

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:

55 pages plus the Comprehensive Annual Financial Report for the period ending June 30, 2014

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
386226	\$3,975,000 City of Grand Rapids, Michigan Municipal Purchase Notes, Series 2002A	December 1, 2002
386226	\$3,750,000 City of Grand Rapids, Michigan Transportation Fund Bonds, Series 2003	May 8, 2003
827564	\$5,290,000 Silver Creek Drainage District Silver Creek Drain Refunding Bonds, Series 2003	September 30, 2003
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
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 20, 2006
386226	\$14,740,000 City of Grand Rapids, Michigan Capital Improvement Bonds, Series 2007	May 16, 2007
386316	\$32,900,000 City of Grand Rapids, Michigan Water Supply System Revenue Refunding Bonds, Series 1993 Conversion	April 8, 2008
386289	\$67,260,000 City of Grand Rapids Michigan Sanitary Sewer System Revenue Bonds, Series 2008	August 6, 2008
386445	\$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	May 6, 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

List continues on next page

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Page 2 of 2

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55 pages plus the Comprehensive Annual Financial Report for the period ending June 30, 2014

Bond Issues to which this Annual Report relates:

CUSIP	Name of Bond Issue	Date of Such Bonds
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 15, 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	October 10, 2012
386316	\$3,385,000 City of Grand Rapids, Michigan Water Supply System Refunding Revenue Bonds, Series 2013	March 13, 2013
386289	\$37,830,000 City of Grand Rapids, Michigan Sanitary Sewer System Revenue Refunding Bonds, Series 2013	May 16, 2013
386289	\$55,230,000 City of Grand Rapids, Michigan Sanitary Sewer System Revenue Refunding Bonds, Series 2014	October 8, 2014
386445	\$4,550,000 Grand River Floodwalls and Embankments Drainage District Grand River Floodwalls and Embankments Drain Bonds, Series 2014	December 3, 2014

I hereby represent that I am authorized by the City 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 – ANNUAL REPORT

AS OF JUNE 30, 2014

Prepared by Jana M. Wallace
Debt and Authority Finance Officer
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December 23, 2014

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• Table A - Matrix of Continuing Disclosure Requirements by Debt Issuance	
• Comprehensive Annual Financial Report, Year Ended June 30, 2014	

CITY OF GRAND RAPIDS, MICHIGAN

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, 2014, the equivalent effect of the abatements granted under Act 198, Act 146 and Act 147 is to understate the City's Taxable Value by \$37,454,350 or 0.85%. Including the Equivalent Taxable Value (hereinafter defined) of these properties, the City's total Taxable Value ("Total Taxable Value") has decreased \$507,211,374 or approximately 10.3% between the fiscal years ended or ending June 30, 2010 through 2014. See the following table and "CITY TAXATION AND LIMITATIONS -- Tax Abatements" herein.

**City of Grand Rapids, Michigan
Total Taxable Value
Fiscal Years Ended June 30, 2010 Through 2014**

Assessed Value as of December 31	Year of State Equalization and Tax Levy	City's Fiscal Year Ended June 30	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
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)
2011	2012	2013	4,470,723,949	33,828,602	4,504,552,551	(2.78)
2012	2013	2014	4,357,727,544	37,454,350	4,395,181,894	(2.43)

Per Capita Total Taxable Value for the Fiscal Year Ended June 30, 2014 (3)..... \$23,373.65

(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, 2014, the Taxable Value of property qualified for the benefits of the Zone program totaled \$94,841,127. As of the fiscal year ended 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 the remaining properties in the City's Zone, property and income tax exemptions will be reduced to 0% beginning in the years 2014 through 2025, depending on the particular development agreement.

(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, 2010 through 2014 is shown below.

**City of Grand Rapids, Michigan
Total Taxable Value by Use and Class
Fiscal Years Ended June 30, 2010 Through 2014**

<u>Use</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Commercial	\$1,427,756,898	\$1,412,553,412	\$1,420,557,313	\$1,433,918,687	\$1,399,597,694
Industrial.....	482,989,243	467,193,367	417,007,350	394,068,984	369,821,967
Residential.....	2,923,111,827	2,804,973,033	2,720,573,123	2,595,166,280	2,541,424,533
Utility	<u>68,535,300</u>	<u>76,285,100</u>	<u>75,081,000</u>	<u>81,398,600</u>	<u>84,337,700</u>
	<u>\$4,902,393,268</u>	<u>\$4,761,004,912</u>	<u>\$4,633,218,786</u>	<u>\$4,504,552,551</u>	<u>\$4,395,181,894</u>

<u>Class</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Real Property.....	\$4,437,301,718	\$4,308,378,662	\$4,182,262,386	\$4,031,823,201	\$3,911,998,644
Personal Property	<u>465,091,550</u>	<u>452,626,250</u>	<u>450,956,400</u>	<u>472,729,350</u>	<u>483,183,250</u>
	<u>\$4,902,393,268</u>	<u>\$4,761,004,912</u>	<u>\$4,633,218,786</u>	<u>\$4,504,552,551</u>	<u>\$4,395,181,894</u>

Source: City of Grand Rapids

**City of Grand Rapids, Michigan
Percent of Total Taxable Value by Use and Class
Fiscal Years Ended June 30, 2010 Through 2014**

<u>Use</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Commercial	29.12%	29.67%	30.66%	31.83%	31.85%
Industrial.....	9.85	9.81	9.00	8.75	8.41
Residential.....	59.63	58.92	58.72	57.61	57.82
Utility	<u>1.40</u>	<u>1.60</u>	<u>1.62</u>	<u>1.81</u>	<u>1.92</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>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Real Property.....	90.51%	90.49%	90.27%	89.51%	89.01%
Personal Property	<u>9.49</u>	<u>9.51</u>	<u>9.73</u>	<u>10.49</u>	<u>10.99</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, 2014 by \$71,863,200 or 1.56%. Including the SEV of these properties, the City's total SEV ("Total SEV") has decreased \$952,605,400 or approximately 17.14% between the fiscal years ended June 30, 2010 through 2014. See the following table and "CITY TAXATION AND LIMITATIONS – Tax Abatement" herein.

**City of Grand Rapids, Michigan
Total State Equalized Valuation
Fiscal Years Ended June 30, 2010 Through 2014**

<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>
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)
2011	2012	2013	4,685,216,700	64,724,500	4,749,941,200	(4.85)
2012	2013	2014	4,534,036,800	71,863,200	4,605,900,000	(3.03)

Per Capita Total SEV for the Fiscal Year Ended June 30, 2014 (2) \$24,494.26

(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, 2010 through 2014 is shown below. See "CITY TAXATION AND LIMITATIONS – Tax Abatement" herein.

**City of Grand Rapids, Michigan
Total SEV by Use and Class
Fiscal Years Ended June 30, 2010 Through 2014**

<u>Use</u>	<u>Fiscal Year Ended June 30</u>				
	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Commercial	\$1,644,543,200	\$1,600,746,500	\$1,564,206,200	\$1,537,780,700	\$1,468,274,300
Industrial	551,526,700	531,612,300	465,192,900	81,398,600	407,470,500
Residential.....	3,293,900,200	3,057,874,800	2,887,734,700	433,613,300	2,645,817,500
Utility	<u>68,535,300</u>	<u>76,285,100</u>	<u>75,081,000</u>	<u>2,697,148,600</u>	<u>84,337,700</u>
	<u>\$5,558,505,400</u>	<u>\$5,266,518,700</u>	<u>\$4,992,214,800</u>	<u>\$4,749,941,200</u>	<u>\$4,605,900,000</u>
<u>Class</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Real Property.....	\$5,073,426,900	\$4,795,824,100	\$4,523,306,000	\$4,259,185,100	\$4,101,111,400
Personal Property	<u>485,078,500</u>	<u>470,694,600</u>	<u>468,908,800</u>	<u>490,756,100</u>	<u>504,788,600</u>
	<u>\$5,558,505,400</u>	<u>\$5,266,518,700</u>	<u>\$4,992,214,800</u>	<u>\$4,749,941,200</u>	<u>\$4,605,900,000</u>

Source: City of Grand Rapids

City of Grand Rapids, Michigan
Percent of Total SEV by Use and Class
Fiscal Years Ended June 30, 2010 Through 2014

Use	Fiscal Year Ended June 30				
	2010	2011	2012	2013	2014
Commercial	29.59%	30.40%	31.33%	32.38%	31.88%
Industrial	9.92	10.09	9.32	1.71	8.85
Residential.....	59.26	58.06	57.85	9.13	57.44
Utility	<u>1.23</u>	<u>1.45</u>	<u>1.50</u>	<u>56.78</u>	<u>1.83</u>
	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>
Class	2010	2011	2012	2013	2014
Real Property.....	91.27%	91.06%	90.61%	89.67%	89.04%
Personal Property	<u>8.73%</u>	<u>8.94%</u>	<u>9.39</u>	<u>10.33</u>	<u>10.96</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 FY2014, the NEZ Tax rate was 16.7350 mills for a new Principal Residence Exemption ("PRE") facility and 25.6200 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 \$71,863,200 for the fiscal year ended June 30, 2014. The IFT, Obsolete Properties and NEZ taxes paid on these properties are equivalent to Ad Valorem Taxes paid on \$37,454,350 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 sixteen 12-year agreements for the 2013 (FY 2014) assessment roll. To date, through roll year 2013 / FY 2014 it is estimated that personal property assessed value in the amount of \$23,094,200 is currently eligible for PA 328 abatements.

Personal Property Tax Reform

In December 2012, the legislature enacted and the Governor signed a number of acts that set the groundwork for personal property tax reform. In December 2013, amendments to some of those acts were enacted to clarify exemptions from personal property taxes beginning in 2014 for taxpayers with industrial or commercial personal property the true cash value of which totals \$80,000 or less within any city or township and beginning in 2016 for eligible manufacturing personal property put in service after 2012 or that has been in service for at least 10 years. In March 2014, the legislature amended remaining provisions of the 2012 legislation to provide 100% reimbursement for local governments for lost revenues due to the new personal property tax exemptions. The reimbursement is to be made from use taxes to be set aside in statutorily prescribed amounts for distribution by a local community stabilization authority pursuant to a statutory formula. The funds set aside will not require and cannot be affected any executive or legislative actions. The formula for distribution of replacement revenues is generally based on the personal property tax receipts a local government has in 2013, so the replacement revenues generally will not grow in accordance with the addition of manufacturing or other personal property. The entire exemption and revenue replacement plan was approved by electors of the state at the August 5, 2014 state primary election resulting in the above referenced legislation becoming effective.

Future Tax Reform Proposals

The ultimate nature, extent and impact of other tax and revenue measures, which are from time to time considered, cannot currently be predicted. 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 City 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 bonds, the security therefor, and the operations of the City and its Sanitary Sewer System, Water Supply System, and various 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 Act 164, Public Acts of Michigan, 1877, as amended. Act 359, Public Acts of Michigan, 1925, as amended, also authorizes home rule cities to levy up to \$50,000 for promotional expenses.

For its fiscal year ended June 30, 2014, the City levied 6.1798 mills for operating purposes, 1.6000 mills for refuse collection and disposal, 0.0116 mill for promotion purposes and 0.3805 mill 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, Act 35, Public Acts of Michigan, 1979, as amended, may have the effect of reducing the maximum authorized tax rate which could be levied by a local taxing unit. Under the Headlee Amendment's millage reduction provisions, should the value of taxable property, exclusive of new construction, increase at a percentage greater than the percentage increase in the Consumer Price Index, the maximum authorized tax rate would be reduced by a factor which would result in the same maximum potential tax revenues to the local taxing unit as if the valuation of taxable property (less new construction) had grown only at the national inflation rate instead of the higher actual growth rate. Thus, should taxable property values 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, 2014 the Headlee Amendment had the effect of reducing the City's authorized millages as follows:

City of Grand Rapids, Michigan Maximum Property Tax Rates Fiscal Year Ended June 30, 2014

Millage Classification	Millage Authorized	Millage Rate As Permanently Reduced by Headlee	Current Year Millage Reduction Fraction	Maximum Allowable Millage
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			0.0116
Library (3).....	0.3950	0.3805	1.0000	0.3805

(1) For the fiscal year ended June 30, 2014, 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, 2010 through 2014 are shown below. See "CITY TAXATION AND LIMITATIONS-State Limitations on Property Taxes" herein.

City of Grand Rapids, Michigan
Property Tax Rates
Fiscal Years Ended June 30, 2010 Through 2014

<u>Levy</u> <u>July 1</u>	<u>Fiscal Year</u> <u>Ended June 30</u>	<u>Operating (1)</u>	<u>Other (2)</u>	<u>Library (3)</u>	<u>Total</u>
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
2012	2013	6.1798	1.6113	0.3805	8.1716
2013	2014	6.1798	1.6116	0.3805	8.1719

- (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.

