,635,803	1,735,730	1,884,327	1,860,824
Interest on Investments	1,533,083	652,059	240,925	238,908	164,768
Miscellaneous (Non-Operating)	559,116	647,642	639,722	713,431	747,701
Total Revenues	\$46,182,071	\$43,291,532	\$44,964,823	\$44,493,126	\$46,484,422
OPERATING EXPENSES					
Administration	\$2,947,617	\$2,829,342	\$2,770,727	\$2,392,012	\$2,445,569
Customer Services	6,020,627	5,829,137	6,085,273	6,006,419	5,697,716
Engineering	1,267,599	1,282,215	1,240,430	1,002,589	1,050,412
Distribution System	3,998,157	4,002,442	3,485,722	3,636,172	3,507,320
Repair & Maintenance	6,662,728	6,834,271	6,376,239	6,206,198	5,767,082
Filtration Plant	7,145,665	7,376,542	6,959,292	6,915,346	6,823,168
Depreciation	6,740,025	7,027,247	7,342,229	7,399,012	7,534,387
Total Expenses	\$34,782,418	\$35,181,196	\$34,259,912	\$33,557,748	\$32,825,654
ADDITIONS - DEPRECIATION	6,740,025	7,027,247	7,342,229	7,399,012	7,534,387
NET EARNINGS (2)	\$18,139,678	\$15,137,583	\$18,047,140	\$18,334,390	\$21,193,155

(1) Includes public fire protection, merchandise jobbing, penalties, and other miscellaneous operating revenues.

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

Source: City of Grand Rapids

NET EARNINGS AND BOND COVERAGE

The Bond Ordinance requires that the Net Revenue generated by the System must be sufficient to meet the cash requirements of the System which include: (a) System 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, prescribe and maintain and thereafter collect rates and charges for the services and facilities furnished by the System 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.

The table below sets forth the Debt Service and Coverage Ratio based upon the Net Earnings of the System for the fiscal years ended June 30, 2008 through June 30, 2012. 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
WATER SUPPLY SYSTEM
DEBT SERVICE AND COVERAGE RATIO
HISTORICAL**

	Fiscal Years Ended				
	6/30/2008	6/30/2009	6/30/2010	6/30/2011	6/30/2012
Net Earnings of the System	\$18,139,678	\$15,137,583	\$18,047,140	\$18,334,390	\$21,193,155
Debt Service (1)					
Series 2010 Bonds	0	0	0	437,126	7,353,800
Series 2009 Bonds	0	0	929,190	1,968,440	1,972,090
Series 2005 Bonds	2,276,106	2,273,006	2,274,206	2,273,650	2,217,188
Series 2000 Bonds	8,180,500	8,182,000	8,167,000	6,882,319	0
Series 1993 Bonds (2)	3,983,785	2,778,164	3,267,850	3,313,250	3,349,450
Total Debt Service	<u>\$14,440,391</u>	<u>\$13,233,170</u>	<u>\$14,638,246</u>	<u>\$14,874,785</u>	<u>\$14,892,528</u>
Coverage Ratio	1.26	1.14	1.23	1.23	1.42
Total Available After Debt Service	<u>\$3,699,287</u>	<u>\$1,904,413</u>	<u>\$3,408,894</u>	<u>\$3,459,605</u>	<u>\$6,300,627</u>

- (1) Payments on debt service are recorded in the fiscal year when due.
- (2) The Series 1993 Bonds were initially issued as variable rate with a 5% fixed rate swap agreement on March 18, 1993. Under the terms of the Ordinances, the City elected to convert the Rate Period of the Series 1993 Bonds to the Fixed Rate Period on April 8, 2008 (the "Conversion Date"). From the Conversion Date through the date of final maturity, the Series 1993 Bonds will accrue interest at the Fixed Rates set forth on the cover of the Offering Circular issued for the conversion.

Source: City of Grand Rapids

GRAND RAPIDS DOWNTOWN DEVELOPMENT AUTHORITY

The Grand Rapids Downtown Development Authority (the Authority), a component unit of the City of Grand Rapids, Michigan (the City), was created in 1979 by the City of Grand Rapids under the provisions of the State of Michigan Public Act 197 of 1975, as amended. The purpose of the Authority is to correct and prevent deterioration in business districts; encourage historic preservation; authorize the acquisition and disposal of interests in real and personal property; authorize the creation and implementation of development plans in the districts; promote the economic growth of the districts; authorize the levy and collection of taxes; authorize the issuance of bonds and other evidences of indebtedness; and authorize the use of tax increment financing.

The district was formerly bounded roughly by Interstate 196 on the north, Division Avenue on the east, Cherry and Wealthy Streets on the south and Seward Street on the west. In November, 2007 the Authority and the Grand Rapids City Commission approved a plan amendment that nearly doubled the Authority's development area. The current boundaries are roughly Newberry Street on the north, west of Lafayette Avenue or Prospect Avenue on the east, north of Logan Street or Wealthy Street on the south, and east of Lexington Avenue or Seward Avenue on the west. The initial property tax increment revenue capture for the expansion section was in the fiscal year ended June 30, 2009.

