

ANNUAL REPORT COVER SHEET

CITY OF GRAND RAPIDS, MICHIGAN

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

Page 1 of 2

City's name: City of Grand Rapids, Michigan

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

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

65 pages plus the separately uploaded City of Grand Rapids MI Comprehensive Annual Financial Report ("CAFR") for the period ended June 30, 2020 and the City of Grand Rapids/County of Kent Financial Audit for the period ended June 30, 2020

Bond Issues to which this annual Report relates:

<u>CUSIP</u>	<u>Name of Bond Issue</u>	<u>Date of Such Bonds</u>
386289	\$83,650,000 City of Grand Rapids, Michigan Sanitary Sewer System Improvement & Refunding Revenue Bonds, Series 1998A	July 1, 1998
386445	\$7,870,000 Grand River Floodwalls and Embankments Drainage District Grand River Floodwalls and Embankments Drain Refunding Bonds, Series 2008	September 30, 2008
386244	\$18,005,000 City of Grand Rapids Building Authority Building Authority Refunding Bonds, Service 2008	March 4, 2009
59455T	\$28,430,000 Michigan Municipal Authority (GR-DDA, Series 2009) Local Government Loan Program Revenue Bonds, Series 2009A	March 18, 2009
386289	\$29,625,000 City of Grand Rapids, Michigan Sanitary Sewer System Revenue Refunding Bonds, Series 2010	January 26, 2010
386244	\$1,770,000 City of Grand Rapids, Michigan Building Authority Bonds, Series 2010A	March 30, 2010
386244	\$2,815,000 City of Grand Rapids, Michigan Building Authority Bonds, Series 2010B	March 30, 2010
386244	\$7,325,000 City of Grand Rapids Building Authority Building Authority Bonds, Series 2010C	September 15, 2010
386289	\$24,815,000 City of Grand Rapids, Michigan Sanitary Sewer 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 Improvement Revenue Bonds	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 Revenue Improvement & Refunding Bonds, Series 2014	October 8, 2014
386445	\$4,550,000 Grand River Floodwalls and Embankments Drain Bonds, Series 2014 Grand River Floodwalls and Embankments Drain Bonds, Series 2014	December 3, 2014
386316	\$25,370,000 City of Grand Rapids, Michigan Water Supply System Revenue Refunding Bonds, Series 2015	February 25, 2015
386226	\$19,580,000 City of Grand Rapids, Michigan Limited Tax General Obligation Refunding Bonds, Series 2016	February 4, 2016
386289	\$48,410,000 City of Grand Rapids, Michigan Sanitary Sewer System Revenue Refunding Bonds, Series 2016	March 3, 2016
386226	\$15,245,000 City of Grand Rapids, Michigan Capital Improvement Bonds, Series 2016	March 31, 2016

List continues on next page

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Bond Issues to which this annual Report relates:

<u>CUSIP</u>	<u>Name of Bond Issue</u>	<u>Date of Such Bonds</u>
386316	\$36,740,000 City of Grand Rapids, Michigan Water Supply System Revenue Improvement \$Refunding Bonds, Series 2016	September 22, 2016
386445	\$8,445,000 Grand River Floodwalls and Embankments Drainage District Grand River Floodwalls and Embankments Drain	November 15, 2016
386226	\$25,280,000 City of Grand Rapids, Michigan Downtown Development Refunding and Improvement Drain Bonds, Series 2017	March 8, 2017
386289	\$43,400,000 City of Grand Rapids, Michigan Sanitary Sewer System Revenue Improvement Bonds, Series 2018	June 13, 2018
386316	\$38,680,000 City of Grand Rapids, Michigan Water Supply System Revenue Improvement & Refunding Bonds, Series 2018	September 20, 2018
386226	\$8,210,000 City of Grand Rapids, Michigan Capital Improvement Bonds, Series 2018	December 18, 2018
386289	\$35,030,000 City of Grand Rapids, Michigan Sanitary Sewer System Revenue Improvement & Refunding Bonds, Series 2020	February 12, 2020
386316	\$26,445,000 City of Grand Rapids, Michigan Water Supply System Revenue Improvement Bonds, Series 2020	June 25, 2020
386244	\$5,805,000 City of Grand Rapids Building Authority Building Authority Refunding Bonds, Series 2020A	November 18, 2020
386244	\$11,050,000 City of Grand Rapids Building Authority Building Authority Refunding Bonds, Series 2020B	November 18, 2020

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

Signature: _____

Name: Molly Clarin

Title: Chief Financial Officer

Employer: City of Grand Rapids

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

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

Telephone Number: 616-456-3269



**CITY OF
GRAND
RAPIDS**

CITY OF GRAND RAPIDS, MICHIGAN

CONTINUING DISCLOSURE CERTIFICATE – ANNUAL REPORT

AS OF JUNE 30, 2020

Prepared by Tricia Chapman
Administrative Services Officer City of Grand Rapids - Fiscal Services
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December 22, 2020

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CITY OF GRAND RAPIDS, MICHIGAN

City of Grand Rapids Population

The City's 1970, 1980, 1990, 2000 and 2010 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 Assessments

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

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

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

Personal Property assessments reflect the taxpayer reported cost of the Personal Property and the application of one of the depreciation schedules formulated by the State Tax Commission. The City's assessor determines which depreciation schedule will be used to value the Personal Property.

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

Property Valuations

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

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

Taxable Value

Ad Valorem Taxable Value does not include any value of tax-exempt property (e.g., governmental facilities, churches, public schools, etc.) or property granted tax abatement under Act 198, Public Acts of Michigan, 1974, as amended (“Act 198”), Act 147, Public Acts of Michigan, 1992, as amended (“Act 147”), Act 146, Public Acts of Michigan, 2000, as amended (“Act 146”), Act 260, Public Acts of Michigan, 2003, as amended (“Act 260”), and Act 210, Public Acts of Michigan, 2005, as amended (“Act 210”). For its fiscal year ending June 30, 2018, the equivalent effect of the abatements granted under Act 198, Act 146, Act 147, Act 210, and Act 260 is to understate the City’s Taxable Value by \$103,739,855 or 2.09%. Including the Equivalent Taxable Value, hereinafter defined, of these properties, the City’s total Taxable Value (“Total Taxable Value”) has increased \$722,033,958 or approximately 16.07% between the fiscal years ended June 30, 2016 through 2020 as illustrated in the table below.

City of Grand Rapids, Michigan
Total Taxable Value
Fiscal Years Ended June 30, 2016 Through 2020

Assessed Value as of <u>December 31</u>	Year of State Equalization and Tax <u>Levy</u>	City's Fiscal Year Ended <u>June 30</u>	Ad Valorem Taxable <u>Value (1)</u>	Equivalent Taxable Value of Property Granted Tax Abatements Under Act 198, Act 146, Act 147, Act 210, and <u>Act 260 (2)</u>	Total <u>Taxable Value</u>	Percent Increase Over Prior <u>Year</u>
2014	2015	2016	4,455,733,728	36,601,317	4,492,335,042	2.08
2015	2016	2017	4,453,697,782	42,132,907	4,495,830,689	0.08
2016	2017	2018	4,629,447,243	43,381,710	4,672,828,953	3.94
2017	2018	2019	4,860,125,060	48,196,261	4,908,321,321	5.04
2018	2019	2020	5,165,575,972	48,793,028	5,214,369,000	6.24

Per Capita Total Taxable Value for the Fiscal Year Ended June 30, 2020 (3) \$26,102.54

- (1) Includes the value of qualified property located within the City's Renaissance Zone (the "Zone") which was created pursuant to the provisions of Act 376, Public Acts of Michigan, 1996 ("Act 376"), as amended. Act 376 was designed to stimulate private investment within the Zone through the abatement of certain property, income and business taxes. For the fiscal year ended June 30, 2021, the Taxable Value of property qualified for the benefits of the Zone program totaled \$18,680,124. As of fiscal year ended June 30, 2020, exemptions for most of the City's Zone designated property have been phased out according to the schedule created when the exemption was awarded by the State. For the remaining properties in the City's Zone, property and income tax exemptions will be reduced to 0% through 2025, depending on the specific development agreement.
- (2) At the full tax rate. See "CITY TAXATION AND LIMITATIONS – Tax Abatements" 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, Act 147, Act 210, and Act 260, a breakdown of the City's Total Taxable Value by use and class for the fiscal years ended June 30, 2016 through 2020 is shown below.