Beginning with the 2008 tax year, the Michigan Business Tax (the "MBT") exempts industrial personal property from the assessment of the 6.0000 mills SET and of the 18.0000 mills local school district operating millages. Commercial personal property is assessed the 6.0000 mills SET, but the MBT exempts commercial personal property from the assessment of 12.0000 mills of the 18.0000 mills local school district operating millages. Utility personal property is assessed the full 6.0000 mills SET and the full 18.0000 mills local school district operating millages.

Total rates, expressed as a \$1.00 for each \$1,000 of Taxable Value, for the City's fiscal years ended June 30, 2010 through 2014, are as follows:

City of Grand Rapids, Michigan
PRE/Homestead⁽¹⁾ Property Tax Rates per \$1,000 of Taxable Value by Governmental Unit
Fiscal Years Ended June 30, 2010 Through 2014

<u>Governmental Unit</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
City of Grand Rapids	\$ 8.3709	\$ 8.3711	\$ 8.3713	\$ 8.1716	\$ 8.1719
County of Kent.....	5.3940	5.3940	5.3940 ³	5.3940	5.3940
State of Michigan.....	6.0000	6.0000	6.0000	6.0000	6.0000
Grand Rapids Public Schools (2).....	2.4200	2.2900	2.3600	3.6000	3.6000
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>1.1200</u>	<u>1.1200</u>	<u>1.2900</u>	<u>1.4100</u>	<u>1.4700</u>
Total	<u>\$29.7817</u>	<u>\$29.6519</u>	<u>\$29.8921</u>	<u>\$31.0524</u>	<u>\$31.1127</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 and sinking fund millage. 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, 2014 ranged from \$3.27 to \$10.74 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, Michigan
Non-PRE/Non-Homestead Property⁽¹⁾ Tax Rates per \$1,000 of Taxable Value by Governmental Unit
Fiscal Years Ended June 30, 2010 Through 2014

<u>Governmental Unit</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
City of Grand Rapids	\$ 8.3709	\$ 8.3711	\$ 8.3713	\$ 8.1716	\$ 8.1719
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).....	20.4200	20.2900	20.3600	21.6000	21.60000
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>1.1200</u>	<u>1.1200</u>	<u>1.2900</u>	<u>1.4100</u>	<u>1.4700</u>
Total	<u>\$ 47.7817</u>	<u>\$47.6519</u>	<u>\$47.8921</u>	<u>\$49.0524</u>	<u>\$ 49.1127</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, 2014 ranged from \$13.00 to \$28.74 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, 2010 through 2014.

City of Grand Rapids, Michigan Property Tax Collections Fiscal Years Ended June 30, 2010 Through 2014

<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>
2009	2010	\$39,986,363	\$37,959,572	94.9%
2010	2011	38,191,675	36,428,727	95.4
2011	2012	37,456,094	35,576,860	95.0
2012	2013	35,786,676	34,299,635	95.8
2013	2014	35,010,467	33,635,522	96.1

(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 Act 197, Public Acts of Michigan, 1975, as amended; Act 281, Public Acts of Michigan, 1986, as amended; Act 381, Michigan Public Acts, 1996, as amended; Act 450, Public Acts of Michigan, 1980, as amended; and Act 280, Public Acts of Michigan, 2005, as amended, the City has

established authorities which capture property tax increment revenues. The City's general operating revenues 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. Declines in the assessed market valuation of any individual residential or non-residential real property results in a reduction in the individual SEV for that property. If 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 will become 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 receipts than the same mill levied in the prior year. The City is aware of the consequences of this situation and has been adjusting City revenues and expenditures as property tax receipts have fluctuated.

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, 2014 are as follows:

**City of Grand Rapids, Michigan
Top Ten Largest Valuations ⁽¹⁾
Fiscal Year Ended June 30, 2014**

<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	\$62,619,018	1.42%
Keebler Company (4)	Bakery products	39,929,300	0.91
Amway Hotel Corporation	Hotel / real estate	36,873,411	0.84
HP3 LLC	J.W. Marriott Hotel	24,103,500	0.55
Fifth Third Bank	Banking / real estate holding	23,453,456	0.53
Centerpointe Partners LLC	Shopping center / real estate	22,164,300	0.50
Michigan Street Dev LLCt	Medical office building development	22,052,404	0.50
Michigan Consolidated Gas Co	Gas utility	20,221,249	0.46
Spectrum Health Hospitals	Hospitals	18,883,839	0.43
Steelcase, Inc.	Office systems design / manufacture	18,115,047	0.41
		<u>\$288,415,524</u>	<u>6.55%</u>

- (1) Property taxpayers and Taxable Value are based on the July 1, 2013 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 \$4,395,181,894 which is the City's Total Taxable Value for the fiscal year ended June 30, 2014. 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. On May 6, 2014, the City's electorate voted to amend the City Charter to extend the temporary increases in the resident and non-resident income tax rates for an additional term of fifteen years, commencing July 1, 2015, to provide funds for constructing, reconstructing, repairing and rehabilitating various public streets, roads, sidewalks, and adjacent or related rights of way, property, and easements.

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

City of Grand Rapids, Michigan Income Tax Collections Fiscal Years Ended June 30, 2010 Through 2014

Fiscal Years Ended June 30	Gross Tax Collections ¹	Less: Refunds	Net Income Tax Collections ¹	% Increase or (Decrease) over Prior Year
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 ³	76,085,701	7,906,292	68,179,409	6.78
2013 ⁴	84,433,157	8,961,666	75,471,491	10.70
2014 ⁵	85,828,713	8,254,376	77,574,337	2.79

¹ Including interest and penalties.

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

³ Collections were \$59,122,192 net of temporary income tax increase effective July 1, 2010.

⁴ Collections were \$65,407,835 net of temporary income tax increase effective July 1, 2010.

⁵ Collections were \$67,303,469 net of temporary income tax increase effective July 1, 2010.

Source: City of Grand Rapids

REVENUES FROM THE STATE OF MICHIGAN

The State of Michigan continues to modify the revenue sharing program and the requirements for local units of government to qualify for statutory revenue payments. While the Constitutional portion has remained unchanged, several adaptations of the statutory program have occurred since 2012. The 2012 State fiscal year budget eliminated Michigan sales tax funded statutory revenue sharing for cities, villages and townships and replaced 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 complied with three categories of certain "best practices." The categories consisted of transparency and accountability, local unit consolidation and sharing costs of services, and implementing an employee

compensation plan that reduced pension costs and required employees to pay at least 20% of the cost of their health insurance as soon as labor contracts expired. In April of 2012 the Michigan legislation passed House Bill (“HB”) 5189 which modified the criteria required to qualify for the third leg of the EVIP program by complying with Senate Bill 152 which was enacted into law in 2011.

The State’s FY2014 budget continued to modify the EVIP program by replacing the third category with a new category that included measures taken to control unfunded liabilities such as pension and Other Post-Employment Benefits (OPEB) costs. Regardless of the requirements the State has established, the City has consistently qualified for 100% of the available statutory payments and expects that future requirements put in place by the State will be satisfied and the full available funding amounts will be received.

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, 2010 through June 30, 2014.

**City of Grand Rapids, Michigan
General Operating Fund Revenues from the State of Michigan
Fiscal Years Ended June 30, 2010 Through 2014**

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Sales Tax	\$19,268,890	\$19,268,890	\$13,466,847 ¹	\$13,745,657 ¹	\$14,068,013 ¹
Grants and Other	<u>781,881</u>	<u>453,721</u>	<u>618,875</u>	<u>817,520</u>	<u>647,941</u>
Total Revenues from the State of Michigan.....	<u>\$20,050,771</u>	<u>\$19,722,611</u>	<u>\$14,085,722</u>	<u>\$14,563,177</u>	<u>\$14,715,954</u>

¹ Constitutional revenue sharing only. The City also receives incentive based statutory revenue sharing under the EVIP program. Since this revenue is subject to appropriation by the State of Michigan, these revenues are not part of the City’s General Operating Fund budget. Instead, they are deposited into the Transformation Fund. In FY2012, the City received \$3,815,997 for deposit into the City’s Transformation Fund. In FY2013, the City deposited into the Transformation Fund \$4,661,457 and in FY2014, the City deposited \$5,132,391.

Source: City of Grand Rapids

CITY DEBT

Statutory and Constitutional Debt Provisions

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

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

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

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

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

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

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 December 2, 2014.

Debt Limit (1).....	\$460,590,000
Debt Outstanding ⁽²⁾	\$573,798,767
Less: Exempt Debt	(416,873,157)
Legal Debt Margin ⁽²⁾	<u>\$303,664,390</u>

(1) 10% of \$4,605,900,000 which is the City's Total SEV for the fiscal year ending June 30, 2014. 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 December 2, 2014. 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 December 3, 2014 (Limited Tax)	\$4,550,000	\$ -	\$4,550,000
Dated March 28, 2013 (Limited Tax)	359,592	-	359,592
Dated September 30, 2008 (Limited Tax)	3,675,000	-	3,675,000
Dated September 30, 2003 (Limited Tax)	297,256	-	297,256
Subtotal.....	\$8,881,848	\$ -	\$8,881,848
Building Authority Bonds:			
Dated July 28, 2011 (Limited Tax)	\$ 12,880,000	\$ -	\$12,880,000
Dated September 15, 2010 (Limited Tax, Series C)	6,410,000	-	6,410,000
Dated March 30, 2010 (Limited Tax, Series A)	1,770,000	-	1,770,000
Dated March 30, 2010 (Limited Tax, Series B)	2,485,000	-	2,485,000
Dated March 5, 2009 (Limited Tax)	11,020,000	-	11,020,000
Dated December 23, 2008	7,960,000	7,960,000	-
Dated November 15, 2006	6,190,000	6,190,000	-
Dated November 18, 2004 (1)	13,420,000	13,420,000	-
Dated June 15, 2002 (1)	13,785,000	13,785,000	-
Dated September 1, 1998 (Limited Tax)	7,275,000	-	7,275,000
Subtotal.....	\$83,195,000	\$41,355,000	\$41,840,000
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 November 15, 1994	3,447,460	3,447,460	-
Subtotal.....	\$34,202,460	\$34,202,460	\$ -
Water Revenue Bonds:			
Senior Lien			
Dated March 13, 2013	\$ 3,085,000	\$ 3,085,000	\$ -
Dated October 4, 2010	25,960,000	25,960,000	-
Dated May 6, 2009	27,710,000	27,710,000	-
Dated December 14, 2005	29,370,000	29,370,000	-
Dated March 18, 1993	19,300,000	19,300,000	-
Junior Lien			
Dated September 17, 2014 (2)	3,545,000	3,545,000	-
Dated December 14, 2012 (3)	643,514	643,514	-
Dated September 18, 2012 (4)	4,242,000	4,242,000	-
Dated September 23, 2011 (5)	3,344,000	3,344,000	-
Dated June 24, 2011 (6)	716,549	716,549	-
Dated April 8, 2011 (7)	769,752	769,752	-
Subtotal.....	\$118,686,015	\$118,686,015	\$ -

City Direct Debt	Gross	Self-Supporting	Net
Michigan Transportation Fund Bonds:			
Dated May 8, 2003 (Limited Tax)	\$335,000	\$335,000	\$ -
Subtotal.....	<u>\$335,000</u>	<u>\$335,000</u>	<u>\$ -</u>
Sewer Revenue Bonds:			
Senior Lien			
Dated October 8, 2014	\$ 55,230,000	\$ 55,230,000	\$ -
Dated May 16, 2013	37,310,000	37,310,000	-
Dated October 10, 2012	29,160,000	29,160,000	-
Dated December 15, 2010 (Series 2010A)	21,330,000	21,330,000	-
Dated December 15, 2010 (Series 2010B)	2,875,000	2,875,000	-
Dated January 26, 2010	29,625,000	29,625,000	-
Dated August 6, 2008	60,870,000	60,870,000	-
Dated October 27, 2005	685,000	685,000	-
Dated July 1, 1998	27,840,000	27,840,000	-
Junior Lien			
Dated April 9, 2013 (8)	2,235,000	2,235,000	-
Dated June 24, 2011 (9)	3,035,000	3,035,000	-
Dated April 8, 2011 (10)	5,626,500	5,626,500	-
Dated September 28, 1995	420,000	420,000	-
Dated June 29, 1995	333,304	333,304	-
Dated September 29, 1994	300,000	300,000	-
Subtotal.....	<u>\$276,874,804</u>	<u>\$276,874,804</u>	<u>\$ -</u>
Installment Purchase Notes:			
Dated November 14, 2014 (Limited Tax)	\$1,994,962	\$ -	\$1,994,962
Dated August 22, 2012 (Limited Tax)	473,800	-	473,800
Dated November 13, 2008 (Limited Tax)	395,000	-	395,000
Dated December 1, 2002 (Limited Tax)	345,000	-	345,000
Subtotal.....	<u>\$3,208,762</u>	<u>\$ -</u>	<u>\$3,208,762</u>
Capital Improvement Bonds:			
Dated September 25, 2014 (Limited Tax)	\$17,000,000	\$ -	\$17,000,000
Dated October 11, 2013 (Limited Tax)	3,500,000	-	3,500,000
Dated May 16, 2007 (Limited Tax)	10,385,000	-	10,385,000
Subtotal.....	<u>\$30,885,000</u>	<u>-</u>	<u>\$30,885,000</u>
Share of Grand Valley Regional Biosolids Authority Bonds:			
Dated April 1, 2008 (11)	\$ 8,096,398	\$ 8,096,398	\$ -
Dated September 20, 2007 (11)	9,433,480	9,433,480	-
Subtotal.....	<u>\$17,529,878</u>	<u>\$17,529,878</u>	<u>\$ -</u>
Total Direct Debt	<u><u>\$573,798,767</u></u>	<u><u>\$488,983,157</u></u>	<u><u>\$ 84,815,610</u></u>
Total Direct Debt			
Per Capita Net Direct Debt (12)			\$451.05
Percent of Net Direct Debt to Total SEV (13)			1.84%