The Authority captures tax increment revenues from two sources, local tax increments and school tax increments. Local tax increment ("LTI") revenues are millages assessed by the City of Grand Rapids millages, the County of Kent, the Inter-urban Transit Partnership and the Grand Rapids Community College. School tax increment ("STI") revenues are related to the State Education Tax millage, the Grand Rapids Public Schools operating and debt millages, and the Kent Intermediate School District millages. State law restricts the Authority's use of STI revenues for payment of debt service and other eligible obligations (together, "eligible obligations") in existence prior to January 1, 1995 and also for refunding of any of those pre-1995 eligible obligations. The Authority's payments for debt service obligations issued after January 1, 1995 and for all of the Authority's current and ongoing development projects are funded with either LTI or non-tax increment revenues. The Authority receives non-tax increment revenues, primarily interest on investments and parking revenues which are generated by facilities located on property owned by the Authority.

**CITY OF GRAND RAPIDS, MICHIGAN
DOWNTOWN DEVELOPMENT AUTHORITY
HISTORICAL CAPTURED MILLAGE RATES OF THE TAXING JURISDICTIONS
WITHIN DEVELOPMENT PLAN AREA 1 BOUNDARIES**

Roll Year	Fiscal Year	Local Tax Millages	Education Millages		NON-PRE COMBINED MILLAGES
			PRE/Homestead	Non-PRE/Non-Hmstd	
1985	1986	13.92803	n/a	36.0500 ¹	49.9780
1986	1987	13.9274	n/a	36.3500 ¹	50.2774
1987	1988	13.9141	n/a	39.3430 ¹	53.2571
1988	1989	14.1887	n/a	41.0843 ¹	55.2730
1989	1990	14.1188	n/a	45.3480 ¹	59.4668
1990	1991	15.6093	n/a	44.7512 ¹	60.3605
1991	1992	17.5174	n/a	42.9337 ¹	60.4511
1992	1993	17.3771	n/a	43.5945 ¹	60.9716
1993	1994	16.6170	32.6311	42.2069 ¹	58.8239
1994	1995	16.8867	11.4812	29.4812	46.3679
1995	1996	15.6625	11.4603	29.4603	45.1228
1996	1997	14.6649	11.4803	29.4803	44.1452
1997	1998	14.6720	11.4703	29.4703	44.1423
1998	1999	15.3644	11.0784	29.0784	44.4428
1999	2000	15.3363	11.0225	29.0225	44.3588
2000	2001	16.0215 ⁴	10.8030	28.7526	44.7741
2001	2002	15.9302	10.8099	28.6680	44.5982
2002	2003	15.9006	10.7992	28.7992	44.6998 ³
2003	2004	15.8348	9.5903	27.5057 ⁸	43.3405
2004	2005	16.2022 ^{4, 6}	13.2133	31.0391 ^{5, 9}	47.2413
2005	2006	16.1728	12.7553	30.5811 ²	46.7539
2006	2007	16.2522 ⁷	12.4603	30.2861	46.5383
2007	2008	16.3718 ⁶	13.3903	31.3903	47.7621
2008	2009	16.5415 ⁴	13.3903	31.3903	47.9318
2009	2010	16.6714	13.1103	31.1103	47.7817
2010	2011	16.6716	12.9803	30.9803	47.6519
2011	2012	16.8418 ⁴	13.0403	31.0503	47.8921

PRE = Principal Residence Exemption; NPRES = Non-Principal Residence Exemption

¹ In 1993/FY1994 the GR-DDA did not capture Grand Rapids Public Schools (“GRPS”) debt millage. Staff have been unable to determine whether the debt millage was captured prior to 1993.

² Capture of school tax increment for Districts F and H ceased per the State’s request beginning 2005/FY2006.

³ Added Districts G and H to Development Plan 1 capture boundaries in 2002/FY2003.

⁴ The Interurban Transit Partnership was formed in January, 2000 when voters approved the creation of a multi-jurisdictional entity with a four year millage. Voters have renewed existing millages every four years and approved millage rate increases beginning in the 2004, 2008, and 2011 roll years.

⁵ Voters approved an increase in the GRPS debt millage (from 0.8000 to 2.6800 mills) for multiple school building replacement/rehabilitation projects beginning 2004/FY2005.

⁶ City’s refuse collection millage was increased by 0.2000 mills beginning in 2004/FY2005 and by another 0.1200 mills beginning in 2007/FY2008, and by another 0.1300 mills beginning in 2009/FY2010.

⁷ Voters renewed the Kent County senior citizen support millage and approved a 0.0800 mill increase beginning in 2006/FY2007.