City of Grand Rapids, Michigan
Total Taxable Value by Use and Class
Fiscal Years Ended June 30, 2016 Through 2020

<u>Use</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Commercial	\$1,401,843,547	\$1,444,040,005	\$1,530,848,049	\$1,625,803,834	\$1,761,358,754
Industrial	377,385,446	271,080,305	261,489,690	257,462,904	127,269,000
Residential	2,613,690,552	2,679,500,979	2,776,188,614	2,908,445,883	253,669,378
Utility	<u>99,415,500</u>	<u>101,209,400</u>	<u>104,302,600</u>	<u>116,608,700</u>	<u>3,072,071,868</u>
	<u>\$4,492,335,045</u>	<u>\$4,495,830,689</u>	<u>\$4,672,828,953</u>	<u>\$4,908,321,321</u>	<u>\$5,214,369,000</u>

<u>Class</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Real Property	\$3,995,423,345	\$4,091,909,589	\$4,266,728,953	\$4,503,299,221	\$4,808,550,650
Personal Property	496,911,700	403,921,100	406,100,000	405,022,100	405,818,350
	<u>\$4,492,335,045</u>	<u>\$4,495,830,689</u>	<u>\$4,672,828,953</u>	<u>\$4,908,321,321</u>	<u>\$5,214,369,000</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, 2016 Through 2020

<u>Use</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Commercial	31.21%	32.12%	32.76%	33.12%	33.78%
Industrial	8.40	6.03	5.60	5.24	2.44
Residential	58.18	59.60	59.41	59.26	4.86
Utility	<u>2.21</u>	<u>2.25</u>	<u>2.23</u>	<u>2.38</u>	58.92
	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	100.00%

<u>Class</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Real Property	88.94%	91.02%	91.31%	91.75	92.22%
Personal Property	<u>11.06</u>	<u>8.98</u>	<u>8.69</u>	<u>8.25</u>	7.78
	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	100.00%

Source: City of Grand Rapids

State Equalized Valuation (“SEV”)

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

Ad Valorem SEV does not include any value of tax-exempt property (e.g., governmental facilities, churches, public schools, etc.) or property granted tax abatement under Act 198, Act 146 Act 147, Act 210, and Act 260. The effect of the abatements granted under Act 146, Act 147, Act 198, Act 210, and Act 260 is to understate the City’s Ad Valorem SEV for its fiscal year ending June 30, 2021 by \$121,004,100 or 1.62%. Including the SEV of these properties, the City’s total SEV (“Total SEV”) has increased \$1,755,496,000 or approximately 35.56% between the fiscal years ended June 30, 2016 through 2020 as illustrated on the following table.

**City of Grand Rapids, Michigan
Total State Equalized Valuation
Fiscal Years Ended June 30, 2016 Through 2020**

Assessed Value as of December 31	Year of State Equalization and Tax Levy	City's Fiscal Year Ended June 30	Ad Valorem SEV	Property Granted Tax Abatement Under Act 198, Act 146, Act 210, and Act 260 (1)	Total SEV	Percent Increase Over Prior Year
2014	2015	2016	4,859,918,600	77,464,100	4,937,382,700	5.27
2015	2016	2017	5,097,099,000	88,742,800	5,185,841,800	5.03
2016	2017	2018	5,578,316,000	102,504,800	5,680,820,800	9.54
2017	2018	2019	5,896,536,700	112,095,400	6,008,632,100	5.77
2018	2019	2020	6,579,248,000	113,630,700	6,692,878,700	11.39

Per Capita Total SEV for the Fiscal Year Ended June 30, 2020 (2) \$35,592.85

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

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

Source: City of Grand Rapids

**City of Grand Rapids, Michigan
Total SEV by Use and Class
Fiscal Years Ended June 30, 2016 Through 2020**

Use	Fiscal Year Ended June 30				
	2016	2017	2018	2019	2020
Commercial.....	\$1,510,478,900	\$1,593,218,100	\$1,769,366,300	\$1,911,997,200	\$1,909,983,300
Industrial.....	413,250,200	301,240,500	294,717,600	294,733,100	293,418,400
Residential	2,914,238,100	3,190,173,800	3,512,434,300	3,685,293,100	4,131,600,200
Utility.....	<u>99,415,500</u>	<u>101,209,400</u>	<u>104,302,600</u>	<u>116,608,700</u>	<u>127,269,000</u>
	<u>\$4,937,382,700</u>	<u>\$5,185,841,800</u>	<u>\$5,680,820,800</u>	<u>\$6,008,632,100</u>	<u>\$6,462,270,900</u>

Class	Fiscal Year Ended June 30				
	2016	2017	2018	2019	2020
Real Property	\$4,420,494,200	\$4,770,802,000	\$5,264,046,800	\$5,595,163,300	\$6,049,569,800
Personal Property...	<u>516,888,500</u>	<u>415,039,800</u>	<u>416,774,000</u>	<u>413,468,800</u>	<u>412,701,100</u>
	<u>\$4,937,382,700</u>	<u>\$5,185,841,800</u>	<u>\$5,680,820,800</u>	<u>\$6,008,632,100</u>	<u>\$6,462,270,900</u>

Source: City of Grand Rapids

City of Grand Rapids, Michigan
Percent of Total SEV by Use and Class
Fiscal Years Ended June 30, 2016 Through 2020

Use	Fiscal Year Ended June 30				
	2016	2017	2018	2019	2020
Commercial.....	30.59%	30.72%	31.14%	31.82%	31.99%
Industrial	8.37	5.81	5.19	4.91	4.38
Residential.....	59.03	61.52	61.83	61.33	61.73
Utility	<u>2.01</u>	<u>1.95</u>	<u>1.84</u>	<u>1.94</u>	1.90
	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	100.00%
Class	2016	2017	2018	2019	2020
Real Property	89.53%	92.00%	92.66%	93.12%	93.83
Personal Property ...	<u>10.47</u>	<u>8.00</u>	<u>7.34</u>	<u>6.88</u>	6.17
	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	100.00%

Source: City of Grand Rapids

Tax Abatements

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

An industrial facilities exemption certificate granted under Act 198 entitles an eligible facility to exemption from Ad Valorem Taxes for a period of up to 12 years. In lieu of Ad Valorem Taxes, the eligible facility will pay an industrial facilities tax (the “IFT Tax”). For properties granted tax abatement under Act 198 there exists a separate tax roll referred to as the industrial facilities tax roll (the “IFT Tax Roll”). The IFT Tax for an obsolete facility which is being restored or replaced is determined in the same manner as the Ad Valorem Tax; the important difference being that the value of the property remains at the Taxable Value level prior to the improvements even if the restoration or replacement substantially increases the value of the facility. For a new facility the IFT Tax is also determined the same as the Ad Valorem Tax but instead of using the total mills levied as Ad Valorem Taxes, a lower millage rate is applied. For abatements granted after 1993, this millage rate equals 1/2 of all tax rates levied by other than the State plus 0%, 50% or 100% of the State Education Tax as determined by the State Treasurer.

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

An obsolete property rehabilitation certificate granted under Act 146 entitles an eligible facility to an exemption from Ad Valorem Taxes on the building only for a period of up to 12 years. A separate tax roll exists for OPRA Properties abated under Act 146 called the “Obsolete Properties Tax Roll.” An “Obsolete Properties Tax” is calculated using current year ad valorem millages times the taxable value of the obsolete building for the tax year immediately prior to the effective date of the obsolete property rehabilitation

certificate except for the annual school operating and State Education Tax millages which are charged at the Ad Valorem Tax rate on the current Taxable Value of the building.

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

There are two types of available NEZ property tax abatements. One is for the rehabilitation of an existing property and one for new construction. Both types of NEZ property tax abatements apply only to residential properties. The holder of an NEZ Certificate does not pay ad valorem property taxes related to the taxable value of the NEZ residence. Instead, the property owner pays the Neighborhood Enterprise Zone Tax (the “NEZ Tax”), which is equal to one half of the State’s average rate of taxation. For Fiscal year ended June 30, 2019, the NEZ Tax rate was 17.28 mills for a new Principal Residence Exemption (“PRE”) facility and 26.48 mills for a new non-PRE facility. The amount of the NEZ Tax on a rehabilitated NEZ residence is determined each year by multiplying the Taxable Value of the residence for the tax year immediately preceding the effective date of the NEZ Certificate by the total ad valorem millage rate. Land value and special assessments are not eligible for the NEZ property tax abatement. The effective date for the tax abatement is dependent upon commencement of construction and when the residence is substantially completed. NEZ Certificates are in effect for up to 12 years. The continuance of a NEZ Certificate is conditional upon being current on payment of all taxes and any other debts owed to the City on an annual basis.

The City also offers tax incentives pursuant to Act 210 for the rehabilitation of commercial property for the primary purpose and use of a commercial business or multi-family residential facility. The property must be located within an established Commercial Rehabilitation District. Exemptions are approved for a term of up to ten years, as determined by the City. The property taxes are based upon the previous year's (prior to rehabilitation) taxable value. The taxable value is frozen for the duration of the certificate. Applications are filed, reviewed and approved by the City, but are also subject to review at the State level by the Property Services Division of the State Tax Commission (STC) which is responsible for final approval and issuance of certificates. Exemptions are not effective until approved by the STC.