Debt Statement - continued

	Gross	City Share As Percent of Gross	Net
<u>Overlapping Debt (14)</u>			
Caledonia Community Schools	\$137,738,630	0.07%	\$ 96,417
Forest Hills Public Schools	183,485,000	1.93%	3,541,261
Godwin Heights Public Schools	5,805,000	6.22%	361,071
Grand Rapids Public Schools	130,035,000	100.00%	130,035,000
Grandville Public Schools	17,430,000	0.00%	-
Kenowa Hills Public Schools	32,675,000	0.11%	35,943
Kentwood Public Schools	54,485,000	7.90%	4,304,315
County of Kent	118,505,000	21.47%	25,123,060
Grand Rapids Community College	61,295,000	20.82%	12,589,993
Total Overlapping Debt	\$741,453,630		\$176,087,060
Total City Direct and Overlapping Debt	\$1,315,252,397		\$260,902,670

Per Capita Net Overlapping Debt (12)	\$936.43
Percent of Net Overlapping Debt to Total SEV (13)	3.82%
Per Capita Net Direct and Overlapping Debt (12)	\$1,387.48
Percent of Net Direct and Overlapping Debt to Total SEV (13)	5.66%

- (1) Debt service is payable only from rental revenues received from the State of Michigan.
- (2) Bonds have been issued for which the maximum principal will be \$2,890,593 taking into consideration principal forgiveness.
- (3) Bonds have been issued for which the final principal is \$668,514.
- (4) Bonds have been issued for which the maximum principal will be \$3,547,800 taking into consideration principal forgiveness.
- (5) Bonds have been issued for which the maximum principal will be \$2,941,000 taking into consideration principal forgiveness.
- (6) Bonds have been issued for which the final principal is \$777,549.
- (7) Bonds have been issued for which the final principal is \$895,427.
- (8) Bonds have been issued for which the maximum principal will be \$1,270,800 taking into consideration principal forgiveness.
- (9) Bonds have been issued for which the maximum principal will be \$3,160,000.
- (10) Bonds have been issued for which the maximum principal will be \$4,753,500 taking into consideration principal forgiveness.
- (11) Estimated based on total debt allocated to the City of Grand Rapids.
- (12) Based on the City's 2010 Census of 188,040.
- (13) Based on \$4,605,900,000 which is the City's Total SEV for the fiscal year ending June 30, 2014. Includes the SEV of property granted tax abatements under Act 198, Act 146 and Act 147.
- (14) Overlapping debt is the portion of another taxing unit's debt for which property owners of the City are liable in addition to debt directly issued by the City.

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 December 2, 2014:

Fiscal Year Ending June 30	County Issued Bonds	Building Authority Bonds*	Tax Increment Authority Bonds	Sewer Revenue Bonds	Water Revenue Bonds	Michigan Transportation Fund Bonds	Installment Purchase Notes	Capital Improvement Bonds	Biosolids Authority Bonds ¹
2015	\$45,901	\$1,570,000	\$1,021,247	\$7,410,094	\$10,840,000	\$ -	\$573,125	\$ -	\$527,442
2016	1,458,680	6,235,000	957,487	7,623,487	11,595,000	280,000	546,504	1,465,000	1,054,883
2017	1,197,523	6,620,000	1,224,572	7,780,000	12,190,000	55,000	356,038	1,145,000	1,078,400
2018	1,238,635	6,985,000	1,184,601	7,905,000	12,600,000	-	240,687	18,195,000	1,105,276
2019	486,109	5,145,000	3,764,554	8,285,000	5,975,000	-	245,454	1,050,000	1,125,433
2020	480,000	5,390,000	4,640,000	8,675,000	6,250,000	-	250,342	1,035,000	1,148,950
2021	500,000	5,655,000	4,890,000	9,045,000	2,665,000	-	255,355	810,000	1,175,825
2022	200,000	3,900,000	5,135,000	10,895,000	2,790,000	-	260,495	840,000	1,195,982
2023	205,000	3,695,000	5,390,000	11,425,000	2,920,000	-	262,565	895,000	1,222,859
2024	215,000	3,880,000	4,790,000	11,985,000	3,060,000	-	218,199	935,000	1,249,734
2025	225,000	4,080,000	135,000	12,555,000	3,195,000	-	-	980,000	1,273,251
2026	230,000	4,290,000	135,000	13,180,000	3,345,000	-	-	1,030,000	1,300,127
2027	235,000	4,510,000	140,000	13,825,000	3,500,000	-	-	1,080,000	1,330,363
2028	240,000	4,750,000	145,000	14,445,000	3,660,000	-	-	1,135,000	1,357,238
2029	250,000	5,000,000	155,000	10,390,000	3,525,000	-	-	145,000	1,384,115
2030	255,000	2,445,000	160,000	10,875,000	3,675,000	-	-	145,000	-
2031	265,000	1,750,000	165,000	11,365,000	3,840,000	-	-	-	-
2032	275,000	1,835,000	170,000	11,900,000	4,016,301	-	-	-	-
2033	285,000	935,000	-	12,191,500	4,088,514	-	-	-	-
2034	290,000	975,000	-	14,110,000	4,029,000	-	-	-	-
2035	305,000	1,010,000	-	12,410,000	3,957,200	-	-	-	-
2036	-	1,055,000	-	7,815,000	1,615,000	-	-	-	-
2037	-	675,000	-	8,195,000	1,695,000	-	-	-	-
2038	-	260,000	-	8,595,000	1,785,000	-	-	-	-
2039	-	270,000	-	6,220,000	1,875,000	-	-	-	-
2040	-	280,000	-	6,495,000	-	-	-	-	-
2041	-	-	-	6,775,000	-	-	-	-	-
2042	-	-	-	2,850,000	-	-	-	-	-
2043	-	-	-	805,000	-	-	-	-	-
2044	-	-	-	850,000	-	-	-	-	-
	<u>\$8,881,848</u>	<u>\$83,195,000</u>	<u>\$34,202,460</u>	<u>\$276,874,804</u>	<u>\$118,686,015</u>	<u>\$335,000</u>	<u>\$3,208,762</u>	<u>\$30,885,000</u>	<u>\$17,529,878</u>

¹Estimated. 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 of at the biosolids facility 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

Within the eighteen months following June 30, 2014 the City expects to issue a series of Water Supply System junior lien revenue bonds in the amount of approximately \$10.35 million through the Michigan Finance Authority Revolving Fund program. The Water Supply System also plans to defease and advance refund all or a portion of the outstanding Series 2005 and Series 2009 bonds maturing on and after January 1, 2016.

The City will assist the State of Michigan if it determines 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.

As described under Other Postemployment Benefits below, the City has closed the defined benefit retiree health care plan and now requires the employees who remain eligible for the defined benefit retiree health care plan to earn the benefit over the course of their careers. The City is considering the issuance of general obligation bonds for the purpose of funding a portion of the unfunded accrued liability of the retiree health care plan to smooth out and lower the annual financial requirements of combined debt service and revised annually required contributions. The City has not determined whether or when to proceed with this financing or the principal amount of bonds that might be issued. Any such financing requires approval of the Michigan Department of Treasury. State law provides that such bonds may only be issued through December 31, 2015.

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 one-half 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 accrues paid vacation and sick leave liabilities as designated fund equity on the Governmental Fund Balance Sheet. For the fiscal year ended June 30, 2014, the amount of \$7,119,402 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 new hires participate in a defined contribution retiree health care plan rather than a defined benefit plan. Currently, nearly 40% 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, 2013. 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, 2013 valuations recommended annual required contributions for the fiscal year beginning July 1, 2014 (i.e., FY2015) in the amount of \$5,446,879 for general employees, \$5,106,271 for police employees, and \$3,584,586 for fire employees. The total FY2015 annual required contribution, including the deferred contribution Retiree Health Savings Account (“RHSA”) requirement, is \$15,101,986. The combined unfunded actuarial accrued liabilities are \$134,733,470. The fiscal year 2015 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, 2014, Note 8 – Postemployment Benefits Other than Pensions.

Pension Plans

The City maintains two defined benefit retirement plans that cover most 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, 2014, the City was required to make contributions of 20.64% of covered wages to the GRS while GRS member employees contributed 7.96% (weighted average) of their covered wages to the fund. For the fiscal year beginning July 1, 2014, GRS employees contribute 7.93% (weighted average) and the City is contributing 28.25% of covered wages.

Police and fire employees contributed 10.27% to the PFRS and the City contributed 19.07% of covered wages for the fiscal year ended June 30, 2014. Based on the December 31, 2013 valuation, for the fiscal year beginning July 1, 2014, police and fire employees will contribute 10.27% to the PFRS and the City is contributing 16.31% 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 contributions by 5% of covered wages for future years. Covered wages for the GRS consist of base wages and for the PFRS covered wages 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, 2014 Comprehensive Annual Financial Report.

City of Grand Rapids, Michigan General Retirement System Fiscal Years Ended June 30, 2010 Through 2014

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>			
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
2013	455,914,323	353,299,470	77.5
2014	460,585,801	385,153,710	83.6 ¹

Source: Gabriel, Roeder, Smith and Company

¹ The General Retirement System actuarial report was prepared as of June 30, 2014 by Gabriel, Roeder, Smith and Company. The General Retirement System contribution requirements are mitigated in the short term by the 5-year smoothing process.

**City of Grand Rapids, Michigan
Police and Fire Retirement System
Fiscal Years Ended December 31, 2009 Through 2013**

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>
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
2012	375,797,800	321,323,888	85.5
2013	385,860,392	354,769,666	91.9 ¹

Source: Gabriel, Roeder, Smith and Company

¹ The Police and Fire Retirement System actuarial report was prepared as of December 31, 2013 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.

Labor Contracts

Approximately 94.8% of the City's 1,369 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)	287	June 30, 2016
Grand Rapids Police Officers Association – CST Unit	8	June 30, 2016
Grand Rapids Police Officers Association – ECO Unit	41	June 30, 2016
Grand Rapids Command Police Officers Association	20	June 30, 2016
International Association of Firefighters	201	June 30, 2014 ²
Grand Rapids Employees Independent Union	455	June 30, 2016
Grand Rapids Employees Independent Union (61 st District Court Affiliate)	53	June 30, 2016
Grand Rapids Employees Independent Union (Library Supervisor Affiliate)	14	June 30, 2016
Grand Rapids Employees Independent Union (Library Non-Supervisor Affiliate)	60	June 30, 2016
Association of Public Administrators	135	June 30, 2016
Association of Public Administrators (61 st District Court Chapter)	19	June 30, 2016
Teamsters – Emergency Communication Supervisors	5	June 30, 2016
Non-union	<u>71</u>	N/A
Total FTE City Employees	<u>1,369</u>	

¹Actual number of employees (full-time and FTE) on July 1, 2014.

²In process of negotiation.

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	19,100
Axios Incorporated	Human resource and employment services	8,000
Meijer, Inc.	Retailer - food and general merchandise	7,725
Mercy Health Partners/St. Mary's	Hospital, clinics and medical care	6,446
Johnson Controls, Inc.	Motor vehicle seating and interior trim	4,050
Amway Corporation	Home care, nutritional and other products	4,000
Grand Valley State University	Education	3,991
Perrigo Company	Generic & over the counter pharmaceuticals	3,800
Spartan Stores, Inc.	Supermarkets and other grocery stores/supplies	3,608
Herman Miller Inc	Office, commercial & health industry furniture	3,300
Steelcase Inc.	Office, commercial & health industry furniture	3,227
Wal-Mart Stores, Inc.	Retailer - general merchandise and food	3,131
Grand Rapids Public Schools	Elementary and secondary schools	2,907
Gentex Corporation	Electro-optical automotive technology	2,730
Fifth Third Bank	Banking and financial services	2,729
Magna International Inc.	Truck and automobile mirrors, trim & handles	2,500
Farmers Insurance Group	Direct property and casualty insurance carrier	2,500
Haworth Inc	Office, commercial, & health industry furniture	2,450
Metro Health Hospital	Hospital and medical care	2,383
Lacks Enterprises, Inc.	Plastic trim parts-automotive, telecom, electronics	2,300
Grand Rapids Community College	Pre-university and technical training	2,254
Holland Community Hospital	Hospital and medical care	2,044
Alcoa Howmet Corp	Precision superalloy, titanium & aluminum castings	2,000
Hope Network	Mental health and substance abuse facilities	2,000
GE Aviation	Avionics systems and engines/parts manufacturing	1,953
Pine Rest Christian Hospital	Psychiatric and substance abuse hospital	1,694
Gordon Food Service	Food/supplies wholesaler and distributor	1,669
County of Kent	County government	1,668
Wolverine World Wide Inc	Footwear and leather products	1,640
U. S. Postal Service - 493, 494, 495	Mail and package delivery services	1,633
Shape Corporation	Structural metal manufacturing	1,500

Source: June, 2013 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 2010 through 2014.