⁸ The State of Michigan decreased the State Education Tax millage from 6.0000 mills to 5.0000 mills for 2003/FY2004 only.

⁹ Voters approved a 0.7430 mill net increase for the Kent Intermediate School District beginning 2004/FY2005.

CITY OF GRAND RAPIDS, MICHIGAN
DOWNTOWN DEVELOPMENT AUTHORITY – DEVELOPMENT PLAN AREA 1
AD VALOREM ASSESSED VALUATIONS – HISTORICAL

**Captured Assessed Valuation
Change Over Prior Year⁸**

Roll Year	Fiscal Year	Total Assessed Valuation	Less: Initial Year Valuation	Amount	%
1985	1986	\$48,104,150	\$28,469,700	\$19,634,450	30%
1986	1987	49,637,950	27,052,600	22,585,350	15%
1987	1988	54,715,100	27,159,000	27,556,100	22%
1988	1989	60,866,600	27,159,000	33,707,600	22%
1989	1990	65,179,750	27,159,000	38,020,750	13%
1990	1991	69,095,100	27,159,000	41,936,100	10%
1991	1992	76,272,300	27,279,000	48,993,300	17%
1992	1993	87,425,017	28,301,500	59,123,517	21%
1993	1994	97,865,000	27,812,600	70,052,400	18%
1994	1995 ¹	126,404,100	31,895,300	94,508,800	35%
1995	1996 ¹	139,023,867	31,895,300	107,128,567	13%
1996	1997 ²	143,989,934	31,895,300	112,094,634	5%
1997	1998 ²	153,710,185	31,895,300	121,814,885	9%
1998	1999 ²	203,909,131	33,635,270	170,273,861	40% ⁴
1999	2000 ²	213,321,189	33,635,270	179,685,919	6%
2000	2001 ²	211,827,610	33,635,270	178,192,340	(1%)
2001	2002	213,084,653	33,635,270	179,449,383	1%
2002	2003	273,164,380	87,406,488	185,757,892	4% ⁵
2003	2004	271,789,814	86,868,580	184,921,234	0% ⁶
2004	2005	282,356,639	87,284,880	195,071,759	5% ⁷
2005	2006	293,062,670	87,284,880	205,777,790	5%
2006	2007	310,564,573	87,284,880	223,279,693	9%
2007	2008	333,804,984	87,284,880	246,520,104	10%
2008	2009	422,163,545	147,752,451 ⁹	274,411,094	11%
2009	2010	484,626,596	160,352,382	324,274,214	18%
2010	2011	473,138,937	160,352,382	312,786,555	(4%)
2011	2012 ³	461,134,175	160,352,382	300,781,793	(4%)

¹ Initial values were corrected by City of Grand Rapids based on research related to the State’s audit of the GR-DDA’s Forms 2604 for roll years 1994 through 2000.

² Total assessed valuations haven’t been adjusted to reflect valuation changes related to Board of Review, Tax Tribunal, and/or State Tax Commission decisions including the Amway Grand Plaza and Plaza Towers appeal decisions affecting roll years 1996 through 2000. Roll year 2001 already includes the \$13,326,791 decrease for that year for the Amway Grand Plaza & Plaza Towers real property assessments as do years after 2001.

³ Total assessed valuation based as of April 24, 2012. Valuations may be affected by Board of Review, Michigan Tax Tribunal, and/or State Tax Commission decisions issued after April, 2012.

⁴ District F was added to the capture boundaries. Ad valorem initial value was \$1,739,970.

⁵ Districts G and H were added to the capture boundaries. Ad valorem initial value for District G was \$23,487,549 and for District H was \$30,283,669.

⁶ Initial values for Districts G and H were adjusted per order changes. District G real property initial value was decreased from \$17,441,249 to \$17,073,041. District H personal property initial value decreased from \$4,094,300 to \$3,924,600. Net initial value decrease was \$537,908.

⁷ City Assessor adjusted the District H parcel list and total initial value when it was discovered that the parcel list for the newly created SmartZone LDFA, which overlaps all of the DDA’s District H, had parcel omissions, erroneous parcel inclusions, and mathematical errors. Net increase in initial value was \$416,300.

⁸ Assessed valuations were based on state equalized value until roll year 1994 at which time the taxable value classification was created and property taxes began to be assessed against taxable value.

⁹ The Authority expanded to include an additional 976 parcels beginning in 2008.

**ECONOMIC DIVERSITY WITHIN
GRAND RAPIDS DOWNTOWN DEVELOPMENT
AUTHORITY DEVELOPMENT PLAN AREA #1**

USE	2011 / FY2012
Commercial	\$374,045,993
Industrial	8,690,295
Residential	74,120,087
Utility	5,950,100
TOTAL ASSESSED VALUATION	\$462,806,475 ⁽¹⁾

CLASS	2011 / FY2012
Real Property	\$404,070,275
Personal Property	58,736,200
TOTAL ASSESSED VALUATION	\$462,806,475 ⁽¹⁾

Note 1: Includes the assessed value of properties with industrial facilities abatements and other exemptions as well as ad valorem values.