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

The City has established goals, objectives and procedures to provide the opportunity for residential, industrial and commercial development and expansion. The SEV of properties that have been granted tax abatement under Act 198, Act 146, Act 147, Act 210, and Act 260, removed from the Ad Valorem Tax Roll and placed on the IFT Tax Roll, Obsolete Properties Tax Roll, the TRCTA Roll, the Commercial Rehabilitation Act Roll, or in an NEZ totaled \$121,004,100 for the fiscal year ending June 30, 2021. Taxes paid on these properties are equivalent to Ad Valorem Taxes paid on \$51,343,411 of Taxable Value at the full tax rate (the “Equivalent Taxable Value”). Upon expiration of the abatements, the current equalized valuation of the abated properties returns to the Ad Valorem Tax Roll as Taxable Value.

Personal Property Tax Exemptions

Act 328, Public Acts of Michigan, 1998, as amended, ("Act 328") allows certain eligible communities to designate specific existing areas as "eligible distressed areas" in which "new personal property" of "eligible businesses" would be exempt from Ad Valorem property taxation. The City is one of the eligible communities. With the approval of the State Tax Commission, the City designated certain areas as eligible distressed areas. Under Act 328, the City has exempted personal property related to 19 agreements ranging from five years to up to twelve years for fiscal year ending June 30, 2020 assessment roll. To date, it is estimated that personal property assessed value in the amount of \$27,391,600 is currently eligible for PA 328 abatements.

Personal Property Tax Reform

In 2012, the legislature enacted and the Governor signed a number of acts that set the groundwork for personal property tax reform. In 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 (the fiscal year ended June 30, 2017) for eligible manufacturing personal property put in service after 2012 or that has been in service for at least 10 years. In 2014, the legislature amended remaining provisions of the 2012 legislation to provide 100% reimbursement for local governments, including tax increment financing authorities, for lost revenues due to the new personal property tax exemptions. The annual reimbursements are made from use taxes set aside in statutorily prescribed amounts for distribution by the Michigan 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 had 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.

Property Taxes

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

For its fiscal year ended June 30, 2020, the City levied 5.9762 mills for operating purposes, 1.6000 mills for refuse collection and disposal, 0.0096 mill for promotion purposes, 0.3678 mill for library capital improvement purposes and 0.9475 mill for public parks facilities (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 rise faster than consumer prices, the maximum authorized tax rate would be reduced accordingly. However, should consumer prices subsequently rise faster than taxable property values, the maximum authorized tax rate would be increased accordingly, but never higher than the statutory or charter tax rate limitations.

The Headlee Amendment does not limit taxes for the payment of principal of and interest on bonds or other evidences of indebtedness outstanding at the time the Headlee Amendment became effective or which have been approved by the electorate of the State or such political subdivision. For the fiscal year ended June 30, 2020 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, 2020**

<u>Millage Classification</u>	<u>Millage Authorized</u>	<u>Millage Rate As Permanently Reduced by Headlee</u>	<u>Current Year Millage Reduction Fraction</u>	<u>Maximum Allowable Millage</u>
Operating (1)	6.4100	5.9762	0.9872	5.8997
Refuse Collection and Disposal	3.0000	2.6798	0.9872	2.6454
.....	\$50,000			0.0090
Promotional (2).....	0.3741	0.3678	0.9872	0.3630
Library (3)				
Parks (4)	0.9800	0.9475	0.9872	0.9353

(1) For the fiscal year ended June 30, 2020, includes operating levies allocated for general, capital reserve and library purposes of 2.7218, 1.2500, and 2.0044 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. On November 7, 2017, the electorate approved a new 0.3741 twenty-year levy to commence July 1, 2018 for public library system operations, maintenance, repairs and capital improvements.

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

Source: City of Grand Rapids

Property Tax Rates

As defined under "Property Taxes" herein, a mill is equal to \$1.00 for each of \$1,000 of Taxable Value. In FY2019, the City was authorized to levy annually 5.9762 mills for operating purposes or a maximum of \$5.9762 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, 2016 through 2020 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, 2016 Through 2020

Levy July 1	Fiscal Year Ended June 30	Operating (1)	Other (2)	Library (3)	Parks(4)	Total
2015	2016	6.1798	1.6112	0.3805	0.9800	9.1515
2016	2017	6.1513	1.6112	0.3787	0.9754	9.1166
2017	2018	6.0774	1.6107	0.3741	0.9636	9.0258
2018	2019	6.0330	1.6102	0.3713	0.9565	8.9710.
2019	2020	5.9762	1.6096	0.3678	0.9475	8.9011

- (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 0.3741 mills. On November 7, 2017, the electorate approved a new 0.3741 twenty-year levy to commence July 1, 2018 for public library system operations, maintenance, repairs and capital improvements.
- (4) In 2013, the City's electorate amended the City's Charter to increase its operating levy by 0.9800 mills for a period of seven years commencing July 1, 2014 to be allocated and used solely for the City public parks facilities. Headlee-required millage rate rollbacks have reduced the authorized levy to 0.9475. The millage expires with the July 1, 2020 levy. In 2020, the City's electorate amended a permanent tax millage of 1.2500 mills for Parks, Pools and Playgrounds commencing in 2021.

Source: City of Grand Rapids

In addition to the City's property tax rates, businesses and residents of the City must pay property taxes to other units of local government. A State Education Tax of 6.0000 mills (the "SET") is levied by the State on all real property. To be eligible for state school aid, a local school district is also required to levy not more than the lesser of 18.0000 mills or the number of mills levied in 1993 for school operating purposes on non-homestead/non-PRE property. These property taxes are in lieu of those levied for local school district operating purposes prior to 1995.

Beginning with the City's fiscal year ended June 30, 2009, 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. See "Personal Property Tax Reform," herein.

Total rates, expressed as a \$1.00 for each \$1,000 of Taxable Value, for the City's fiscal years ended June 30, 2016 through 2020, 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, 2016 Through 2020

<u>Governmental Unit</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
City of Grand Rapids ²	\$ 9.1515	\$ 9.1166	\$ 9.0258	\$ 8.9710	\$ 8.9011
County of Kent ³	5.6196	6.0596	6.0518	6.2947	6.2584
State of Michigan	6.0000	6.0000	6.0000	6.0000	6.0000
Grand Rapids Public Schools ⁴	3.8000	5.7449	4.2500	4.3000	4.8500
Kent Intermediate School District ⁵	4.7903	4.7903	5.6694	5.6465	5.6113
Grand Rapids Community College	1.7865	1.7865	1.7788	1.7716	1.7606
Interurban Transit Partnership	<u>1.4700</u>	<u>1.4688</u>	<u>1.4632</u>	<u>1.4658</u>	<u>1.4556</u>
Total.....	<u>\$32.6179</u>	<u>\$34.9667</u>	<u>\$34.2390</u>	<u>\$34.4496</u>	<u>\$34.8370</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 the principal residence by the owner of the dwelling or unit. PRE/Homestead includes all unoccupied property classified as agricultural adjacent and contiguous to the home of the owner that is not leased or rented by the owner to another person if the gross receipts of the agricultural or horticultural operations, if any, exceed the household income of the owner. If the gross receipts of the agricultural or horticultural operations do not exceed the household income of the owner, the homestead includes only 5 acres adjacent and contiguous to the home of the owner. PRE/Homestead includes a life care facility registered under the Living Care Disclosure Act, Act 440, Public Acts of Michigan, 1976, as amended. PRE/Homestead also includes property owned by a cooperative housing corporation and occupied as a principal residence by tenant stockholders.
- (2) In November, 2013, the City's electorate amended the City's Charter to increase its operating levy by 0.9800 mills for a period of seven years commencing July 1, 2014 to be allocated and used solely for the City's public parks facilities.
- (3) In August, 2014, the County of Kent electorate approved the renewal of 0.3244 mill for Senior Citizen Services, along with an increase of 0.1756 mill, for a total authorized millage of 0.5000 mill for Senior Citizen Services. In November, 2014, the County's electorate approved a new Veterans Services millage at the rate of 0.0500 mill for a period of eight years. The Veterans Services millage was first levied in December, 2014. In November, 2016, the County's electorate approved the creation of a "Zoo and Public Museum" operating millage at a rate of 0.4400 mill for a period of ten years, starting on December 1, 2016 and ending in 2025. On November 6, 2018 County voters also approved an "Early Childhood Services," 0.2500 mill levy for six years beginning December 1, 2018.
- (4) Debt and sinking fund millages through the fiscal year ended June 30, 2017 then debt millage only beginning with fiscal year ending June 30, 2018. The Grand Rapids Public Schools is the largest school district within the City. Portions of other school districts overlap the City's boundaries. Of those which do, the total PRE/Homestead millage rates for the fiscal year ended June 30, 2021 ranged from \$34.3970 to \$37.6315 for each \$1,000 of Taxable Value.
- (5) On May 2, 2017 the electorate approved a ten year "strong schools," operating levy of 0.9000 mills for distribution to local school districts beginning with the July 1, 2017 levy.