City of Grand Rapids:	<u>2010⁽¹⁾</u>	<u>2011⁽¹⁾</u>	<u>2012⁽¹⁾</u>	<u>2013⁽¹⁾</u>	<u>2014⁽³⁾</u>
Employed	85,474	88,567	91,935	94,905	100,844
Unemployed	<u>13,987</u>	<u>11,138</u>	<u>9,498</u>	<u>9,304</u>	<u>6,051</u>
Labor Force	<u>99,461</u>	<u>99,705</u>	<u>101,433</u>	<u>103,363</u>	<u>106,895</u>
Unemployed as % of Labor Force ⁽²⁾	14.1%	11.2%	9.4%	9.0%	5.7%
State of Michigan:	<u>2010⁽¹⁾</u>	<u>2011⁽¹⁾</u>	<u>2012⁽¹⁾</u>	<u>2013⁽¹⁾</u>	<u>2014⁽³⁾</u>
Employed	4,147,000	4,190,000	4,244,000	4,294,000	4,450,000
Unemployed	<u>601,000</u>	<u>486,000</u>	<u>426,000</u>	<u>413,000</u>	<u>305,000</u>
Labor Force	<u>4,747,000</u>	<u>4,676,000</u>	<u>4,670,000</u>	<u>4,707,000</u>	<u>4,755,000</u>
Unemployed as % of Labor Force ⁽²⁾	12.7%	10.4%	9.1%	8.8%	6.4%

(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, 2014.

Source: Michigan Department of Technology, Management & 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>	
	Retail	Number	Retail	Number
	<u>Sales*</u>	<u>of Stores</u>	<u>Sales*</u>	<u>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	\$2,311,167	100.00 %	\$131,501,490	100.00 %	\$3,724,992,030	100.00 %

* 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.....	26.7	37.6	36.7
	<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
2010	1,747	\$214,338,626
2011	1,843	140,935,725
2012	2,115	169,780,000
2013	2,218	308,520,000
2014	2,278	312,740,000

Source: City of Grand Rapids.

MICHIGAN TRANSPORTATION FUND

The principal of and interest on Michigan Transportation Fund (“the Fund”) bonds 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 borrowings,” 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				
	2010	2011	2012	2013	2014
Accrued Revenue (1).....	\$12,592,453	\$12,789,890	\$13,094,196	\$13,210,493	\$14,450,641
Maximum Annual Debt Service (2).....	1,352,188	1,352,188	1,352,188	1,352,188	1,352,188
Historical Debt Service Coverage.....	9.31x	9.46x	9.68x	9.77x	10.68x

(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

On December 19, 2014 the State of Michigan Senate and House approved legislation to change and expand the amount of tax revenue generated for transportation purposes, including repairs of roads, streets, and bridges. Among other proposed changes, the cornerstone of the package is a proposed constitutional amendment to increase the State sales tax. The proposed changes approved by the legislature require affirmation by Michigan voters in May, 2015. The ballot proposal, if approved, could yield as much as \$1.2 billion a year in new funding.

SANITARY SEWER SYSTEM

Wastewater Volumes

Five years of annual tributary flows to the Wastewater Treatment Plant (“WWTP”) 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
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
2013	8,041	7,060	15,100	41.4	0.000	46.0
2014	7,906	7,157	15,062	41.4	0.000	46.0

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

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

Source: City of Grand Rapids

Wastewater Characteristics

The quality of the wastewater influent received at the WWTP and the quality of the effluent discharged into the Grand River is measured in four principal ways. The table below compares the quality of the wastewater treated by the WWTP 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 Month History Through June 30, 2014

Month	Carbonaceous BOD*		Suspended Solids*		Total Phosphorous*		Ammonia*	
	Allowed	Actual	Allowed	Actual	Allowed	Actual	Allowed	Actual
June-14	16	3.4	29	4.2	1	0.4	8.5	1.8
May-14	16	3.3	29	4.3	1	0.4	18	3.0
April-14	23	2.7	29	4.4	1	0.4	18	4.6
March-14	23	3.4	29	3.8	1	0.5	18	2.0
February-14	23	3.5	29	5.2	1	0.5	18	0.7
January-14	23	3.2	29	4.3	1	0.5	18	0.4
December-13	23	3.5	29	4.7	1	0.6	18	1.0
November-13	23	3.3	29	4.6	1	0.5	18	1.2
October-13	23	3.6	29	5.5	1	0.5	18	1.6
September-13	16	3.4	29	4.8	1	0.7	8.5	2.3
August-13	16	2.9	29	3.3	1	0.3	8.5	1.7
July-13	16	3.3	29	4.9	1	0.8	8.5	1.2
June-13	16	3.1	29	4.6	1	0.7	8.5	0.9
May-13	16	3.3	29	5.4	1	0.4	18	1.1
April-13	23	4.0	29	7.5	1	0.5	18	3.6
March-13	23	4.7	29	6.0	1	0.7	18	6.3
February-13	23	4.6	29	5.7	1	0.7	18	7.6
January-13	23	4.2	29	6.9	1	0.6	18	5.6
December-12	23	3.8	29	4.4	1	0.8	18	2.2
November-12	23	3.3	29	4.1	1	0.7	18	1.6
October-12	23	3.5	29	5.8	1	0.8	18	1.6
September-12	16	2.8	29	4.2	1	0.8	8.5	1.4
August-12	16	2.7	29	4.0	1	0.8	8.5	0.4
July-12	16	3.0	29	4.0	1	0.9	8.5	1.1
June-12	16	4.1	29	5.0	1	0.9	8.5	0.6
May-12	23	4.0	29	5.0	1	0.8	18	0.6
April-12	23	3.6	29	4.0	1	0.6	18	0.7
March-12	23	4.8	29	8.0	1	0.6	18	1.6
February-12	23	4.1	29	7.0	1	0.7	18	1.7
January-12	23	4.4	29	7.0	1	0.8	18	3.1

* 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 effluent 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 Sanitary Sewer System ("SSS") 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 SSS 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 2014 budget for these divisions authorized a total of 104.353 employees. The City believes the ESD is adequately staffed to operate and maintain the collection and treatment system in accordance with its NPDES permit.

Regulatory Requirements

The SSS is subject to extensive regulation under the Federal Water Pollution Control Act, as amended by the Clean Water Act of 1977 and the Water Quality Act of 1987 as amended and other federal and state statutes. In Michigan, the regulatory requirements of the Clean Water Act are administered by the United States Environmental Protection Agency (the "EPA") through 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 SSS as a condition of its participation in federal financial assistance for construction of wastewater facilities.

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

The Grand River, which receives the treated effluent from the WWTP, has a water quality standard for partial body contact, recreational use, and the ability to support warm water fish and supply agricultural and industrial water needs. The City's 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 is issued by the MDEQ. Until the new permit is issued, the November 2006, permit remains in force.

Billings and Collections

The following table sets forth the history of billings and collections for the SSS for the fiscal years ended June 30, 2010 through 2014.

CITY OF GRAND RAPIDS, MICHIGAN 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>
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
2013	45,699,138	34,417,073	8,102,202	2,903,318	45,422,593
2014	44,439,080	34,626,808	7,753,279	1,742,147	44,122,233

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

Source: City of Grand Rapids

Ten Largest Retail Customers

The following table sets forth the ten largest retail customers of the SSS for the one-year period ended on June 30, 2014, and their respective volumes of usage and the amounts billed.

CITY OF GRAND RAPIDS, MICHIGAN SANITARY SEWER SYSTEM TEN LARGEST RETAIL CUSTOMERS BY BILLINGS FISCAL YEAR ENDED JUNE 30, 2014

<u>Customer</u>	<u>Volume of Usage (Sewer Gallons)</u>	<u>Dollar Amount Billed Per Year</u>	<u>Percent of Total Billings</u>
Veolia Energy	126,058,944	\$550,104	1.24%
Spectrum Health System	77,631,928	370,416	0.83%
Lacks Trim Systems	112,301,728	344,207	0.77%
Coca Cola Enterprises	50,038,956	222,721	0.50%
Calvin College	43,962,952	214,748	0.48%
Kent Quality Foods	44,954,800	198,396	0.45%
Saint Mary's Hospital	41,694,268	198,117	0.45%
Grand Rapids Public Schools	24,029,500	189,169	0.43%
Allied Finishing, Inc.	61,068,964	186,030	0.42%
Plastic Plate	37,441,140	165,332	0.37%

Source: City of Grand Rapids

Rate Setting Methodology

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 SSS. Prior to that time, the City had periodically adjusted rates for City users based on short-term projections of cash flow requirements and indexed suburban customer rates at a factor of two times the City rates. The rates that resulted from such adjustments did not adequately reflect the long term needs of the 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 SSS were amended in 1978 to incorporate the current rate setting methodology and establish the annual revenue requirement. In 1998 and 2006 the agreements were further amended for the rate setting methodology changes. In 2006, fees were no longer applied as credits (offsets) to revenue requirements. Instead, penalty fees were used to fund the Individual Circuit Breaker (“ICB”) and City and Customer Community Circuit Breaker (“CCCCB”). The ICB is a program aimed at addressing retail users requiring assistance in payment of their water/sewer bills. The CCCCCB is a mechanism, if sufficient funding is available, to limit retail service area revenue requirement changes to a level in line with the overall systems’ initial proposed changes. In 2010, the agreements were amended further, changing the rate setting methodology to use a three-year average of billed flow and reducing the rate of return on 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 and decreases. Also, a significant goal of the methodology was the proper allocation of costs and rates among the users in each of the customer communities served. In general, the costs of capital improvements which benefit specific customers of the SSS are allocated to those customers in the rate setting methodology, while the costs of capital improvements related to the operation of the entire SSS are allocated to all users.

The annual rate analysis background material is assembled during the period from August through November of each year. The base period financial information consists of the actual revenues and expenses of the fiscal year ended on the most recent June 30th. Revenue requirements of the SSS are comprised of operating and maintenance expense, depreciation expense, a “return” on the net book value of fixed assets constructed and acquired utilizing the retained earnings of the SSS, and certain debt service costs. Integrated connection fees are an offset to revenue requirements. The revenue requirement components are adjusted to reflect current unit cost data available during the pendency of the rate study. Rates are then calculated that will generate revenues equal to the net revenue requirement. New rates and charges are reported to the City Commission and customer communities on or about November 15th each year with implementation on the following January 1st. The most recent rates were adopted and approved by the City Commission on December 16, 2014 for users within the City and customer communities.

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

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

The following table “Sanitary Sewer System Rate Studies – Comparative Analysis of Rates 1978 to 2014”, demonstrates the rate study methodology’s various objectives in four major ways: (1) the methodology has recognized variations among the various communities; (2) the methodology has produced adequate revenues over the period; (3) the methodology has resulted in a wide variety of rate adjustment; and (4) the methodology operates in an open and transparent manner with information available to customer communities and users.