**CITY OF GRAND RAPIDS, MICHIGAN
TEN HIGHEST ASSESSED VALUATIONS WITHIN
GRAND RAPIDS DOWNTOWN DEVELOPMENT AUTHORITY
DEVELOPMENT PLAN AREA #1**

Property Owner	Roll Year 2011 / FY2012				% of DDA Assessed Valuation
	Real	Personal	IFT	TOTAL	
Amway Hotel Corporation - hotel	\$30,946,041	\$6,292,900	\$-	\$37,238,941	8.05%
HP3 LLC – J. W. Marriott - hotel	20,732,600	3,747,000	-	24,480,300	5.29
Fifth Third Bank – offices & retail	21,472,482	1,181,113	-	22,653,595	4.89
GMAC 2001-C1 Bridgewater Industrial – offices & retail	18,940,600	-	-	18,940,600	4.09
Deep Creek Holdings LLC – offices & retail	9,730,400	74,500	-	9,804,900	2.12
Westminster Campau LLC – offices & retail	8,956,235	132,600	-	9,088,835	1.96
50 Monroe LLC – offices & retail	7,776,307	62,700	-	7,839,007	1.69
161 Ottawa LLC – offices & retail	7,603,655	22,500	-	7,626,155	1.65
NC Building LLC – offices & retail	6,586,514	-	-	6,586,514	1.42
Brass Works Equities – offices & retail	6,470,874	-	-	6,470,874	1.40
TOTAL	\$139,215,708	\$11,514,013	\$ -	\$150,729,721	32.57%

DOWNTOWN DEVELOPMENT AUTHORITY
COMBINED HISTORICAL AND PROJECTED TAX INCREMENT REVENUE AND DEBT SERVICE COVERAGE
DECEMBER 12, 2012

Roll Year	FYE June 30	Historical / Projected Tax Increment Revenues ¹			Debt Service ²				Total Debt Coverage
		Local Mills	Education Mills ³	TOTAL	Series 1989 & Series 1993	Series 1994 & Series 2009 Refunding ⁴	Debt Issued After 1994	TOTAL	
1994	1995	\$ 1,913,230	\$ 3,103,396	\$ 5,016,626	\$ 1,365,540	\$ 2,550,155	\$ -	\$ 3,915,695	1.28
1995	1996	2,044,235	3,318,229	5,362,464	1,308,242	2,919,861	-	4,228,103	1.27
1996	1997	2,170,754	3,525,653	5,696,407	1,293,427	2,919,861	590,912	4,804,200	1.19
1997	1998	2,216,317	3,599,704	5,816,021	699,854	3,319,861	601,877	4,621,592	1.26
1998	1999	2,613,801	4,675,598	7,289,399	679,363	3,652,861	620,680	4,952,904	1.47
1999	2000	2,764,977	5,055,938	7,820,915	706,664	3,825,393	617,819	5,149,876	1.52
2000	2001	2,847,682	4,919,263	7,766,945	722,478	3,939,133	624,359	5,285,970	1.47
2001	2002	2,843,000	4,942,551	7,785,551	722,692	4,022,158	620,377	5,365,227	1.45
2002	2003	2,801,568	5,134,973	7,936,541	739,994	4,089,758	722,325	5,552,077	1.43
2003	2004	2,820,761	4,752,047	7,572,808	724,628	4,197,223	276,128	5,197,979	1.46
2004	2005	3,041,221	5,672,387	8,713,608	731,786	4,281,163	508,514	5,521,463	1.58
2005	2006	3,057,532	5,687,263	8,744,795	267,879	4,836,818	535,183	5,639,880	1.55
2006	2007	3,250,069	5,921,033	9,171,102	269,236	4,932,778	531,480	5,733,494	1.60
2007	2008	3,681,000	6,871,108	10,552,108	269,875	5,029,678	532,660	5,832,213	1.81
2008	2009	4,241,818	7,552,304	11,794,122	269,875	4,974,380	546,689	5,790,944	2.04
2009	2010	4,743,608	8,399,795	13,143,403	269,375	5,071,843	529,129	5,870,347	2.24
2010	2011	4,527,679	7,765,877	12,293,556	268,375	4,994,525	528,768	5,791,668	2.12
2011	2012	4,373,708	7,365,197	11,738,905	271,750	5,094,525	1,453,092	6,819,367	1.72
2012	2013	4,501,160	7,940,245 ⁵	12,441,405	269,500	5,204,525	1,447,394 ⁶	6,921,419	1.80
2013	2014	4,456,148	7,860,843	12,316,991	271,625	5,199,525	1,457,437 ⁶	6,928,587	1.78
2014	2015	4,411,587	7,782,234	12,193,821	-	5,479,525	1,459,975 ⁶	6,939,500	1.76
2015	2016	4,433,645	7,821,145	12,254,790	-	5,479,525	1,474,787 ⁶	6,954,312	1.76
2016	2017	4,455,813	7,860,251	12,316,064	-	5,809,525	1,483,976 ⁶	7,293,501	1.69
2017	2018	4,478,092	7,899,552	12,377,644	-	5,811,325	1,482,476 ⁶	7,293,801	1.70
2018	2019	4,500,483	7,939,050	12,439,533	-	5,811,663	768,376 ⁶	6,580,038	1.89
2019	2020	4,522,985	7,978,745	12,501,730	-	5,811,163	766,781 ⁶	6,577,943	1.90
2020	2021	4,568,215	8,058,533	12,626,748	-	5,807,013	768,544 ⁶	6,575,557	1.92
2021	2022	4,613,897	8,139,118	12,753,015	-	5,808,263	445,543 ⁶	6,253,806	2.04
2022	2023	4,660,036	8,220,509	12,880,545	-	5,807,513	447,956 ⁶	6,255,469	2.06
2023	2024	4,706,636	8,302,714	13,009,351	-	4,916,275	444,450 ⁶	5,360,725	2.43
2024	2025	4,753,703	-	4,753,703	-	-	75,000 ⁶	75,000	63.38
		\$ 12,122,158			\$ 141,597,812	\$ 22,362,684	\$ 176,082,654		