Source: City of Grand Rapids

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, 2016 Through 2020

<u>Governmental Unit</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
City of Grand Rapids ²	\$ 9.1515	\$ 9.1166	\$ 9.0258	\$ 8.9710	\$ 8.9011
County of Kent ³	5.6196	6.0596	6.0518	6.2947	6.2584
State of Michigan	6.0000	6.0000	6.0000	6.0000	6.0000
Grand Rapids Public Schools ⁴ ...	21.8000	23.7449	22.2500	22.3000	22.8500
Kent Intermediate School District ⁵	4.7903	4.7903	5.6694	5.6465	5.6113
Grand Rapids Community College	1.7865	1.7865	1.7788	1.7716	1.7606
Interurban Transit Partnership	<u>1.4700</u>	<u>1.4688</u>	<u>1.4632</u>	<u>1.4658</u>	1.4556
Total	<u>\$50.6179</u>	<u>\$52.9667</u>	<u>\$52.2390</u>	<u>\$52.4496</u>	\$52.8370

- (1) *Non-PRE / Non-Homestead Property* is property not included in the definition of *PRE / Homestead Property* (see Note 1 in the preceding table).
- (2) In November, 2013, the City’s electorate amended the City’s Charter to increase its operating levy by 0.9800 mills for a period of seven years commencing July 1, 2014 to be allocated and used solely for the City’s public parks facilities.
- (3) In August, 2014, the County of Kent electorate approved the renewal of 0.3244 mill for Senior Citizen Services, along with an increase of 0.1756 mill, for a total authorized millage of 0.5000 mill for Senior Citizen Services. In November, 2014, the County's electorate approved a new Veterans Services millage at the rate of 0.0500 mill for a period of eight years. The Veterans Services millage was first levied in December, 2014. In November, 2016, the County's electorate approved the creation of a "Zoo and Public Museum" operating millage at a rate of 0.4400 mill for a period of ten years, starting on December 1, 2016 and ending in 2025. On November 6, 2018 County voters also approved an “Early Childhood Services,” 0.2500 mill levy for six years beginning December 1, 2018.
- (4) Operating, debt, and sinking fund millages through the fiscal year ended June 30, 2017 then operating and debt millages only beginning with fiscal year ending June 30, 2018. The Grand Rapids Public Schools is the largest school district within the City. Portions of other school districts overlap the City's boundaries. Of those which do, the total Non-PRE/Non-Homestead millage rates for the fiscal year ended June 30, 2020 ranged from \$51.7849 to \$55.5499 for each \$1,000 of Taxable Value.
- (5) On May 2, 2017 the electorate approved a ten year “strong schools,” operating levy of 0.9000 mills for distribution to local school districts beginning with the July 1, 2017 levy.

Source: City of Grand Rapids

Property Tax Collections

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

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

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

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

The continued purchase of Delinquent Real Property Taxes may be dependent upon the sale of delinquent tax notes by the County for that purpose. There is no assurance that the County will issue such delinquent tax notes or purchase such Delinquent Real Property Taxes in any fiscal year. If the Delinquent Real Property Taxes are not purchased by the County, any Delinquent Real Property Taxes collected by the County are remitted to the City within a month following the County's collection those past due taxes. The following table reflects the actual property tax collections for the City's fiscal years ended June 30, 2016 through 2020.

**City of Grand Rapids, Michigan
Property Tax Collections
Fiscal Years Ended June 30, 2016 Through 2020**

July 1 <u>Levy</u>	Fiscal Year <u>Ended June 30</u>	City <u>Tax Levy (1)</u>	Collections to March 1 <u>Following Levy (2)</u>	Percent <u>Collected</u>
2015	2016	\$40,157,067	\$38,924,701	96.9%
2016	2017	40,504,385	39,353,188	97.2
2017	2018	41,522,680	40,496,437	97.5
2018	2019	43,451,205	42,481,284	97.8
2019	2020	45,712,841	44,827,041	98.1

- (1) Excludes taxes on properties granted tax abatement under Act 198, Act 146, Act 147, Act 210 and Act 260. See "CITY TAXATION AND LIMITATIONS - Property Valuations" and "CITY TAXATION AND LIMITATIONS - Tax Abatement" herein.
- (2) Excludes real property taxes turned over to Kent County for collection March 1.
- (3) In November, 2013, City voters amended the City's Charter to increase its operating levy by 0.9800 mills to support the repair and rehabilitation of existing park equipment and facilities; investing in new park equipment and facilities; and opening the City's swimming pools for longer seasons. The term of the temporary millage is seven years and commenced with the July 1, 2014 property tax levy. In its first year, the Parks millage levy resulted in fiscal year ended June 30, 2015 revenues in the amount of \$3,839,507.

Source: City of Grand Rapids

Pursuant to Act 197, Public Acts of Michigan, 1975, as amended (the Downtown Development Authority Act), Act 281, Public Acts of Michigan, 1986, as amended (the Local Development Financing Act), Act 381, Public Acts of Michigan, 1996, as amended (the Brownfield Redevelopment Financing Act), Act 450, Public Acts of Michigan, 1980, as amended (the Tax Increment Finance Authority Act), and Act 280, Public Acts of Michigan, 2005, as amended (the Corridor Improvement Authority Act), the City has established authorities which capture property tax increment pursuant to these acts. The City's general operating revenues reflected in its audited financial statements are net of such capture.

Taxpayers with Largest Valuations

The taxpayers with the largest valuations in the City, their principal product or service, Total Taxable Value and percent of City's Total Taxable Value for the fiscal year ended June 30, 2020 are as follows:

City of Grand Rapids, Michigan Top Ten Largest Valuations ⁽¹⁾ Fiscal Year Ended June 30, 2020

<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	\$99,248,075	1.90%
Amway Hotel Corporation	Lodging, dining, and retail	41,590,938	0.80
Centerpoint Owner LLC	Retail shopping center	31,260,366	0.60
DTE Gas Company	Gas utility	28,329,200	0.54
HP3 LLC	Lodging, dining, and retail	25,510,097	0.49
CWD 111 Lyon LLC	Real estate holding and development	18,531,959	0.36
Steelcase, Inc.	Office furniture design / manufacturing	17,748,363	0.34
Meijer Inc	Retailer	16,725,004	0.32
Grand Rapids Properties I LLC	Apartment Housing	16,633,960	0.32
Michigan Christian Home	Nursing Home/Retirement Living	<u>15,487,014</u>	<u>0.30</u>
		\$311,064,976	5.97%

(1) Property taxpayers and Taxable Value are based on the July 1, 2019 tax bills.

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

(3) Based on \$5,214,369,000 which is the City's Total Taxable Value for the fiscal year ended June 30, 2020.

Includes the Taxable Value of property granted tax abatement under Act 198, Act 146, Act 147, Act 210, and Act 260, as applicable. See "CITY TAXATION AND LIMITATIONS – Property Valuations" and "CITY TAXATION AND LIMITATIONS – Tax Abatement" herein.

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, 2016 Through 2020**

Fiscal Years Ended June 30	Gross Tax Collections ¹	Less: Refunds	Net Income Tax Collections ¹	% Increase or (Decrease) over Prior Year
2016 ²	\$96,581,795	\$8,407,544	\$88,174,251	7.57%
2017 ³	104,415,763	10,397,109	94,018,655	6.63
2018 ⁴	108,078,406	9,537,937	98,540,469	4.81
2019 ⁵	114,146,909	9,626,211	104,520,698	6.07
2020 ⁶	117,247,259	12,656,620	104,590,639	(2.05)

¹ Including interest and penalties.

² Net collections were \$76,331,950 net of temporary income tax increase effective July 1, 2010.

³ Net collections were \$81,483,331 net of temporary income tax increase effective July 1, 2010.

⁴ Net collections were \$85,402,578 net of temporary income tax increase effective July 1, 2010.

⁵ Net collections were \$90,512,414 net of temporary income tax increase effective July 1, 2010.

⁶ Net collections were \$90,645,569 net of temporary income tax increase effective July 1, 2010.

Source: City of Grand Rapids

REVENUES FROM THE STATE OF MICHIGAN

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

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

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

Over the last several years, the State of Michigan has modified the statutory revenue sharing program several times which has caused the City and other local government units to complete required “best practices” to remain eligible for distribution of funds. Currently, statutory revenue sharing is distributed under a program called the City, Village, and Township Revenue Sharing Program or CVTRS which began in fiscal year 2015. To remain eligible for distribution the City must certify to the Michigan Department of Treasury that by December 1 of each year the local unit has produced and made the following documents readily available to the public:

- 1) Citizen’s guide of its most recent local finances, including recognition of its unfunded liabilities
- 2) Performance Dashboard
- 3) Debt Service Report containing a detailed listing of its outstanding debt and debt service requirements
- 4) Projected Budget Report of revenues and expenditures

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

In the fiscal year ended June 30, 2020 the City received total revenue sharing in the General Fund of \$18,506,822. This includes one-half of the statutory revenue sharing amount which totals \$2,319,053. The remaining statutory revenue sharing for the fiscal year ended June 30, 2020 was deposited into the City's Capital Reserve Fund.