**CITY OF GRAND RAPIDS, MICHIGAN
SANITARY SEWER SYSTEM RATE STUDIES
COMPARATIVE ANALYSIS OF RATES 1978 TO 2014 ⁽¹⁾**

<u>Effective</u>	<u>Commodity Charge (\$/HCF)⁽³⁾</u>	<u>3/4" Meter</u>	<u>6" & Over</u>	<u>Billing Volume (HCF)⁽⁴⁾</u>	<u>Revenue Requirements</u>
City of Grand Rapids					
Retail - No Expiration Date					
January 1, 1978	\$ 0.25	\$ 1.73	\$ 89.93	9,631,541	\$3,760,140
January 1, 2014	3.21	14.40	740.16	6,777,934	33,617,082
City of Kentwood					
Retail-expiring December 31, 2043					
January 1, 1978	\$ 0.25	\$ 1.84	\$ 116.50	303,302	\$110,135
January 1, 2014	2.30	6.72	248.64	1,384,484	3,696,093
City of Walker					
Retail-expiring December 31, 2043					
January 1, 1978	\$ 0.36	\$ 4.09	\$ 249.79	339,729	\$228,829
January 1, 2014	2.68	29.74	1,721.92	825,039	4,730,519
Cascade Charter Township					
Retail-expiring December 31, 2043					
January 1, 1978	\$ 0.38	\$ 4.01	\$ 254.75	68,492	\$564,685
January 1, 2014	2.57	31.03	1,804.48	396,473	2,059,615
Grand Rapids Charter Township					
Retail-expiring December 31, 2043					
January 1, 1978	\$ 0.36	\$ 5.87	\$ 362.45	122,955	\$120,106
January 1, 2014	2.34	27.28	1,564.48	399,370	2,372,485
Tallmadge Charter Township ⁽²⁾					
Retail-expiring December 31, 2043					
January 1, 1995	\$ 1.47	\$ 10.06	\$ 534.85	9,857	\$17,070
January 1, 2014	10.53	33.20	1,943.36	16,855	266,625
Wright Township ⁽²⁾					
Retail-expiring December 31, 2043					
January 1, 2004	\$ 47.37**	N/A	N/A	23,618	\$192,899
January 1, 2014	61.07	N/A	N/A	18,445	253,809
City of East Grand Rapids					
Wholesale-expiring December 31, 2043					
January 1, 1978	\$ 172.62*	N/A	\$2,018.00***	1,235,707	\$183,765
January 1, 2014	1,558.00*	N/A	1,540.00***	561,501	672,829
Ada Township					
Wholesale-expiring December 31, 2043					
January 1, 1978	\$ 171.22*	N/A	\$1,399.00***	151,961	\$36,253
January 1, 2014	1,975.00*	N/A	42,700.00***	416,351	1,127,454
Gaines Township ⁽²⁾⁽⁵⁾					
Wholesale-expiring June 6, 2028					
January 1, 1993	\$ 672.00*	N/A	\$122.00***	15,858	\$9,431
January 1, 2014	\$1,387.00*	N/A	\$1,333.00***	128,885	149,701
Caledonia Charter Township ⁽²⁾					
Wholesale-expiring December 31, 2043					
March 12, 2014	\$ 15,478.00*	N/A	\$285.00***	4,881	\$59,920
January 1, 2014	\$ 15,478.00*	N/A	\$285.00***	-	59,920
Total all Entities					
January 1, 1978				11,853,687	\$4,503,913
January 1, 2014				10,925,337	49,006,132

See notes on following page

- (1) Rates effective January 1, 2014.
- (2) Tallmadge Township, Wright Township, Gaines Township, and Caledonia Charter Township were added to the System after January 1, 1978.
- (3) HCF: Hundred Cubic Feet.
- (4) Billing volume used in the Rate Study is the average of the last three years for communities that are partners to the uniform service agreements except for Gaines Township where billing volume in the Rate Study is the prior fiscal year actual billed volume.
- (5) Operating under the 1978 Agreement.
- *Rate charged per one million gallons.
- **Rate charged per REU.
- ***Wholesale readiness to serve charge based on rate study.

Source: City of Grand Rapids

Revenue Requirements

The rate setting methodology when applied in the annual rate studies for the years 2009 through 2013 has yielded the revenue requirements and percentage rate increases/(decreases) set forth in the table below for the calendar years commencing January 1, 2010 through January 1, 2014.

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

Rate Study Year Effective Date	2009 1/1/10	2010 1/1/11	2011 1/1/12	2012 1/1/13	2013 1/1/14
Operation & Maintenance	\$27,624,515	\$24,905,066	\$25,291,179	\$23,774,088	\$24,726,721
Depreciation	4,538,170	5,065,445	5,629,182	5,839,562	6,089,569
Return on Investment	8,908,851	9,762,211	11,006,552	11,232,274	11,379,865
Less: Revenue Credits	(192,352)	(121,838)	(367,427)	(405,902)	(149,492)
CSO Project Debt Service	11,760,474	11,141,805	11,085,005	10,958,348	9,420,985
Less: Integrated Connection Fee Credit	(627,908)	(650,955)	(2,190,184)	(2,655,683)	(2,387,738)
Less: Circuit Breaker Program	(633,326)	(428,344)	(371,766)	(559,006)	(133,698)
Total Revenue Requirements	<u>\$51,378,424</u>	<u>\$49,673,390</u>	<u>\$50,082,541</u>	<u>\$48,183,681</u>	<u>\$48,946,212</u>
Gross Rate Increases (Decreases) Necessary to Meet	14.04%	(3.30%)	2.89%	(2.46%)	2.46%
Total Revenue Requirement (1)					

(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 17, 2013, the Grand Rapids City Commission enacted Ordinance No. 2013-87 establishing the fees effective January 1, 2014. 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 – Results of Operations."

**CITY OF GRAND RAPIDS, MICHIGAN
SANITARY SEWER SYSTEM
INTEGRATED CONNECTION BASE FEE SCHEDULE**

Water Meter Size	Effective On and After				
	01/01/10	01/01/11	01/01/12	01/01/13	01/01/14
¾" or less	\$2,650	\$2,680	\$2,780	\$2,830	\$2,873
1"	4,400	4,480	4,640	4,730	4,798
1-1/2"	8,750	8,920	9,260	9,420	9,567
2"	14,050	14,280	14,820	15,080	15,313
3"	30,750	31,280	32,440	33,030	33,528
4"	55,300	56,280	58,380	59,430	60,333
6" & over	122,950	125,080	129,740	132,080	134,083

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.

Results of Operations

The rate increases/(decreases) under the rate setting methodology have produced the results of operations from the SSS for the fiscal years ended June 30, 2010 through 2014 as set forth in the table below.

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

Fiscal Years Ended June 30,

	2010	2011	2012	2013	2014
REVENUES					
Service Charges- Retail	\$44,820,602	\$45,789,223	\$46,728,993	\$44,035,641	\$44,237,652
Service Charges-Wholesale	1,601,189	1,893,769	2,042,873	1,934,373	1,781,578
Sewage Surcharge	1,253,705	1,648,582	2,048,421	1,605,632	1,751,793
Connection Fees/Front Foot Fees	677,349	523,565	629,933	826,015	944,624
Prelim/Design/Constr Engineering Fees	44,277	8,943	990	-	-
Industrial Pretreatment Permit Fee	60,811	70,529	48,814	61,136	55,853
Interest on Investments	600,918	201,359	169,940	180,844	229,542
Miscellaneous (1)	2,203,215	887,098	750,210	815,115	948,543
Total Gross Revenues	51,262,066	51,023,068	52,420,174	49,458,756	49,949,585
OPERATING EXPENSES					
Wastewater Treatment	15,506,065	15,060,007	14,658,195	16,024,125	14,820,463
Sanitary Sewer Repair & Maintenance	4,611,791	4,630,631	4,875,701	5,021,812	4,980,319
Customer Services	2,101,817	1,895,125	2,179,715	2,034,689	2,080,644
Administration	2,403,827	2,123,746	1,643,768	1,064,087	1,756,670
Industrial Pretreatment	567,373	505,984	627,924	639,323	589,063
Depreciation	12,169,499	12,843,252	12,892,913	13,300,710	13,644,126
Total Gross Expenses	37,360,372	37,058,745	36,878,216	38,084,746	37,871,285
Additions - Depreciation	12,169,499	12,843,252	12,892,913	13,300,710	13,644,126
NET EARNINGS (2)	\$26,071,193	\$26,807,575	\$28,434,871	\$24,674,720	\$25,722,426

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

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

Source: City of Grand Rapids

Net Earnings and Bond Coverage

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

Net earnings of the SSS are calculated in the section entitled "Results of Operations." The table below sets forth the debt service and the coverage ratio based on the net earnings of the SSS for the fiscal years ended June 30, 2010 through 2014. The Coverage Ratio has been determined by dividing the Net Earnings for each fiscal year by the total annual principal and interest payments for each fiscal year.

CITY OF GRAND RAPIDS, MICHIGAN SANITARY SEWER SYSTEM DEBT SERVICE AND COVERAGE RATIO HISTORICAL

	Fiscal Years Ended June 30,				
	2010	2011	2012	2013	2014
Net Earnings of the SSS	\$26,071,193	\$26,807,575	\$28,434,871	\$24,674,720	\$25,722,426
Total Net Senior Debt Service ⁽¹⁾⁽²⁾	15,248,325	15,108,948	16,494,970	16,774,503	18,936,778
Coverage-Senior Debt	1.71	1.77	1.72	1.47	1.40
Debt Service on Junior Lien Bonds ⁽³⁾	3,885,876	3,859,187	3,737,713	3,902,242	3,973,612
Coverage Ratio - All Debt	1.36	1.41	1.41	1.19	1.15
Total Available After Debt Service	\$6,936,992	\$7,839,440	\$8,202,188	\$3,997,975	\$3,312,036

⁽¹⁾ Payments on debt service are recorded in the fiscal year when paid.

⁽²⁾ Net of the Build America Bonds 35% interest expense subsidy in the amount of \$1,501,359 pertaining to the SSS Series 2010A bonds.

⁽³⁾ Based on maximum principal draws without principal forgiveness incentives.

Source: City of Grand Rapids

Projected Revenue Requirements and 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, 2015 through January 1, 2019.

CITY OF GRAND RAPIDS, MICHIGAN SANITARY SEWER SYSTEM REVENUE REQUIREMENTS AND ANTICIPATED RATE ADJUSTMENTS PROJECTED

Rate Study Year Date Effective	2014 ⁽¹⁾ 1/1/2015	2015 1/1/2016	2016 1/1/2017	2017 1/1/18	2018 1/1/2019
Operation & Maintenance ⁽²⁾	\$24,952,347	\$26,601,697	\$27,061,906	\$27,197,216	\$27,779,236
Depreciation Expense ⁽³⁾	6,666,173	6,724,548	6,676,664	6,593,644	6,520,531
Return on SSS Investment ⁽⁴⁾	12,451,600	12,700,632	12,954,645	13,213,738	13,478,012
Less: Revenue Credits ⁽⁵⁾	(583,855)	(449,600)	(497,500)	(520,400)	(548,300)
CSO Project Debt Service ⁽⁴⁾	9,186,830	8,154,124	7,913,717	7,621,587	7,622,251
Less: Integrated Connection Fee Credit ⁽⁵⁾	(2,589,846)	(3,030,900)	(3,142,800)	(3,175,664)	(3,313,397)
Less: Circuit Breaker ⁽⁵⁾	<u>(121,206)</u>	<u>(86,753)</u>	<u>(88,757)</u>	<u>(90,805)</u>	<u>(92,900)</u>
Total Revenue Requirements	<u>\$49,962,043</u>	<u>\$50,613,748</u>	<u>\$50,877,875</u>	<u>\$50,839,316</u>	<u>\$51,445,434</u>
Percentage Gross Rate Increase/(Decrease) From Prior Year Necessary to Meet Total Revenue Requirements ⁽⁶⁾	2.81%	1.30%	0.52%	(0.08%)	1.12%

(1) Revenue requirements per 2014 Rate Study.

(2) Projections for 2015 Rate Study and thereafter increased proportionate to the City's FY2015 Fiscal Plan.

(3) Projections for 2015 Rate Study and thereafter based on the City's fixed asset systems projections based on assets in service on June 30, 2014.

(4) Projections for 2015 Rate Study and thereafter based on 2014 Rate Study.

(5) Projections for 2015 Rate Study and thereafter based on City's FY2015 Fiscal Plan.

(6) Percentages represent the required changes in gross revenues of the SSS if the three-year average billed volume remains the same as in the 2014 Rate Study, but because of changes in billed volume and other factors, such as capital improvement projects servicing specific customer communities, the actual percentage changes in rates for the individual customer communities.

Source: City of Grand Rapids

The City projects that the rates in effect for the year commencing January 1, 2014 and the projected rate increases for future years as shown above will yield the projected results of operations for the SSS for the fiscal years ending June 30, 2015 through June 30, 2019 as set forth in the table below.

**CITY OF GRAND RAPIDS, MICHIGAN
SEWAGE DISPOSAL SYSTEM
STATEMENT OF OPERATIONS
PROJECTED ⁽¹⁾**

	Fiscal Years Ending June 30				
	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
REVENUES:					
Retail Service Charges	\$47,743,334	\$48,698,161	\$49,672,086	\$50,665,488	\$51,678,757
Wholesale Service Charges	1,868,241	1,905,606	1,943,719	1,982,593	1,982,593
Sewer Surcharges	2,015,265	2,115,265	2,215,265	2,315,265	2,415,265
Connection & Front Foot Fees	719,100	733,464	748,197	763,105	778,293
Industrial Pretreatment Permit Fees	68,900	68,900	68,900	68,900	68,900
Miscellaneous	<u>1,085,700</u>	<u>1,138,600</u>	<u>1,171,500</u>	<u>1,204,400</u>	<u>1,257,300</u>
Total Revenues	<u>\$53,500,540</u>	<u>\$54,659,996</u>	<u>\$55,819,667</u>	<u>\$56,999,751</u>	<u>\$58,181,108</u>
OPERATING EXPENSES:					
Wastewater Treatment Plant	\$16,979,745	\$17,349,173	\$17,421,751	\$17,874,792	\$17,997,417
Sanitary Sewer Repair & Maintenance	5,273,997	5,254,963	5,212,558	5,232,547	5,203,809
Customer Services	2,156,684	2,199,818	2,243,814	2,288,690	2,334,464
Administration	811,719	847,822	885,903	913,938	954,687
Industrial Pretreatment	606,735	624,937	643,685	662,996	682,886
Depreciation (2)	<u>13,723,568</u>	<u>13,625,844</u>	<u>13,456,417</u>	<u>13,307,207</u>	<u>13,168,640</u>
Total Expenses	<u>\$39,552,448</u>	<u>\$39,902,557</u>	<u>\$39,864,128</u>	<u>\$40,280,170</u>	<u>\$40,341,903</u>
Additions: Depreciation (3)	<u>13,723,568</u>	<u>13,625,844</u>	<u>13,456,417</u>	<u>13,307,207</u>	<u>13,168,640</u>
NET EARNINGS	<u>\$27,671,660</u>	<u>\$28,383,283</u>	<u>\$29,411,956</u>	<u>\$30,026,788</u>	<u>\$31,007,845</u>

(1) Projections are taken from the City's FY2015 - FY2019 Fiscal Plan.