Note 1: Amounts projected for FY2013-25 are estimates. Revenues for FY2014 & 2015 are estimated to decrease 1% annually. Revenues for FY2016-20 are estimated to increase 0.5% annually. FY2021-25 revenues are estimated to increase at 1% annually.

Note 2: All DDA-supported debt issued before 1995, and issues which refund pre-1995 debt, are classified by statute as "eligible obligations" for which education-related property tax increment revenues may be used to support annual debt service requirements. The DDA's post-1994 debt service is supported by a portion of the DDA's local tax increment revenues resulting from City, County, Transit, & Community College levies. As of July 2, 2012 post-1994 obligations include these issues: Series 2008 Kent County Drain Commission bonds and Series 2003B City County Building Authority bonds.

Note 3: By statute, any amount of school tax increment revenue captured in excess of eligible debt service must be returned to the taxing unit, i.e. the State of Michigan, GR Public Schools, Kent Intermediate School District - after annual debt service related to pre-1995 eligible obligations has been paid.

Note 4: Excludes capitalized interest

Note 5: Voters approved a 1.0000 Grand Rapids Public Schools Sinking Fund millage request effective with the July 1, 2012 property tax levy.

Note 6: Beginning with FY2013, the DDA agreed to pay the first \$75,000 of annual Brownfield Redevelopment Authority Series 2012A thru 06/01/2032.

TABLE A - Page 1 of 3 pages
CITY OF GRAND RAPIDS, MICHIGAN
CONTINUING DISCLOSURE STATEMENT
MATRIX OF FINANCIAL DISCLOSURES - ISSUES DATED JULY 1, 1998 - OCTOBER 27, 2005
December 26, 2012