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

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, 2016 through June 30, 2020.

**City of Grand Rapids, Michigan
General Operating Fund Revenues from the State of Michigan
Fiscal Years Ended June 30, 2016 Through 2020**

	<u>2016²</u>	<u>2017²</u>	<u>2018²</u>	<u>2019²</u>	<u>2020²</u>
Sales Tax	\$17,817,900 ¹	\$17,742,537	\$18,280,900	\$18,999,577	\$18,506,822
Grants and Other	<u>677,729</u>	<u>717,276</u>	<u>902,953</u>	<u>1,277,685</u>	<u>1,460,123</u>
Total Revenues from the State of Michigan ²	<u>\$18,495,629</u>	<u>\$18,459,813</u>	<u>\$19,183,853</u>	<u>\$20,277,262</u>	<u>\$19,966,945</u>

¹ Constitutional revenue sharing only.

² Beginning with the fiscal year ended June 30, 2016, the City budgeted half of CVTRS statutory revenue sharing payments in the General Fund.

<u>Year</u>	<u>Fund</u>	<u>Total Annual CVTRS</u>
FY2016	½ Transformation; ½ Capital Reserve	\$5,289,078
FY2017	½ General, ½ Capital Reserve	\$5,289,078
FY2018	½ General, ½ Capital Reserve	\$5,441,353
FY2019	½ General, ½ Capital Reserve	\$5,440,594
FY2020	½ General, ½ Capital Reserve	\$4,638,105

Source: City of Grand Rapids

CITY DEBT

Statutory and Constitutional Debt Provisions

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

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

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

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

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

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

Municipal Bond Ratings

The City's financial status is regularly reviewed by municipal bond rating agencies. The City's most recent building authority refunding bonds were issued in October, 2020 and received ratings of Aa2 by Moody's and AA by Standard & Poor's. The most recent Sanitary Sewer System bonds were issued in February, 2020 and were rated Aa1 by Moody's and AA by Standard & Poor's. The Water Supply System bonds received ratings of Aa2 by Moody's and AA by Standard & Poor's for its most recent issue in June, 2020.

Legal Debt Margin

Pursuant to the statutory and constitutional debt provisions set forth herein, the following table reflects the amount of additional debt the City may legally incur as of July 2, 2020.

Debt Limit ⁽¹⁾	\$646,227,090
Debt Outstanding ⁽²⁾ \$564,233,353	
Less: Exempt Debt	<u>(443,071,740)</u> <u>\$121,161,613</u>
Legal Debt Margin ⁽²⁾ <u>\$525,065,477</u>	

(1) 10% of \$6,462,270,900, which is the City's Total SEV for the fiscal year ended June 30, 2020. Includes the SEV of property granted tax abatement under Act 198, Act 146, Act 147, Act 210, and Act 260.

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

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

Debt Statement

The following table reflects a breakdown of the City's direct debt as of July 2, 2020. Direct debt shown as self-supporting is paid from sources other than the City's property and income taxes. The City's ability to levy taxes to pay the debt service on obligations designated as "Limited Tax" is subject to applicable charter, statutory and constitutional limitations. See "CITY TAXATION AND LIMITATIONS" herein.

<u>City Direct Debt</u>	<u>Gross</u>	<u>Self-Supporting</u>	<u>Net</u>
Share of County Issued Bonds:			
Dated November 15, 2016 (Limited Tax)	\$ 7,565,000	\$ -	\$ 7,565,000
Dated December 3, 2014 (Limited Tax)	3,665,000	-	3,665,000
Dated September 30, 2008 (Limited Tax)	310,000	-	310,000
Subtotal.....	<u>\$11,540,000</u>	<u>\$ -</u>	<u>\$11,540,000</u>
Building Authority Bonds:			
Dated October 31, 2019 (Limited Tax, Series A) (1)	\$ 8,700,000	\$ 8,700,000	\$ -
Dated October 31, 2019 (Federally Taxable, Series B) (1)	10,035,000	10,035,000	-
Dated July 28, 2011 (Limited Tax)	9,430,000	-	9,430,000
Dated September 15, 2010 (Limited Tax, Series C)	5,185,000	-	5,185,000
Dated March 30, 2010 (Limited Tax, Series B)	2,015,000	-	2,015,000
Dated March 30, 2010 (Limited Tax, Series A)	1,770,000	-	1,770,000
Dated March 4, 2009 (Limited Tax)	1,950,000	-	1,950,000
			-
			-
Subtotal.....	<u>\$39,085,000</u>	<u>\$18,735,000</u>	<u>\$20,350,000</u>
Tax Increment Authority Bonds:			
Dated March 8, 2017 (Limited Tax) (2)	\$ 12,835,000	\$ 12,835,000	\$ -
Dated June 12, 2012 (Limited Tax)	1,695,000	1,695,000	-
Subtotal.....	<u>\$14,530,000</u>	<u>\$14,,530,000</u>	<u>\$ -</u>
Installment Purchase Notes:			
Dated November 14, 2014 (Limited Tax)	\$840,813	\$ -	\$840,813
Dated August 22, 2012 (Limited Tax)	155,800	-	155,800
Subtotal.....	<u>\$996,613</u>	<u>\$ -</u>	<u>\$996,613</u>
Water Revenue Bonds:			
Senior Lien			
Dated June 25, 2020	\$ 26,445,000	\$ 26,445,000	\$ -
Dated September 20, 2018	31,345,000	31,345,000	-
Dated September 22, 2016	35,535,000	35,535,000	-
Dated February 25, 2015	23,350,000	23,350,000	-
Dated March 13, 2013	1,730,000	1,730,000	-
Junior Lien			
Dated April 11, 2016 (3)	1,813,008	1,813,008	-
Dated April 9, 2015 (3)	8,153,063	8,153,063	-
Dated September 17, 2014 (3)	2,272,840	2,272,840	-
Dated December 14, 2012 (3)	473,514	473,514	-
Dated September 18, 2012 (3)	2,445,930	2,445,930	-
Dated September 23, 2011 (3)	1,941,024	1,941,024	-
Dated June 24, 2011 (3)	511,549	511,549	-
Dated April 8, 2011 (3)	574,752	574,752	-

Subtotal.....	<u>\$136,590,680</u>	<u>\$136,590,680</u>	<u>\$ -</u>
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City Direct Debt	Gross	Self-Supporting	Net
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Sewer Revenue Bonds:

Senior Lien

Dated February 12, 2020	\$ 35,030,000	\$ 35,030,000	\$ -
Dated June 13, 2018	41,160,000	41,160,000	-
Dated March 3, 2016	45,400,000	45,400,000	-
Dated October 8, 2014	51,295,000	51,295,000	-
Dated May 16, 2013	34,625,000	34,625,000	-
Dated October 10, 2012	23,500,000	23,500,000	-
Dated December 15, 2010 (Series A)	21,330,000	21,330,000	-

Dated January 26, 2010	29,625,000	29,625,000	-
Dated July 1, 1998	8,030,000	8,030,000	-

Junior Lien

Dated April 9, 2013 (3)	819,125	819,125	-
Dated June 24, 2011 (3)	1,150,370	1,150,370	-
Dated April 8, 2011 (3)	3,049,305	3,049,305	-

Subtotal.....	<u>\$295,013,800</u>	<u>\$295,013,800</u>	<u>\$ -</u>
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Limited Tax General Obligation Bonds:

Dated November 28, 2018 (Capital Improv Bonds)	\$ 8,210,000	\$ -	\$ 8,210,000
Dated April 5, 2017 (Capital Improv Bonds)	2,565,000	-	2,565,000
Dated March 31, 2016 (Capital Improv Bonds)	10,815,000	-	10,815,000
Dated February 4, 2016 (Limited Tax)	17,205,000	-	17,205,000
Dated August 26, 2015 (Capital Improv Bonds)	15,000,000	-	15,000,000
Dated October 11, 2013 (Capital Improv Bonds)	1,215,000	-	1,215,000

Subtotal.....	<u>\$55,010,000</u>	<u>\$ -</u>	<u>\$55,010,000</u>
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Share of Grand Valley Regional Biosolids Authority
Bonds:

Dated April 1, 2008 (4)	\$ 5,306,704	\$ 5,306,704	\$ -
Dated September 20, 2007 (4)	5,951,936	5,951,936	-

Subtotal.....	<u>\$11,258,640</u>	<u>\$11,258,640</u>	<u>\$ -</u>
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Total Direct Debt	<u>\$564,024,733</u>	<u>\$476,128,120</u>	<u>\$87,896,613</u>
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Total Direct Debt

Per Capita Net Direct Debt (5)	\$467.44
Percent of Net Direct Debt to Total SEV (6)	1.36%