(2) Projections are taken from the City's fixed asset system, based on assets in service on June 30, 2014.

(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, MICHIGAN 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
2010	11.211*	12.480	\$39.331
2011	10.945*	12.488	39.122
2012	11.329	13.176	40.735
2013	12.323	13.438	41.159
2014	11.297	12.997	37.366

*Includes billings (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, MICHIGAN WATER SUPPLY SYSTEM DAILY WATER PUMPAGE IN MILLIONS OF GALLONS

	Fiscal Years Ended June 30				
	2010	2011	2012	2013	2014
Average Day Pumpage	34.2	34.2	36.0	36.7	35.6
Maximum Day Pumpage	61.9	62.8	70.2	80.2	63.7

Source: City of Grand Rapids

The following table sets forth the history of billings and collections for the Water Supply System (“WSS”) for the fiscal years ended June 30, 2010 through June 30, 2014.

CITY OF GRAND RAPIDS, MICHIGAN 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⁾
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
2013	38,909,427	30,309,853	7,231,250	2,459,824	40,000,927
2014	34,165,870	27,754,510	6,176,600	1,732,148	35,663,258

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

Source: City of Grand Rapids

Ten Largest Retail Customers

The following table sets forth the ten largest retail customers of the WSS for the one year period ended on June 30, 2014 and their respective volumes of usage and the amounts billed.

**CITY OF GRAND RAPIDS, MICHIGAN
WATER SUPPLY SYSTEM
TEN LARGEST RETAIL CUSTOMERS BY BILLINGS
FISCAL YEAR ENDED JUNE 30, 2014**

<u>Customer</u>	<u>Volume of Usage (Water Gallons)</u>	<u>Dollar Amount Billed Per Year</u>	<u>Percent of Total Billings</u>
Veolia Energy	126,058,944	\$294,907	0.86%
Lacks Trim Systems	113,541,912	249,042	0.73%
Spectrum Health Systems	83,241,928	215,654	0.63%
Coca Cola Enterprises	79,399,452	187,612	0.55%
Kent County DPW	68,358,224	169,346	0.50%
Grand Rapids Public Schools	33,249,348	136,215	0.40%
Allied Finishing, Inc.	61,150,496	129,706	0.38%
Calvin College	43,990,628	117,897	0.35%
Saint Mary's Hospital	42,353,256	110,263	0.32%
Kent Quality Foods	44,954,800	107,006	0.31%

Source: City of Grand Rapids

Rate Setting Methodology

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

To remedy this and to establish a procedure for implementing annual rate adjustments, the City, in consultation with the customer communities with which it had retail and wholesale water service agreements, adopted a method of adjusting rates annually. The first such annual rate study took eighteen months to complete and resulted in new rates effective January 1, 1978. Agreements with each of the retail and wholesale governmental customer communities serviced by the WSS were amended in 1978 to incorporate the current rate setting methodology and establish the annual revenue requirement. In 1998 and 2006 the agreements were further amended for the rate setting methodology changes. In 2006, fees were no longer applied as credits (offsets) to revenue requirements. Instead, penalty fees were used to fund the Individual Circuit Breaker ("ICB") and City and Customer Community Circuit Breaker ("CCCCB"). The ICB is a program aimed at addressing retail users requiring assistance in payment of their water/sewer bills. The CCCCCB is a mechanism, if sufficient funding is available, to limit retail service area revenue requirement changes to a level in line with the overall systems' initial proposed changes. In 2010, the agreements were amended further, changing the rate setting methodology to use a three-year average of billed flow and reducing the rate of return on 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 and decreases. Also, a significant goal of the methodology was the proper allocation of costs and rates among the users in each of the customer communities served. In general, the costs of capital improvements which benefit specific customers of the WSS

are allocated to those customers in the rate setting methodology, while the costs of capital improvements related to the operation of the entire WSS are allocated to all users.

The annual rate analysis background material is assembled during the period from August through November of each year. The base period financial information consists of the actual revenues and expenses of the fiscal year ended on the most recent June 30th. Revenue requirements of the WSS are comprised of operating and maintenance expense, depreciation expense, a “return” on the net book value of fixed assets constructed and acquired utilizing the retained earnings of the WSS, and certain debt service costs. Integrated connection fees are an offset to revenue requirements. The revenue requirement components are adjusted to reflect current unit cost data available during the pendency of the rate study. Rates are then calculated that will generate revenues equal to the net revenue requirement. New rates and charges are reported to the City Commission and customer communities on or about November 15th each year with implementation on the following January 1st. The most recent rates were adopted and approved by the City Commission on December 16, 2014 for users within the City and customer communities.

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

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

The following table “Water Supply System Rate Studies – Comparative Analysis of Rates 1978 to 2014”, demonstrates the rate study methodology’s various objectives in four major ways: (1) the methodology has recognized variations among the various communities; (2) the methodology has produced adequate revenues over the period; (3) the methodology has resulted in a wide variety of rate adjustment; and (4) the methodology operates in an open and transparent manner with information available to customer communities and users.

**CITY OF GRAND RAPIDS, MICHIGAN
WATER SUPPLY SYSTEM RATE STUDIES
COMPARATIVE ANALYSIS OF RATES 1978 TO 2014 ⁽¹⁾**

<u>Effective</u>	<u>Commodity Charge (\$/HCF)⁽³⁾</u>	<u>Readiness-to-Serve (Monthly)</u>		<u>Billing Volume (HCF)⁽⁴⁾</u>	<u>Revenue Requirements</u>
		<u>3/4" Meter</u>	<u>6" & Over</u>		
City of Grand Rapids					
Retail - No Expiration Date					
January 1, 1978	\$ 0.24	\$ 2.48	\$ 94.46	11,628,762	\$ 5,226,903
January 1, 2014	1.70	9.50	427.19	8,653,272	22,974,830
City of Kentwood					
Retail-expiring December 31, 2043					
January 1, 1978	\$ 0.48	\$ 3.63	\$ 206.49	307,080	\$ 243,459
January 1, 2014	1.52	14.02	716.47	1,745,663	4,065,885
City of Walker					
Retail-expiring December 31, 2043					
January 1, 1978	\$ 0.48	\$ 2.79	\$ 133.20	414,437	\$ 294,613
January 1, 2014	1.57	11.90	580.79	1,194,098	3,187,410
Grand Rapids Charter Township					
Retail-expiring December 31, 2043					
January 1, 1978	\$ 0.48	\$ 2.99	\$ 144.11	95,466	\$ 82,603
January 1, 2014	1.71	14.74	762.55	690,289	2,077,895
City of East Grand Rapids					
Wholesale-expiring December 31, 2043					
January 1, 1978	\$ 0.242	\$----	\$1,163.00	650,641	\$ 170,752
January 1, 2014	1.12	----	14,091.00	608,588	850,705
Ada Township ⁽²⁾					
Wholesale-expiring December 31, 2043					
January 1, 1982	\$ 0.37	\$----	\$1,111.00	22,878	\$ 21,792
January 1, 2014	1.25	----	29,726.00	652,197	1,171,957
Tallmadge Charter Township ⁽²⁾					
Retail-expiring December 31, 2043					
January 1, 1995	\$ 2.58	\$ 10.93	\$ 535.75	9,759	\$ 27,891
January 1, 2014	3.53	6.77	252.47	24,724	125,228
Cascade Charter Township					
Retail-expiring December 31, 2043					
January 1, 1978	\$ 0.48	\$ 3.38	\$ 179.15	135,393	\$ 149,357
January 1, 2014	2.08	19.34	1,056.95	841,275	2,945,147
Ottawa County ⁽²⁾					
Wholesale-expiring November 1, 2029					
January 1, 1979	\$ 0.265	\$----	\$ 60.00	100,365	\$ 27,315
January 1, 2014	1.22	----	----	1,107,274	1,347,691
Total all Entities					
January 1, 1978				13,231,779	\$ 6,167,687
January 1, 2014				15,517,380	38,646,748

(1) Rates effective January 1, 2014.

(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.

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

Source: City of Grand Rapids

Revenue Requirements

The rate setting methodology when applied in the annual rate studies for the years 2009 through 2013 has yielded the revenue requirements and percentage increases/(decreases) set forth in the table below for the calendar years commencing January 1, 2010 through January 1, 2014.

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

Rate Study Year Date Effective	2009 1/1/10	2010 1/1/11	2011 1/1/12	2012 1/1/13	2013 1/1/14
Operation & Maintenance	\$25,681,117	\$25,267,124	\$24,086,019	\$22,636,057	\$22,106,315
Depreciation	5,534,396	5,690,711	6,291,958	6,447,054	6,574,063
Return on Investment	13,307,919	12,222,038	12,619,094	11,883,647	12,057,673
Less: Revenue Credits	(812,987)	(756,419)	(363,461)	(918,194)	(1,120,101)
Less: Integrated Connection Fee Credit	(676,881)	(822,349)	(548,364)	(676,539)	(803,059)
Less: Circuit Breaker Program	(93,812)	(400,998)	(282,842)	(124,583)	(168,143)
Total Revenue Requirements	<u>\$42,939,752</u>	<u>\$41,200,107</u>	<u>\$41,802,404</u>	<u>\$39,247,442</u>	<u>\$38,646,748</u>
Gross Rate Increases/(Decreases) Necessary to Meet Total Revenue Requirements (1)	9.89%	(6.27%)	5.15%	(4.41%)	(4.30%)

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

Source: City of Grand Rapids

Connection Fees

On June 27, 2000, the Grand Rapids City Commission enacted Ordinance No. 2000-32 establishing a schedule of integrated connection base fee increases for initial connection to the WSS for periods through December 31, 2008. On December 18, 2012, the Grand Rapids City Commission enacted Ordinance No. 2012-63 establishing the fees effective January 1, 2013. 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".

Effective January 1, 2005, and January 1st of every year thereafter, the Integrated Water Supply 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.

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

Water Meter Size	Effective On and After				
	01/01/10	01/01/11	01/01/12	01/01/13	01/01/14
¾" or less	\$2,650	\$2,680	\$2,780	\$2,830	\$2,873
1"	4,400	4,480	4,640	4,730	4,798
1-1/2"	8,750	8,920	9,260	9,420	9,567
2"	14,050	14,280	14,820	15,080	15,313
3"	30,750	31,280	32,440	33,030	33,528
4"	55,300	56,280	58,380	59,430	60,333
6" & over	122,950	125,080	129,740	132,080	134,083

Source: City of Grand Rapids

Results of Operations

The rate increases or decreases under the rate setting methodology have produced the results of operations from the WSS for the fiscal years ended June 30, 2010 through June 30, 2014 as set forth below.

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

	Fiscal Years Ended June 30,				
	2010	2011	2012	2013	2014
REVENUES					
Retail Service Charges	\$35,925,207	\$35,721,146	\$37,216,954	\$37,487,612	\$33,935,923
Wholesale Service Charges	3,405,857	3,462,601	3,579,770	3,732,852	3,565,337
Connection & Front Foot Fees	871,288	571,423	733,700	950,335	956,129
Engineering Fees	44,277	6,164	990	-	-
Sewage Disposal Fund–Customer Svc.	2,101,817	1,895,126	2,179,715	2,034,682	2,080,651
Other Operating Revenues (1)	1,735,730	1,884,327	1,860,824	2,057,503	2,091,036
Interest on Investments	240,925	238,908	164,768	192,493	228,314
Miscellaneous (Non-Operating)	639,722	713,431	747,701	581,765	787,378
Total Revenues	\$44,964,823	\$44,493,126	\$46,484,422	\$47,037,242	\$43,644,768
OPERATING EXPENSES					
Administration	\$2,770,727	\$2,392,012	\$2,445,569	\$2,705,421	\$3,128,590
Customer Services	6,085,273	6,006,419	5,697,716	5,212,374	5,297,889
Engineering	1,240,430	1,002,589	1,050,412	1,018,319	1,127,987
Distribution System	3,485,722	3,636,172	3,507,320	3,600,695	3,570,772
Repair & Maintenance	6,376,239	6,206,198	5,767,082	5,748,493	5,476,067
Filtration Plant	6,959,292	6,915,346	6,823,168	6,645,564	6,328,534
Depreciation	7,342,229	7,399,012	7,534,387	7,732,587	8,376,548
Total Expenses	\$34,259,912	\$33,557,748	\$32,825,654	\$32,663,453	\$33,306,387
ADDITIONS - DEPRECIATION	7,342,229	7,399,012	7,534,387	7,732,587	8,376,548
NET EARNINGS (2)	\$18,047,140	\$18,334,390	\$21,193,155	\$22,106,376	\$18,714,929

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

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

Source: City of Grand Rapids

NET EARNINGS AND BOND COVERAGE

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

equal to at least one hundred twenty percent (120%) of the annual principal and interest requirement in such fiscal year.