CUSIP	386289	386244	386226	386244	386316*	386244	386244	386226	386244	490278	386303	386289	386289
Internal Issue #	#49	#50	#53	#56	#57	#59	#63	#66	#67	County	#69	#71	#73
Amount of Issue	\$83,650,000	\$20,000,000	\$11,020,000	\$25,500,000	\$ 88,930,000	\$14,620,000	\$3,500,000	\$3,750,000	\$9,285,000	\$ 5,290,000	\$ 3,805,000	\$37,475,000	\$ 51,525,000
Type	SSS-Revenue	GRBA	Act 175-GOLT	GRBA-GOLT	WSS-Revenue	GRBA-GOLT	GRBA-GOLT	Act 175-GOLT	GRBA-GOLT	Drain - SC	SZ-Revenue	SSS-Revenue	SSS-Revenue
Date of Issue	07/01/98	09/01/98	12/01/99	11/02/00	11/21/00	10/01/01	05/01/02	04/25/03	04/25/03	09/30/03	05/20/04	08/12/04	10/27/05
Final Maturity (including terms)	01/01/28	04/01/18	10/01/14	08/01/15	01/01/18	10/01/31	04/01/22	10/01/18	04/01/13	11/01/15	06/01/16	01/01/34	01/01/35
Dissemination Agent	City	GRBA	City	GRBA	City	City	City	City	City	County	City	City	City
- Population	X	X	X	X	X	X	X	X	X	X	-	X	X
- Taxable Value	X	X	X	X	X	X	X	X	X	X	X	X	X
- TV - by Use and Class (\$/%)	X	X	X	X	X	X	X	X	X	X	X	X	X
- State Equalized Value	X	X	X	X	X	X	X	-	X	X	X	X	X
- SEV - by Use and Class (\$/%)	X	X	X	X	X	X	X	-	X	X	X	X	X
- Ten Largest Valuations by TV	-	X	X	X	X	X	X	X	X	X	-	X	X
- State and Local Tax Limitations	X	-	-	-	-	-	-	-	-	X	-	-	-
- Maximum Property Tax Rates	-	X	X	X	-	X	X	X	X	-	X	X	X
- Property Tax Rates - Grand Rapids and Homestead / Non-Homestead	X	X	X	X	X	X	X	X	X	X	X	X	X
- Property Tax Collection Record	X	X	X	X	X	X	X	X	X	X	X	X	X
- Status of Labor Contracts	X	X	X	X	X	X	X	X	X	X	-	X	X
- Statement of Legal Debt Margin	X	X	X	X	X	X	X	X	X	X	X	X	X
- Debt Statement	X	X	X	X	X	X	X	X	X	X	X	X	X
- Schedule of Bond Maturities	X	-	-	-	X	-	-	-	-	-	-	-	X
- Income Tax Collections	X	X	X	X	X	X	X	X	X	-	X	X	X
- Retirement Plans - General and Police & Fire	-	X	X	X	X	X	X	X	X	-	-	-	X
- Other Postemployt Ben (OPEB)	-	-	-	-	-	-	-	-	-	-	-	-	-
- Profile of Major Employers	-	-	-	-	X	-	-	-	-	-	-	X	-
- Employment	X	-	-	-	X	-	-	-	-	-	-	X	-
- Tax Abatement (Explanation)	-	-	-	-	-	-	-	-	-	-	-	X	-
- Revenues fr the State of Michigan	X	-	-	-	X	-	-	-	-	X	X	-	X
- Single Business Tax (Explanation)	-	-	-	-	-	-	-	-	-	-	-	-	-
- Retail Billings & Collections	X	-	-	-	X	-	-	-	-	-	-	-	X
- 10 Largest Retail Customers	X	-	-	-	X	-	-	-	-	-	-	-	X
- Revenue Requirements & % Rate Increases - Projected	-	-	-	-	-	-	-	-	-	-	-	-	-
- Statement of Operations	X	-	-	-	X	-	-	-	-	-	-	-	-
- Debt Service & Coverage Ratio	X	-	-	-	X	-	-	-	-	-	-	-	-
- Economic Profile - Industrial	X	-	-	-	-	-	-	-	-	-	-	-	-
- Economic Profile - Commercial	X	-	-	-	-	-	-	-	-	-	-	-	-
- GR Regional Retail Sales	X	-	-	-	X	-	-	-	-	-	-	-	-
- Effective Hshold Buying Income	X	-	-	-	X	-	-	-	-	-	-	-	-
- Building Permits	-	-	-	-	X	-	-	-	-	-	-	-	-
- Total Annual Water Sales	-	-	-	-	X	-	-	-	-	-	-	-	-
- Daily Water Pumpage	-	-	-	-	X	-	-	-	-	-	-	-	-
- Revenue Requirements & % Rate Increases - Historical	X	-	-	-	X	-	-	-	-	-	-	-	X
- Integrated Connection Base Fees	-	-	-	-	X	-	-	-	-	-	-	-	-
- Wastewater Volumes	-	-	-	-	-	-	-	-	-	-	-	-	X
- W W T P Effluent Table	-	-	-	-	-	-	-	-	-	-	-	X	X
- Michigan Transportation Fund	-	-	-	-	-	-	-	X	-	-	-	-	-

* - Official Statement lists the incorrect CUSIP number - this is the correct one per Bond Counsel Dickinson Wright PLLC
 GOLT = general obligation limited tax
 Issue # 60: CCBA \$84,578,903.75 Series 2001 is part of Kent County's Continuing Disclosure Certificate, not City's per former Assistant City Manager RJWhite, December 6, 2002
 Issue # 61: CCBA-Defeased Series 2000 Bonds (#55) transferred funds to trustee responsible to bondholders. City has no Continuing Disclosure respons for this or #55 per former Asst City Mgr R.J. White.