Overlapping Debt (7)	Gross	City Share As Percent of Gross	Net
Caledonia Community Schools	\$146,820,099	0.11%	\$ 161,502
Forest Hills Public Schools	113,505,000	2.52%	2,860,326
Godwin Heights Public Schools	25,865,000	8.20%	2,120,930
Grand Rapids Public Schools	210,585,000	99.99%	210,563,942
Kenowa Hills Public Schools	86,225,000	0.65%	560,463
Kentwood Public Schools	72,995,000	8.06%	5,883,397
Kent County	126,915,000	21.56%	27,362,874
Grand Rapids Community College	29,600,000	20.84%	6,168,640
Total Overlapping Debt	\$812,510,099		\$255,682,073
Total City Direct and Overlapping Debt	\$1,376,534,832		\$343,578,686

Per Capita Net Overlapping Debt (5)	\$1,359.72
Percent of Net Overlapping Debt to Total SEV (6)	3.96%
Per Capita Net Direct and Overlapping Debt (5).....	\$1,827.16
Percent of Net Direct and Overlapping Debt to Total SEV (6)	5.32%

- (1) Debt service is payable only from rental revenues received from the State of Michigan.
- (2) Although not pledged as security for these general obligation bonds, the City of Grand Rapids and its Downtown Development Authority (GR-DDA) have entered into an agreement which provides that the GR-DDA will reimburse the City in amounts equal to the semi-annual debt service payments.
- (3) Principal outstanding is based on total bond proceeds expended for this completed project, less prior year principal payments and any principal forgiveness.
- (4) Estimated based on total debt allocated to the City of Grand Rapids.
- (5) Based on the City's 2010 Census of 188,040.
- (6) Based on \$6,462,270,900 which is the City's Total SEV for the fiscal year ended June 30, 2020. Includes the SEV of property granted tax abatements under Act 198, Act 146, Act 147, Act 210, and Act 260. See the "Tax Abatements," section of this annual report.
- (7) Overlapping debt is the portion of another taxing unit's debt for which owners of property located within the City are liable, in addition to the debt directly issued by the City. Overlapping debt is calculated as of July 2, 2020.

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

Schedule of Remaining Bond Maturities

The following table sets forth the remaining annual maturities of the City's bonded indebtedness by type of issue as of July 2, 2020:

Fiscal Yr	County	Building	Tax Exempt	Sewer	Water	Installation	Limited Tax	Biosolids	
Ending	Issued	Authority	Authority	Revenue	Revenue	Purchase	General	Authority	
June 30	Bonds	Bonds	Bonds	Bonds	Bonds	Notes	Obligation	Bonds	Totals
2021	\$ 805,000	\$ 5,110,000	\$ 6,460,000	\$ 9,310,000	\$ 3,775,000	\$ 255,355	\$ 18,405,000	\$ 1,152,200	\$ 45,272,555
2022	515,000	3,205,000	6,610,000	11,175,000	4,355,000	260,495	3,540,000	1,171,952	30,832,447
2023	530,000	2,925,000	125,000	11,730,000	4,560,000	262,565	3,960,000	1,198,288	25,290,853
2024	555,000	3,030,000	130,000	12,315,000	4,770,000	218,199	4,140,000	1,224,624	26,382,823
2025	580,000	3,145,000	135,000	12,920,000	4,975,000	-	4,330,000	1,247,668	27,332,668
2026	600,000	3,265,000	135,000	13,615,000	5,200,000	-	4,535,000	1,274,004	28,624,004
2027	625,000	3,390,000	140,000	14,300,000	5,450,000	-	2,600,000	1,303,632	27,808,632
2028	650,000	3,530,000	145,000	14,940,000	5,695,000	-	2,290,000	1,329,968	28,579,968
2029	680,000	3,675,000	155,000	10,915,000	5,665,000	-	1,435,000	1,356,304	23,881,304
2030	705,000	1,365,000	160,000	12,370,000	5,910,000	-	1,490,000	-	22,000,000
2031	740,000	1,425,000	165,000	12,950,000	6,175,000	-	690,000	-	22,145,000
2032	775,000	1,495,000	170,000	13,564,305	6,451,301	-	715,000	-	23,170,606
2033	810,000	580,000	-	13,940,370	6,619,538	-	745,000	-	22,694,908
2034	840,000	605,000	-	16,154,125	6,690,930	-	780,000	-	25,070,055
2035	880,000	625,000	-	14,625,000	6,792,840	-	810,000	-	23,732,840
2036	610,000	650,000	-	10,145,000	4,673,008	-	845,000	-	16,923,008
2037	640,000	255,000	-	10,640,000	4,743,063	-	875,000	-	17,153,063
2038	-	260,000	-	11,150,000	4,380,000	-	520,000	-	16,310,000
2039	-	270,000	-	9,395,000	4,600,000	-	540,000	-	14,805,000
2040	-	280,000	-	9,815,000	3,070,000	-	565,000	-	13,730,000
2041	-	-	-	10,245,000	3,230,000	-	590,000	-	14,065,000
2042	-	-	-	6,495,000	3,390,000	-	610,000	-	10,495,000
2043	-	-	-	4,630,000	3,555,000	-	-	-	8,185,000
2044	-	-	-	4,870,000	3,735,000	-	-	-	8,605,000
2045	-	-	-	4,220,000	3,925,000	-	-	-	8,145,000
2046	-	-	-	4,430,000	4,125,000	-	-	-	8,555,000
2047	-	-	-	4,630,000	3,330,000	-	-	-	7,960,000
2048	-	-	-	4,840,000	3,500,000	-	-	-	8,340,000
2049	-	-	-	2,295,000	1,585,000	-	-	-	3,880,000
2050	-	-	-	2,390,000	1,665,000	-	-	-	4,055,000
	<u>\$11,540,000</u>	<u>\$39,085,000</u>	<u>\$14,530,000</u>	<u>\$295,013,800</u>	<u>\$136,590,680</u>	<u>\$996,614</u>	<u>\$55,010,000</u>	<u>\$11,258,640</u>	<u>\$564,024,734</u>

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

Debt History

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

Short Term Borrowing

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

Operating Lease

In 1998, the Kent County Building Authority (“KCBA”) sold \$65,650,000 of bonds to finance the construction of a new courthouse. In November, 2005 the KCBA refunded a portion of such outstanding bonds with a \$49,990,000 issue of refunding bonds. In August, 2014 the KCBA refunded another portion of the outstanding bonds with a \$4,460,000 refunding bond issue. The City entered into a 28 year operating lease with Kent County to utilize approximately 31.35% of the facility to house the 61st District Court and related City facilities. The City pays the KCBA 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, 2020 the City plans to issue several bond issues.

To finance its capital asset management program, the System issues debt, to supplement System cash, every two to three years. Debt financing may include issuance of junior lien debt through the State of Michigan’s Drinking Water Revolving Fund loan program if it is more cost effective.

It is currently expected that in FY2021 debt financing may be used to provide capital improvement funds for the second phase of street lighting improvements. However, the City has not finalized the design or locations for these improvements nor has a 45-day notice of intent to issue debt been approved by City Commission.

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

EMPLOYEE BENEFITS AND LABOR CONTRACTS

Vacation and Sick Leave Benefits and Associated Liabilities

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

Depending on the bargaining unit, employees of the City may also earn from one-half day to one day of paid sick leave per month depending on the particular labor contract. Based on the number of years of service, employees are paid for up to 90 days of accumulated sick leave at termination or retirement provided they have

worked a minimum of 10 continuous years. At time of retirement, employees can also elect to purchase pension service credit with unused sick leave hours.

The City accrues paid vacation and sick leave liabilities as assigned fund equity on the Governmental Fund Balance Sheet. For the fiscal year ended June 30, 2020, the amount of \$9,141,829 was so assigned for the City's General Fund.

Other Postemployment Benefits

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

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

Modifications to the retiree health care benefit have been made with the goal of reducing the long-term liability. All new hires since 2009 participate in a defined contribution ("DC") retiree health care plan which is a retirement health savings plan ("RHSA") rather than a defined benefit plan. Currently approximately 68% of City employees are participating in the DC RHSA. Employees who remain in the closed defined benefit ("DB") plans now earn the benefit incrementally over the course of their careers, and employees who retire after June 30, 2010 will "float" with active employees relative to health care plan design and premium sharing.

Both GASB Statement 45 and 75 require that OPEB assets be held within an irrevocable trust fund in order to be considered "Plan Assets." During 2010, the City established three irrevocable trusts to accumulate the assets. The plans are agent plans administered by the Municipal Employees Retirement System of Michigan ("MERS"). Actuarial reports are prepared annually, currently, by Gabriel, Roeder, Smith and Company of Southfield, Michigan.

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

The Library Board decided the Library will fund their postemployment benefits on a pay-as-you-go basis – as of June 30, 2020, only one retiree remained eligible for other postemployment benefits. Beginning June 30, 2018, the City's audit firm, Plante Moran, PLLC, deemed the Library's DB OPEB expenditures immaterial with regards to GASB 75 reporting requirements. These pay-as-you-go OPEB contributions are reported as expenditures in the Library Fund.