Net earnings of the WSS are stated in the section entitled “Results of Operations.” The table below sets forth the debt service and coverage ratio based upon the net earnings of the WSS for the fiscal years ended June 30, 2010 through 2014. The coverage ratio has been determined by dividing the net earnings for each fiscal year by the total annual principal and interest payments of outstanding bonds for each fiscal year.

**CITY OF GRAND RAPIDS, MICHIGAN
WATER SUPPLY SYSTEM
DEBT SERVICE AND COVERAGE RATIO
HISTORICAL**

	Fiscal Years Ended				
	6/30/2010	6/30/2011	6/30/2012	6/30/2013	6/30/2014
Net Earnings of the System	\$18,047,140	\$18,334,390	\$21,193,155	\$22,106,376	\$18,714,929
Total Net Senior Debt Service	14,638,246	14,874,785	14,892,528	15,069,828	15,442,333
Coverage-Senior Debt	1.23	1.23	1.42	1.47	1.21
Junior Lien Bonds Debt Service (2)	-	-	-	134,625	362,179
Coverage Ratio-All Debt	1.23	1.23	1.42	1.45	1.18
Total Available After Debt Service	\$3,408,894	\$3,459,605	\$6,300,627	\$6,901,923	\$2,910,417

(1) Payments on debt service are recorded in the fiscal year when paid.

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

Source: City of Grand Rapids

Projected Revenue Requirements

The rate setting methodology when applied to future operations and maintenance costs, depreciation, and return on investment requirements results in the following projected revenue requirements and anticipated rate adjustments for the calendar years beginning January 1, 2015 through January 1, 2019.

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

Rate Study Year Date Effective	2014 (1) 1/1/15	2015 1/1/16	2016 1/1/17	2017 1/1/18	2018 1/1/19
Operation and Maintenance (2)	\$22,398,988	\$22,148,119	\$22,068,386	\$22,233,899	\$22,654,120
Depreciation Expense (3)	7,094,701	6,943,335	6,910,033	6,856,262	6,803,454
Return on System Investment (4)	12,692,064	12,945,905	13,204,823	13,468,920	13,738,298
Less: Revenue Credits (5)	(1,061,826)	(861,920)	(879,160)	(896,742)	(914,677)
Less: Integrated Connection Fee Credit (5)	(864,349)	(819,121)	(835,503)	(852,213)	(869,257)
Less: Circuit Breaker (5)	(203,593)	(64,965)	(65,996)	(67,042)	(68,105)
Total Revenue Requirements	\$40,055,985	\$40,291,353	\$40,402,584	\$40,743,084	\$41,343,833
Gross Rate Increase / (Decrease) From Prior Year Necessary to Meet Total Revenue Requirements (6)	2.50%	0.59%	0.28%	0.84%	1.47%

(1) Revenue requirements per the 2014 Rate Study.

(2) Projections for the 2015 Rate Study and thereafter are increased proportionately per the City's FY2015-2019 Fiscal Plan.

(3) Projections for the 2015 Rate Study and thereafter are based on the City's fixed asset system projections and on assets in service on June 30, 2014.

(4) Projections for the 2015 Rate Study and thereafter are based on the 2014 Rate Study.

(5) Projections for the 2015 Rate Study and thereafter are based on the City's FY2015-2019 Fiscal Plan.

(6) These percentages represent the required changes in gross revenues of the WSS if the three-year average billed volume remains the same as in the 2014 Rate Study, but because of variations in billed volume and other factors, such as capital improvement projects servicing specific customer communities, the actual percentage change in rates for the individual customer communities will vary from these figures.

Source: City of Grand Rapids

Projected Results of Operations

The City projects that the rates in effect for the year commencing January 1, 2014, and the projected rate increases or decreases for future years as shown above will yield the projects results of operations for the WSS for the fiscal years ending June 30, 2015 through June 30, 2019, as set forth in the following table.

**CITY OF GRAND RAPIDS, MICHIGAN
WATER SUPPLY SYSTEM
STATEMENT OF OPERATIONS ⁽¹⁾
PROJECTED**

	<u>Fiscal Years Ending</u>				
<u>Revenues</u>	<u>6/30/2015</u>	<u>6/30/2016</u>	<u>6/30/2017</u>	<u>6/30/2018</u>	<u>6/30/2019</u>
Retail Service Charges	\$35,760,430	\$36,218,717	\$36,682,882	\$37,152,999	\$37,629,144
Wholesale Service Charges	3,638,678	3,685,254	3,732,425	3,780,200	3,828,586
Connection & Front Foot Fees	899,737	917,731	936,086	954,807	973,904
Sewage System Customer Svc	2,156,684	2,199,818	2,243,814	2,288,690	2,334,464
Other Operating Revenues	2,075,662	2,117,177	2,159,519	2,202,710	2,246,763
Interest on Investments	140,000	150,000	150,000	150,000	150,000
Miscellaneous (Non-Operating)	561,000	570,000	501,000	502,000	552,000
Total Revenues	\$45,232,191	\$45,858,697	\$46,405,726	\$47,031,406	\$47,714,861
<u>Operating Expenses</u>					
Administration	\$1,606,486	\$1,430,487	\$1,457,862	\$1,480,236	\$1,508,985
Customer Services	5,441,865	5,307,410	5,247,632	5,334,470	5,361,381
Engineering	1,018,931	1,036,173	1,042,371	1,053,595	1,060,224
Distribution System	3,759,814	3,853,729	3,870,780	3,963,186	3,972,926
Repair and Maintenance	6,011,357	6,008,953	6,073,771	6,165,910	6,243,893
Filtration Plant	6,813,417	6,926,928	7,055,647	7,218,257	7,372,270
Depreciation (2)	8,168,629	8,129,451	8,066,191	8,004,063	7,824,214
Total Expenses	\$32,820,499	\$32,693,131	\$32,814,254	\$33,219,717	\$33,343,893
Additions:					
Depreciation	8,168,629	8,129,451	8,066,191	8,004,063	7,824,214
Net Earnings (3)	\$20,580,321	\$21,295,017	\$21,657,663	\$21,815,752	\$22,195,182

(1) Projections are taken from the City's FY2015-2019 Fiscal Plan, except as noted in (2) below.

(2) Projections are taken from the City's fixed asset system based on assets in service on June 30, 2014.

(3) Pursuant to Master Bond Ordinance definition of Net Earnings, doesn't include debt service or transfers for capital projects.

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 (“Act 197.”) 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 has eleven sub-districts which are identified as Sub-Districts A through K.

The Authority captures property 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, 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, sinking fund, and debt millages, and the Kent Intermediate School District millages.

Under the provisions of Act 197, the Authority may capture STI revenues only to the extent that city and county operating mills are captured. Since the County of Kent chose to ‘opt out’ of the Authority’s Sub-Districts F, I, J, and K at the time they were created, STI revenues are not captured from these four sub-districts. STI revenues are also not captured from Sub-District H since the City’s SmartZone LDFA captures all LTI revenues from Sub-District H.

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 debt service for obligations issued after January 1, 1995 and for all of the Authority’s development projects are funded with either LTI or non-tax increment revenues. The Authority’s non-tax increment revenues result primarily from interest on investments and parking revenues generated by parking 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 Mills	Education/"School Tax" Mills		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 ²
2003	2004	15.8348	9.5903 ⁸	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 ³	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 ⁶	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
2012	2013	16.7621 ⁶	14.2903 ¹⁰	32.2903	49.0524
2013	2014	16.8224	14.2903	32.2903	49.1127

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 has 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. For Roll Year 2013, the rate changed from 1.41000 to 1.4700 mills.
- 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. For Roll Year 2013, the rate remained 2.6000 mills.
- ⁶ City's refuse collection millage was increased by 0.2000 mills beginning in 2004/FY2005, by another 0.1200 mills beginning in 2007/FY2008, and by another 0.1300 mills beginning in 2009/FY2010. The millage was decreased by 0.2000 mill in 2012/FY2013. For Roll Year 2013, the rate remained 1.6000 mills.
- 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.
- ¹⁰ Voters approved 1.0000 mill for creation of a Grand Rapids Public Schools sinking fund for capital repairs.

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

Roll Year	Fiscal Year	Total Assessed Valuation	Less: Initial Year Valuation	Captured Assessed Valuation	% Change Over Prior Year ⁸
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 ^{2,4}	203,909,131	33,635,270	170,273,861	40%
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 ⁵	273,164,380	87,406,488	185,757,892	4%
2003	2004 ⁶	271,789,814	86,868,580	184,921,234	0%
2004	2005 ⁷	282,356,639	87,284,880	195,071,759	5%
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	461,134,175	163,558,491 ¹⁰	297,575,684	(5%)
2012	2013	449,963,527	163,558,491 ¹⁰	286,405,036	(4%)
2013 ³	2014	446,699,251	163,558,491 ¹⁰	280,593,564	(2%)
2014 ³	2015	454,291,745	163,634,789 ¹⁰	290,656,956	3%

- ¹ Initial values were corrected 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 appeals decisions affecting roll years 1996 through 2000. Roll year 2001 includes the \$13,326,791 decrease for the Amway Grand Plaza & Plaza Towers real property assessments as do years after 2001.
- ³ Total 2013 assessed valuation as of April 22, 2014. Valuations may still be affected by Board of Review, Michigan Tax Tribunal, and/or State Tax Commission decisions issued after April, 2014. Roll year 2014 data based on March Board of Review values.
- ⁴ District F was added to the capture boundaries. Ad valorem initial value was \$1,739,970.
- ⁵ Districts G and H added to capture boundaries. Ad valorem initial value for District G was \$23,487,549 and District H was \$30,283,669.
- ⁶ Initial values for Districts G and H adjusted per order changes. District G real property initial value decreased by \$368,208. District H personal property initial value decreased by \$169,700.
- ⁷ City Assessor adjusted District H parcel list & initial values when it was discovered the parcel list for the new SmartZone LDFA, which overlaps all of DDA District H, omitted parcels, included wrong parcels, and mathematical errors. DDA initial value net increase 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 Sub-Districts I, J, and K which added 976 parcels to the Authority’s boundaries.
- ¹⁰ On April 21, 2011, the State Tax Commission changed the treatment of abatement based initial values by requiring them to be moved from the abatement roll to the ad valorem roll when the abatements expire. This reversed their 1997 decision which required abatement based initial values to remain in the category in which the value was located when the district/sub-district was created.