TABLE A - Page 2 of 3 pages
CITY OF GRAND RAPIDS, MICHIGAN
CONTINUING DISCLOSURE STATEMENT
MATRIX OF FINANCIAL DISCLOSURES - ISSUES DATED DECEMBER 14, 2005 - SEPTEMBER 3, 2009
December 26, 2012

CUSIP	386316	386226	386244	386226	386226	386316	386289	386445	386244	386244	59455T	386316	386226
Internal Issue #	#74	#75	#76	#77	#78	#81	#82	County	#83	#84	#85	#86	#87
Amount of Issue	\$35,000,000	\$ 4,470,000	\$ 7,375,000	\$ 3,660,000	\$14,740,000	\$ 32,900,000	\$ 67,260,000	\$7,870,000	\$ 8,980,000	\$18,005,000	\$ 28,430,000	\$ 30,000,000	\$7,410,000
Type	WSS-Revenue	MPN-GOLT	GRBA-GOLT	MPN-GOLT	CIB-GOLT	WSS-Rev Refnd	SSS-Revenue	Drain - FW	GRBA-GOLT	GRBA-GOLT	MMBA-LGLP	WSS-Revenue	CIB-GOLT
Date of Issue	12/14/05	04/13/06	11/15/06	12/06/06	05/02/07	04/03/08	08/06/08	09/30/08	12/23/08	03/04/09	03/18/09	05/06/09	09/03/09
Final Maturity (including terms)	01/01/35	06/01/14	10/01/36	12/01/14	09/01/27	01/01/20	01/01/38	11/01/20	10/01/29	08/01/20	05/01/24	01/01/39	08/01/29
Dissemination Agent	City	City	City	City	City	City	City	City	City	City	City	City	City
- Population	X	X	X	X	X	X	-	-	X	X	X	X	X
- Taxable Value	X	X	X	X	X	X	X	X	X	X	X	X	X
- TV - by Use and Class (\$/%)	X	X	X	X	X	X	-	-	X	X	X	-	-
- State Equalized Value	X	X	X	X	X	X	X	X	X	X	X	X	X
- SEV - by Use and Class (\$/%)	X	X	-	-	-	X	-	-	X	X	X	-	-
- Ten Largest Valuations by TV	X	X	X	X	X	X	X	X	X	X	X	X	X
- Maximum Property Tax Rates	X	X	X	X	X	-	X	X	X	X	X	X	X
- Property Tax Rates - Grand Rapids and Homestead / Non-Homestead	X	X	X	X	X	X	X	X	X	X	X	X	X
- Property Tax Collection Record	X	X	X	X	X	X	X	X	X	X	X	X	X
- Status of Labor Contracts	X	X	X	X	X	X	X	X	X	X	X	X	X
- Statement of Legal Debt Margin	X	X	X	X	X	X	X	X	X	X	X	X	X
- Debt Statement	X	X	X	X	X	X	X	X	X	X	X	X	X
- Schedule of Bond Maturities	X	-	-	-	-	X	X	X	X	X	X	X	X
- Income Tax Collections	X	X	X	X	X	X	X	X	X	X	X	X	X
- Retirement Plans - General and Police & Fire	X	X	X	X	X	X	X	X	X	X	X	X	X
- Other Postemployt Ben (OPEB)	-	-	-	-	-	X	X	X	X	X	X	X	X
- Revenues fr the State of Michigan	X	-	-	X	X	X	X	X	-	-	-	X	X
- Retail Billings & Collections	X	-	-	-	-	X	X	-	-	-	-	X	-
- 10 Largest Retail Customers	X	-	-	-	-	X	X	-	-	-	-	X	-
- Statemt of Opers - Hist/Projected	X	-	-	-	-	X	X	-	-	-	-	X	-
- Debt Svc/Coverage Ratio-Historical	-	-	-	-	-	X	-	-	-	-	-	X	-
- Total Annual Water Sales	X	-	-	-	-	X	-	-	-	-	-	X	-
- Daily Water Pumpage	X	-	-	-	-	X	-	-	-	-	-	-	-
- Comparative Analysis of WSS Rates	X	-	-	-	-	X	-	-	-	-	-	X	-
- Revenue Requirements & % Rate Increases - Historical	-	-	-	-	-	X	X	-	-	-	-	X	-
- Integrated Connection Base Fees	-	-	-	-	-	X	-	-	-	-	-	-	-
- Wastewater Volumes	-	-	-	-	-	-	X	-	-	-	-	-	-
- W W T P Effluent Table	-	-	-	-	-	-	X	-	-	-	-	-	-
- DDA Histor Captured Millage Rates	-	-	-	-	-	-	-	-	-	-	-	X	-
- DDA AV Hist Assessed Valuations	-	-	-	-	-	-	-	-	-	-	-	X	-
- DDA Economic Diversity	-	-	-	-	-	-	-	-	-	-	-	X	-
- DDA Ten Highest Valuations	-	-	-	-	-	-	-	-	-	-	-	X	-
- DDA Projected Tax Increment & Debt Service Coverage	-	-	-	-	-	-	-	-	-	-	-	X	-

GOLT = general obligation limited tax

Issues # 64 and # 72: Per the lease agreements, GRBA \$30,855,000 Series 2002A (Issue # 64) and GRBA \$18,225,000 Series 2004A (Issue # 72) continuing disclosure requirements are executed and delivered by the State of Michigan unless there is a significant event. Issue # 64 was partially defeased by Issue # 71.