The most recent actuarial valuation studies were completed as of June 30, 2020. The reports use a assumed investment return rate of 5%, a blend of short-term and long-term investment return assumptions, because plan assets are held in trusts and invested by MERS. The 5% investment rate of return is believed to be appropriate because the plans have been closed to new entrants and, therefore, a shorter time horizon for investing is deemed to be appropriate.

Current employees not covered by one of the DB OPEB plans are covered by the DC RHSA plan created in

2009 and administered by MERS. The plans do not issue separate financial statements. However, basic financial information regarding assets, liabilities and net position, basis of accounting and funding policy is included in Note 8 of the City's Comprehensive Annual Financial Report.

City of Grand Rapids
Net Other Postemployment Benefits Liability Components
On June 30, 2020

	<u>General</u>	<u>Police</u>	<u>Fire</u>	<u>TOTAL</u>
Total OPEB Liability	\$32,870,069	\$45,120,857	\$27,637,821	\$105,628,747
Less: Plan Fiduciary Net Position	<u>14,101,516</u>	<u>37,958,130</u>	<u>20,366,756</u>	<u>72,426,402</u>
City's Net OPEB Liability	<u>\$18,768,553</u>	<u>\$7,162,727</u>	<u>\$7,271,065</u>	<u>\$33,202,345</u>
 Plan Fiduciary Net Position as a Percent of the Total OPEB Liability	 42.90%	 84.13%	 73.69%	 68.57%

Source: Gabriel, Roeder, Smith and Company

City of Grand Rapids
Statement of Changes in Net Position
For the Fiscal Year Ended June 30, 2020

	<u>Retiree Health Care Trust Funds</u>			<u>Total Retiree Health</u>
	<u>General</u>	<u>Police Retiree</u>	<u>Fire Retiree</u>	<u>Care Trust Funds</u>
	<u>Employee</u>			
ADDITIONS				
Employer contributions	\$3,761,766	\$2,786,728	\$2,106,558	\$8,655,052
Investment income (loss):				
Interest and dividends	15,399	11,104	4,273	30,776
Net appreciation (depreciation) in fair value of investments	<u>355,241</u>	<u>933,428</u>	<u>483,509</u>	<u>1,772,178</u>
Total Additions	<u>4,132,406</u>	<u>3,731,260</u>	<u>2,594,340</u>	<u>10,458,006</u>
DEDUCTIONS				
Benefits paid (1)	2,749,260	2,170,815	2,487,966	7,408,041
Administration expenses	<u>182,840</u>	<u>173,855</u>	<u>138,589</u>	<u>495,284</u>
Total Deductions	<u>2,932,100</u>	<u>2,344,670</u>	<u>2,626,555</u>	<u>7,903,325</u>
Change in Net Position	1,200,306	1,386,590	(32,215)	2,554,681
Total net position – beginning	<u>12,901,210</u>	<u>36,571,540</u>	<u>20,398,971</u>	<u>69,871,721</u>
Total net position - ending	<u>\$14,101,516</u>	<u>\$37,958,130</u>	<u>\$20,366,756</u>	<u>\$72,426,402</u>

Note 1: Plan member (retiree) premium contributions of \$1,431,653 are shown as reductions of benefits paid, rather than as revenue.

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

City of Grand Rapids
Other Postemployment Benefits Plan Membership
At the June 30, 2019 Valuation Date

	<u>General</u>	<u>Police</u>	<u>Fire</u>	<u>TOTAL</u>
Retirees and beneficiaries receiving benefit payments	234	107	113	454
Non-covered retirees purchasing benefit at subsidized rate	1	4	-	5
Inactive plan members entitled to but not yet receiving benefit payments	-	26	6	32
Active plan members	242	114	115	471
Employees eligible to purchase benefit at subsidized rate after retirement	<u>643</u>	<u>181</u>	<u>75</u>	<u>899</u>
TOTAL	<u>1,120</u>	<u>432</u>	<u>309</u>	<u>1,861</u>

City of Grand Rapids
Other Postemployment Benefits Plan Membership
At the June 30, 2020 Valuation Date

	<u>General</u>	<u>Police</u>	<u>Fire</u>	<u>TOTAL</u>
Retirees and beneficiaries receiving benefit payments	203	122	109	434
Non-covered retirees purchasing benefit at subsidized rate	2	4	-	6
Inactive plan members entitled to but not yet receiving benefit payments	-	24	4	28
Active plan members	231	87	107	425
Employees eligible to purchase benefit at subsidized rate after retirement	<u>670</u>	<u>209</u>	<u>82</u>	<u>961</u>
TOTAL	<u>1,106</u>	<u>446</u>	<u>302</u>	<u>1,854</u>

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

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

The June 30, 2018 valuations recommended \$8,103,167 in Actuarially Computed Employer Contributions (“ACEC”), which includes DB contributions as well as DC RHSA contributions for the fiscal year beginning July 1, 2019 (i.e., FY2020.) The ACEC was \$3,421,489 for General employees, \$2,648,182 for Police employees, and \$2,033,496 for Fire employees.

For the FY2021, the adopted budget incorporates the following blended rates for retiree healthcare benefits: General Employees 5.96%; Emergency Communication Operators 4.80% (a component of the General Employee agent plan); Police Employees 6.33%; Fire Employees 8.51%, and 3.31% for Library Employees.

For more information regarding the City’s other postemployment benefits, please refer to the City’s Comprehensive Annual Financial Report for the Year Ended June 30, 2020; Notes to the Financial Statements, Note 8 – Postemployment Benefits Other than Pensions.

Pension Plans

The City maintains two defined benefit retirement plans which cover some full-time City employees. The plans, known as the City of Grand Rapids General Retirement System (“GRS”) and the City of Grand Rapids Police and Fire Retirement System (“PFRS”), are administered by local pension boards, members of which are appointed by the Mayor and/or elected by members of the respective system.

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

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

Both the GRS and the PFRS conduct experience studies once every five years. The purpose of these studies is to review the actual and projected future experience of key variables and assumptions that are used in the annual valuation of system liabilities. In 2015, the Boards of Trustees of both the GRS and the PFRS approved changes to assumptions (lowering investment rate of return to 7.25% and updating the mortality tables) as recommended by the actuary.

Also, the GRS and PFRS Boards (the “Pension Boards”) have agreed to review the assumed rate of return annually to determine if any modifications need to be made. At a meeting held on March 21, 2018, the Pension Boards agreed to lower the effective interest rate from 7.25% to 7.15% for both pension plans. This change was incorporated into the FY2019 budget for the PFRS and the FY2020 budget for the GRS Plan. These revised assumptions will be used by the actuary in future annual valuations of pension liabilities. The City will continue to fund the annual required contributions specified by the annual valuations.

For FY2020, the actuarial valuation results require that GRS member employees contribute 7.86% (weighted average) and that the City contribute 34.74% of covered wages. However, the annual required contribution amounts computed in the actuarial report will be reduced by blending pensionable wages with employees participating in the defined contribution pension plan. The blending is done so departments are charged a consistent rate regardless of the benefits for which their particular employees are eligible. The FY2020 adopted budget incorporates the blended rate of 21.93% for general employees. For FY2020, the actuarial valuation results currently require that PFRS member employees contribute 10.26% (weighted average) and that the City contribute 24.95% of covered wages.

City of Grand Rapids
Police and Fire Retirement System Membership

	<u>FYE</u> <u>12/31/2017</u>	<u>FYE</u> <u>12/31/2018</u>	<u>FYE</u> <u>12/31/2019</u>
Retirees and beneficiaries receiving pension benefits	677	710	724
Terminated plan members entitled to but not yet receiving benefits	32	32	28
Active plan members	<u>488</u>	<u>466</u>	<u>466</u>
TOTAL	<u>1,197</u>	<u>1,208</u>	<u>1,218</u>

City of Grand Rapids
General Retirement System Membership

	<u>FYE</u> <u>06/30/2019</u>	<u>FYE</u> <u>06/30/2019</u>	<u>FYE</u> <u>06/30/2020</u>
Retirees and beneficiaries receiving pension benefits	1,186	1,186	1,189
Terminated plan members entitled to but not yet receiving benefits	106	106	106
Active plan members	<u>446</u>	<u>446</u>	<u>418</u>
TOTAL	<u>1,738</u>	<u>1,738</u>	<u>1,713</u>

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

**City of Grand Rapids
Police and Fire Retirement System
Changes in the Net Pension Liability**

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balances at December 31, 2018	\$530,714,452	\$387,555,682	\$143,158,770
Changes for the Year:			
Service cost	9,071,101	-	9,071,101
Interest on the total pension liability	37,279,003	-	37,279,003
Changes in benefit terms	-	-	-
Difference between actual & expected experience	2,068,208	-	2,068,208
Changes in assumption	-	-	-
Contributions – employer	-	9,672,074	(9,672,074)
Contributions – employee	-	5,832,668	(5,832,668)
Net investment income	-	71,134,823	(71,134,823)
Benefit payments, including refund of employee contributions	(27,730,677)	(27,730,677)	-
Administrative expense	-	(592,306)	592,306
Other changes	-	(44,775)	44,775
Net changes	<u>20,687,635</u>	<u>58,271,807</u>	<u>(37,584,172)</u>
Balances at December 31, 2019	<u>\$551,402,087</u>	<u>\$445,827,489</u>	<u>\$105,574,598</u>