**CITY OF GRAND RAPIDS, MICHIGAN
DOWNTOWN DEVELOPMENT AUTHORITY
ECONOMIC DIVERSITY WITHIN
AUTHORITY DEVELOPMENT PLAN AREA #1**

USE ¹	2013 / FY2014
Commercial	\$ 376,965,700
Industrial	8,881,400
Residential	72,206,400
Utility	-
TOTAL ASSESSED VALUATION	\$ 458,053,500

CLASS ¹	2013 / FY2014
Real Property	\$ 410,732,600
Personal Property	47,320,900
TOTAL ASSESSED VALUATION	\$ 458,053,500

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

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

Property Owner	Roll Year 2013 / Fiscal Year 2014				% of DDA
	Real	Personal	IFT	TOTAL	Assessed Valuation
Amway Hotel Corporation - hotels	\$ 37,647,600	\$ 6,101,700	\$ -	\$ 43,749,300	9.55%
HP3 LLC - hotel	20,732,600	3,370,900	-	24,103,500	5.26%
Fifth Third Bank - offices and retail	15,855,100	-	-	15,855,100	3.46%
GMAC 2001-C1 Bridgewater Industrial					
- offices and retail space	13,607,600	-	-	13,607,600	2.97%
Deep Creek Holdings LLC - offices & retail	9,259,700	74,200	-	9,333,900	2.04%
161 Ottawa LLC - offices and retail	7,310,500	23,300	-	7,333,800	1.60%
Health Park Central LLC	6,600,700	-	-	6,600,700	1.44%
538 Bond at Icon Park LLC	6,112,800	-	-	6,112,800	1.33%
CWD 50 Monroe LLC - offices & retail	6,048,600	-	-	6,048,600	1.32%
CWD 171 Monroe LLC - offices & retail	6,036,300	-	-	6,036,300	1.32%
TOTAL 2013 / FY2014	\$ 129,211,500	\$ 9,570,100	\$ -	\$ 138,781,600	30.30%

DOWNTOWN DEVELOPMENT AUTHORITY HISTORICAL / PROJECTED TAX INCREMENT REVENUE AND DEBT SERVICE COVERAGE

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	4,178,913	6,780,973	10,959,886	269,500	5,204,525	1,760,526 ⁵	7,234,551	1.51
2013	2014	4,236,321	7,350,094	11,586,415	271,625	5,199,525	1,154,681	6,625,831	1.75
2014	2015	4,522,690	7,329,127	11,851,817	-	5,479,525	1,406,713	6,886,238	1.72
2015	2016	4,384,009	7,203,253	11,587,262	-	5,479,525	1,421,475	6,901,000	1.68
2016	2017	4,299,489	7,034,156	11,333,645	-	5,809,525	1,427,288	7,236,813	1.57
2017	2018	4,321,236	7,089,576	11,410,812	-	5,811,325	1,427,838	7,239,163	1.58
2018	2019	4,343,093	7,125,174	11,468,267	-	5,811,663	714,863	6,526,525	1.76
2019	2020	4,344,808	7,130,800	11,475,608	-	5,811,163	714,794	6,525,956	1.76
2020	2021	4,368,257	7,172,108	11,540,364	-	5,807,013	712,600	6,519,613	1.77
2021	2022	4,391,939	7,213,829	11,605,768	-	5,808,263	390,100	6,198,363	1.87
2022	2023	4,415,859	7,255,967	11,671,826	-	5,807,513	393,400	6,200,913	1.88
2023	2024	4,440,017	7,298,527	11,738,544	-	4,916,275	391,200	5,307,475	2.21
2024	2025	4,464,417	-	4,464,417	-	-	-	-	n/a
					\$ 12,122,158	\$ 141,597,812	\$ 21,755,467	\$ 175,475,437	

Note 1: Amounts projected for FY2015-25 are estimates and have been reduced by estimated reductions for property assessment appeals.

Note 2: DDA-supported debt issued before 1995, & issues which refund pre-1995 debt, are "eligible obligations" for which school tax related revenues may be used to support debt service. Post-1994 debt is supported by local tax increment revenues and includes Series 2008 Kent County Drain Commission bonds, Series 2013B City County Building Authority bonds, and \$75,000 to partially support Brownfield Redevelopment Authority Series 2012A bonds.

Note 3: By statute, any school tax increment revenue captured in excess of eligible debt service must be reimbursed to the taxing unit.

Note 4: Excludes capitalized interest

Note 5: Beginning with FY2013, the DDA agreed to pay the first \$75,000 of annual Brownfield Redevelopment Authority Series 2012A thru 06/01/2032.

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CITY OF GRAND RAPIDS, MICHIGAN
CONTINUING DISCLOSURE STATEMENT
MATRIX OF FINANCIAL DISCLOSURES - ISSUES DATED JULY 1, 1998 - APRIL 8, 2008
December 22, 2014

	CUSIP Internal Issue #	386289 #49	386244 #50	386226 #53	386226 #65	386226 #66	490278 County	386289 #73	386316 #74	386244 #76	386226 #77	386226 #78	386316 #81
Amount of Issue	\$ 83,650,000	\$ 20,000,000	\$ 11,020,000	\$ 3,975,000	\$ 3,750,000	\$ 5,290,000	\$ 51,525,000	\$ 35,000,000	\$ 7,375,000	\$ 3,660,000	\$ 14,740,000	\$ 32,900,000	
Type	SSS-Revenue	GRBA	Act 175-GOLT	MPN-GOLT	Act 175-GOLT	Drain - SC	SSS-Revenue	WSS-Revenue	GRBA-GOLT	MPN-GOLT	CIB-GOLT	WSS-Rev Refnd	
Date of Issue	07/01/1998	09/01/1998	12/01/1999	12/01/2002	05/08/2003	09/30/2003	10/27/2005	12/14/2005	11/15/2006	12/20/2006	05/16/2007	04/08/2008	
Final Maturity (including terms)	01/01/2028	04/01/2018	10/01/2014	06/01/2017	10/01/2018	11/01/2015	01/01/2035	01/01/2035	10/01/2036	12/01/2014	09/01/2027	01/01/2020	
Dissemination Agent	City	GRBA	City	City	City	County	City	City	City	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	
- TV - by Use and Class (\$ / %)	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	
- SEV - by Use and Class (\$ / %)	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	-	
- Property Tax Rates - Grand Rapids and Homestead / Non-Homestead	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	
- 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	
- Debt Statement	X	X	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	X	
- Retirement Plans - General and Police & Fire	-	X	X	X	X	-	X	X	X	X	X	X	
- Other Postemployt Ben (OPEB)	-	-	-	-	-	-	-	-	-	-	-	X	
- Profile of Major Employers	-	-	-	-	-	-	-	-	-	-	-	-	
- Employment	X	-	-	-	-	-	-	-	-	-	-	-	
- Tax Abatement (Explanation)	-	-	-	-	-	-	-	-	-	-	-	-	
- General Fund Revs from Michigan	X	-	-	-	-	X	X	X	-	X	X	X	
- Retail Billings & Collections	X	-	-	-	-	-	X	X	-	-	-	X	
- 10 Largest Retail Customers	X	-	-	-	-	-	X	X	-	-	-	X	
- Comparative Analysis of WSS Rates	-	-	-	-	-	-	-	X	-	-	-	X	
- Results of Ops-Historical & Projtd	X	-	-	-	-	-	-	X	-	-	-	X	
- Debt Service & Coverage Ratio	X	-	-	-	-	-	-	-	-	-	-	X	
- Economic Profile - Industrial	X	-	-	-	-	-	-	-	-	-	-	-	
- Economic Profile - Commercial	X	-	-	-	-	-	-	-	-	-	-	-	
- GR Regional Retail Sales	X	-	-	-	-	-	-	-	-	-	-	-	
- Effective Hshold Buying Income	X	-	-	-	-	-	-	-	-	-	-	-	
- Building Permits	-	-	-	-	-	-	-	-	-	-	-	-	
- Total Annual Water Sales	-	-	-	-	-	-	-	X	-	-	-	X	
- Daily Water Pumpage	-	-	-	-	-	-	-	X	-	-	-	X	
- Revenue Requirements & % Rate	-	-	-	-	-	-	-	-	-	-	-	-	
- Increases - Historical/Projected	X	-	-	-	-	-	X	-	-	-	-	X	
- Integrated Connection Base Fees	-	-	-	-	-	-	-	-	-	-	-	X	
- Wastewater Volumes	-	-	-	-	-	-	X	-	-	-	-	-	
- W W T P Effluent Table	-	-	-	-	-	-	X	-	-	-	-	-	
- Michigan Transportation Fund	-	-	-	-	X	-	-	-	-	-	-	-	

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 material event. Issue # 64 was partially defeased by Issue # 71.

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

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CITY OF GRAND RAPIDS, MICHIGAN
CONTINUING DISCLOSURE STATEMENT
MATRIX OF FINANCIAL DISCLOSURES - ISSUES DATED AUGUST 6, 2008 - DECEMBER 15, 2010
December 22, 2014

	CUSIP #82	386445 County	386244 #83	386244 #84	59455T #85	386316 #86	386289 #88	368244 #89 Series A	368244 #89 Series B	368244 #90	386316 #91	386289 #92
Internal Issue #	\$ 67,260,000	\$ 7,870,000	\$ 8,980,000	\$ 18,005,000	\$ 28,430,000	\$ 30,000,000	\$ 29,625,000	\$ 1,770,000	\$ 2,815,000	\$ 7,325,000	\$ 43,025,000	\$ 24,815,000
Type	SSS-Revenue	Drain - FW	GRBA-GOLT	GRBA-GOLT	MMBA-LGLP	WSS-Revenue	SSS-Rev Refdgd	GRBA-GOLT	GRBA-GOLT	GRBA-GOLT	WSS-Rev Refd	SSS Revenue
Date of Issue	08/06/2008	09/18/2008	12/23/2008	03/04/2009	03/18/2009	05/06/2009	01/26/2010	03/30/2010	03/30/2010	09/15/2010	10/04/2010	12/15/2010
Final Maturity (including terms)	01/01/2038	11/01/2020	10/01/2029	08/01/2020	05/01/2024	01/01/2039	01/01/2028	10/01/2039	10/01/2032	10/01/2035	01/01/2018	01/01/2025
Dissemination Agent	City	City	City	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	X	X
- TV - by Use and Class (\$ / %)	-	-	X	X	X	-	X	X	X	X	-	X
- State Equalized Value	X	X	X	X	X	X	X	X	X	X	-	X
- SEV - by Use and Class (\$ / %)	-	-	X	X	X	-	X	X	X	X	-	X
- Ten Largest Valuations by TV	X	X	X	X	X	X	X	-	-	-	X	X
- Maximum Property Tax Rates	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
- Property Tax Collection Record	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
- Debt Statement	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
- Retirement Plans - General and Police & Fire	X	X	X	X	X	X	X	-	-	-	X	X
- Other Postemployt Ben (OPEB)	X	X	X	X	X	X	X	-	-	-	X	X
- General Fund Revs from Michigan	X	X	-	-	-	X	X	X	X	X	X	X
- Retail Billings & Collections	X	-	-	-	-	X	X	-	-	-	X	X
- 10 Largest Retail Customers	X	-	-	-	-	X	X	-	-	-	X	X
- Results of Ops-Historical & Projtd	X	-	-	-	-	X	X	-	-	-	X	X
- Debt Svc/Coverage Ratio-Historical	-	-	-	-	-	X	X	-	-	-	X	X
- Total Annual Water Sales	-	-	-	-	-	X	-	-	-	-	X	-
- Daily Water Pumpage	-	-	-	-	-	-	-	-	-	-	-	-
- Comparative Analysis of Rates WSS Revenue Requirements & % Rate	-	-	-	-	-	X	-	-	-	-	X	-
- Increases - Historical & Projected	X	-	-	-	-	X	X	-	-	-	X	X
- Integrated Connection Base Fees	-	-	-	-	-	-	X	-	-	-	-	X
- Wastewater Volumes	X	-	-	-	-	-	X	-	-	-	-	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	-	-	-	-	-	-	-

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CITY OF GRAND RAPIDS, MICHIGAN
CONTINUING DISCLOSURE STATEMENT
MATRIX OF FINANCIAL DISCLOSURES - ISSUES DATED JULY 28, 2011 - DECEMBER 3, 2014
December 22, 2014

CUSIP	386244	386205	386289	386316	386289	386289	386445	Reserved	Reserved	Reserved	Reserved
Internal Issue #	#97	#99	#102	#104	#106	#111	County				
Amount of Issue	\$ 14,585,000	\$ 2,325,000	\$ 30,000,000	\$ 3,385,000	\$ 37,830,000	\$ 55,230,000	\$ 4,550,000				
Type	GRBA-GOLT	BRA-TIF/GOLT	SSS Revenue	WSS-Rev Refd	SSS Rev Refd	SSS Rev Impr/Refd	Drain - FW				
Date of Issue	07/28/2011	06/12/2012	10/10/2012	03/13/2013	05/16/2013	10/8/2014	12/03/2014				
Final Maturity (inc term bonds)	10/01/2031	06/01/2032	01/01/2042	01/01/2028	01/01/2034	01/01/2044	11/01/2034				
Dissemination Agent	City	City	City	City	City	City	City				
- Population	X	X	X	X	X	X	X				
- Taxable Value	X	X	X	X	X	X	X				
- TV - by Use and Class (\$ / %)	X	X	X	X	X	X	X				
- State Equalized Value	X	X	X	X	X	X	X				
- SEV - by Use and Class (\$ / %)	X	X	X	X	X	X	X				
- Top Ten Largest Valuations by TV	-	-	X	X	X	X	X				
- Maximum Property Tax Rates	-	-	-	-	-	-	-				
- Property Tax Rates - Grand Rapids and Homestead / Non-Homestead	-	-	X	X	X	X	X				
- Property Tax Collection Record	X	X	X	X	X	X	X				
- Status of Labor Contracts	X	X	X	X	X	X	X				
- Statement of Legal Debt Margin	X	X	X	X	X	X	X				
- Debt Statement	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				
- Retirement Plans - General and Police & Fire	-	-	X	X	X	X	X				
- Other Postemploymt Benefits (OPEB)	-	-	X	X	X	X	X				
- General Fund Revs from Michigan	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	-				
- Results of Ops - Historical & 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	-	-	-	-	-	-	-				
- Integrated Connection Base Fees	-	-	X	X	X	X	-				
- Wastewater Volumes	-	-	X	-	X	X	-				
- W W T P Effluent Table	-	-	-	-	-	-	-				
- Michigan Transportation Fund	-	-	-	-	-	-	-				

Issue # 107: CCJBA Series 2013B Continuing Disclosure requirements are executed and delivered by the County of Kent unless there is a material event.