Issue # 68: Per the lease agreement, CCBA \$5,000,000 Series 2003B Continuing Disclosure requirements are executed and delivered by the County of Kent unless there is a significant event.

Issues #79 & #80: These are Grand Valley Regional Biosolids Authority (GVRBA) project bonds (dated 09/20/2007 and 04/01/2008) issued by the State of Michigan on behalf of the GVRBA. Per Bond Counsel, the annual Continuing Disclosure requirements are the responsibility of the State of Michigan so the requirements are not listed herein.

Issue # 81: As permitted in the ordinances associated with the Water Supply System Series 1993 Variable Rate Demand Obligations, the City converted the Series 1993 bonds to fixed rate bonds. bondcdc063012.xls jmw 12262012

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CITY OF GRAND RAPIDS, MICHIGAN-CONTINUING DISCLOSURE STATEMENT
MATRIX OF FINANCIAL DISCLOSURES - ISSUES DATED JANUARY 26, 2010 - OCTOBER 10, 2012
December 26, 2012

	CUSIP	386289	368244	368244	368244	386316	386289	386244	386205	386289
	Internal Issue #	#88	#89 Series A	#89 Series B	#90	#91	#92	#97	#99	#102
	Amount of Issue	\$ 29,625,000	\$ 1,770,000	\$ 2,815,000	\$7,325,000	\$ 43,025,000	\$ 24,815,000	\$ 14,585,000	\$ 2,325,000	\$ 30,000,000
	Type	SSS-Rev Refdg	GRBA-GOLT	GRBA-GOLT	GRBA-GOLT	WSS-Rev Refd	SSS Revenue	GRBA-GOLT	BRA-TIF-GOLT	SSS Revenue
	Date of Issue	01/26/2010	03/30/2010	03/30/2010	09/15/2010	10/04/2010	12/02/2010	07/28/2011	06/12/2012	10/10/2012
	Final Maturity (inc term bonds)	01/01/2028	10/01/2039	10/01/2032	10/01/2035	01/01/2018	01/01/2025	10/01/2031	06/01/2032	01/01/2042
	Dissemination Agent	City	City	City	City	City	City	City	City	City
- Population	X	X	X	X	X	X	X	X	X	X
- Taxable Value	X	X	X	X	X	X	X	X	X	X
- TV - by Use and Class (\$/%)	X	X	X	X	X	-	X	X	X	X
- State Equalized Value	X	X	X	X	X	-	X	X	X	X
- SEV - by Use and Class (\$/%)	X	X	X	X	X	-	X	X	X	X
- Ten Largest Valuations by TV	X	-	-	-	-	X	X	-	-	X
- Maximum Property Tax Rates	X	-	-	-	-	X	-	-	-	-
- Property Tax Rates - Grand Rapids and Homestead / Non-Homestead	X	-	-	-	-	X	X	-	-	X
- Property Tax Collection Record	X	X	X	X	X	X	X	X	X	X
- Status of Labor Contracts	X	X	X	X	X	X	X	X	X	X
- Statement of Legal Debt Margin	X	X	X	X	X	X	X	X	X	X
- Debt Statement	X	X	X	X	X	X	X	X	X	X
- Schedule of Bond Maturities	X	-	-	-	-	X	X	-	-	X
- Income Tax Collections	X	X	X	X	X	X	X	X	X	X
- Retirement Plans - General and Police & Fire	X	-	-	-	-	X	X	-	-	X
- Other Postemployt Benefits (OPEB)	X	-	-	-	-	X	X	-	-	X
- Revenues from the State of Michigan	X	X	X	X	X	X	X	X	X	X
- Retail Billings & Collections	X	-	-	-	-	X	X	-	-	X
- 10 Largest Retail Customers	X	-	-	-	-	X	X	-	-	X
- Revenue Requirements & % Rate Increases - Historical & Projected	X	-	-	-	-	X	X	-	-	X
- Statemt of Operations - Hist/Projected	X	-	-	-	-	X	X	-	-	X
- Debt Service & Coverage Ratio - Historical	X	-	-	-	-	X	X	-	-	X
- Building Permits	-	-	-	-	-	-	-	-	-	-
- Total Annual Water Sales	-	-	-	-	-	X	-	-	-	-
- Daily Water Pumpage	-	-	-	-	-	-	-	-	-	-
- Comparative Analysis of Rates - WSS	-	-	-	-	-	X	-	-	-	-
- Integrated Connection Base Fees	X	-	-	-	-	-	X	-	-	X
- Wastewater Volumes	X	-	-	-	-	-	X	-	-	X
- W W T P Effluent Table	-	-	-	-	-	-	-	-	-	-
- Michigan Transportation Fund	-	-	-	-	-	-	-	-	-	-

GOLT = general obligation limited tax

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