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

**City of Grand Rapids
General Retirement System
Changes in the Net Pension Liability**

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balances at June 30, 2019	\$539,265,786	\$419,215,052	\$120,050,734
Changes for the year:			
Service cost	4,576,153	-	4,576,153
Interest on the total pension liability	36,699,090	-	36,699,090
Changes in benefit terms	-	-	-
Difference between actual & expected experience	(945,207)	-	(945,207)
Changes in assumption	12,565,643	-	12,565,643
Contributions – employer	-	11,325,243	(11,325,243)
Contributions – employee	-	2,595,588	(2,595,588)
Net investment income	-	5,494,862	(5,494,862)
Benefit payments, including refund of employee contributions	(34,562,300)	(34,562,300)	-
Administrative expense	-	(605,388)	(605,388)
Other changes	-	54,466	54,466
Net changes	<u>18,333,379</u>	<u>(15,806,461)</u>	<u>2,526,918</u>
Balances at June 30, 2020	<u>\$557,599,165</u>	<u>\$403,408,591</u>	<u>\$154,190,574</u>

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

**City of Grand Rapids
Police and Fire Retirement System
Plan Years Ended December 31, 2015 Through 2019**

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>
2015	\$461,094,743	\$386,363,384	83.8%
2016	479,362,227	399,808,165	83.4
2017	506,255,138	421,679,693	83.3
2018	527,629,168	425,207,986	80.6
2019	548,560,018	437,029,237	79.7

Source: Gabriel, Roeder, Smith and Company

**City of Grand Rapids
General Retirement System
Plan Years Ended June 30, 2016 Through 2020**

Valuation Date <u>June 30</u>	Actuarial Accrued <u>Liabilities</u>	Actuarial Value of <u>Plan Assets</u>	Assets as a Percent of Actuarial <u>Accrued Liabilities</u>
2016	\$510,324,266	\$404,096,873	79.2%
2017	517,035,103	418,027,055	80.9
2018	526,954,073	426,989,004	81.0
2019	539,265,786	429,105,052	79.6
2020	557,599,165	426,996,313	76.6

Source: Gabriel, Roeder, Smith and Company

For more information regarding the City's retirement plans, please refer to the City's Comprehensive Annual Financial Report for the Year Ended June 30, 2020; Notes to the Financial Statements, Note 7 – Retirement Plans.

Labor Contracts

As of December 19, 2020 approximately 94.3% of the City's 1,477 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 Membership</u> ¹	<u>Contract Expiration Date</u>
Grand Rapids Police Officers Association (Officers and Sergeants Unit)	306	June 30, 2022
Grand Rapids Police Officers Association – CST Unit	10	June 30, 2022
Grand Rapids Police Officers Association – ECO Unit	34	June 30, 2022
Grand Rapids Command Police Officers Association	19	June 30, 2022
International Association of Firefighters	194	June 30, 2022
Grand Rapids Employees Independent Union	499	June 30, 2022
Grand Rapids Employees Independent Union (61 st District Court Affiliate)	52	June 30, 2022
Grand Rapids Employees Independent Union (Library Supervisor Affiliate)	14	June 30, 2022
Grand Rapids Employees Independent Union (Library Non-Supervisor Affiliate)	61	June 30, 2022
Association of Public Administrators	182	June 30, 2022
Association of Public Administrators (61 st District Court Chapter)	17	June 30, 2022
Teamsters – Emergency Communication Supervisors	5	June 30, 2022
Non-represented employees	<u>84</u>	N/A
Total FTE City Employees	<u>1,477</u>	

¹Actual number of employees (full-time and FTE) on December 19, 2020.

Source: City of Grand Rapids.

ECONOMIC PROFILE

Major Area Employers

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 Top 20 Major West Michigan Employers

<u>Company</u>	<u>Principal Product or Service</u>	<u>GR Area Employees</u>
Spectrum Health	General medical and surgical hospitals	25,000
Meijer, Inc.	Supermarket retail and distribution	10,340
Mercy Health Partners	General medical and surgical hospitals	6,200
Amway Corporation	Consumer goods manufacturing	4,000
Gentex Corporation	Glass product manufacturing for automotive industry	3,900
Perrigo Company	Pharmaceutical manufacturing	3,800
Herman Miller Inc	Office and medical furniture manufacturing	3,621
Steelcase Inc.	Office and medical furniture manufacturing	3,500
Grand Valley State University	Higher education	3,306
Lacks Enterprises, Inc.	Plastic manufacturing for automotive industry	2,800
Grand Rapids Public Schools	Elementary and secondary schools	2,800
Farmers Insurance Group	Direct property and casualty insurance carrier	2,700
SpartanNash	Supermarket retail and distribution	2,585
Gordon Food Service	Grocery/related products; merchandise wholesaler	2,544
Magna International	Glass product manufacturing for automotive industry	2,500
Metro Health Hospital	General medical and surgical hospitals	2,400
Ventra	Motor vehicle plastic parts and metal stamping	2,384
Alcoa Howmet Corp	Aerospace instrument/aircraft engine parts manufacturing	2,350
Fifth Third Bank	Banking – personal and commercial	2,280
Priority Health	Direct health and medical insurance carriers	2,250

Source: The Right Place, Inc.

Employment

Reflected below are the not seasonally adjusted unemployment statistics for the City and the State for the calendar years 2016 through 2020.

City of Grand Rapids:	<u>2016⁽¹⁾</u>	<u>2017⁽¹⁾</u>	<u>2018⁽¹⁾</u>	<u>2019⁽¹⁾</u>	<u>2020⁽²⁾</u>
Employed	97,601	99,055	100,777	100,987	99,036
Unemployed	<u>4,779</u>	<u>4,745</u>	<u>4,185</u>	<u>4,040</u>	<u>5,424</u>
Labor Force	<u>102,380</u>	<u>103,800</u>	<u>104,962</u>	<u>105,027</u>	<u>104,460</u>
Unemployed as % of Labor Force	4.7%	4.6%	4.0%	3.8%	5.2%
State of Michigan:	<u>2016⁽¹⁾</u>	<u>2017⁽¹⁾</u>	<u>2018⁽¹⁾</u>	<u>2019⁽¹⁾</u>	<u>2020⁽³⁾</u>
Employed	4,606,000	4,659,000	4,705,000	4,736,000	4,622,000
Unemployed	<u>241,000</u>	<u>225,000</u>	<u>203,000</u>	<u>201,000</u>	<u>281,000</u>
Labor Force	<u>4,847,000</u>	<u>4,884,000</u>	<u>4,909,000</u>	<u>4,937,000</u>	<u>4,903,000</u>
Unemployed as % of Labor Force	5.0%	4.6%	4.1%	4.1%	5.7%

(1) Annual average.

(2) Data as of October, 2020.

Source: Michigan Department of Technology, Management & Budget; Employment and Unemployment Statistics - LAUS.

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 Sales*	Number of Stores	Retail Sales*	Number of Stores
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.

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

* Dollar amount in thousands

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

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

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

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

Building Permits

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

<u>Fiscal Year Ended June 30</u>	<u>Number of Permits Issued</u>	<u>Total Value</u>
2016	2,662	459,850,000
2017	2,896	411,590,000
2018	2,884	497,580,000
2019	2,938	495,340,000
2020	2,632	433,000,000

Source: City of Grand Rapids.

SANITARY SEWER SYSTEM

Wastewater Volumes

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

<u>Fiscal Year June 30</u>	<u>Total Sales⁽¹⁾ in Million Gallons ("MG")</u>	<u>Additional Inflow and Infiltration in MG to the WRRF⁽²⁾</u>	<u>Total WRRF Influent in MG</u>	<u>Treated Average Daily Influent in MG</u>	<u>Known Bypass in MG</u>	<u>Total Annual Billing in Million Dollars</u>
2016	8,043	6,776	14,819	40.6	0.000	49.7
2017	8,190	7,178	15,368	42.2	0.000	51.1
2018	8,208	6,497	14,705	40.3	0.000	53.0
2019	8,291	8,223	16,514	44.2	0.000	53.8
2020	7,950	9,019	16,968	46.5	0.000	56.2

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

Source: City of Grand Rapids

Wastewater Characteristics –

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

City of Grand Rapids, Michigan
Water Resource Recovery Facility Effluent - 30 Month History Through June 30, 2020

Month	Carbonaceous BOD*		Suspended Solids*		Total Phosphorous*		Ammonia*	
	Allowed / Actual	Allowed / Actual	Allowed / Actual	Allowed / Actual	Allowed / Actual	Allowed / Actual	Allowed / Actual	
June-20	16	4.6	29	7.8	1	0.8	8.5	1.7
May-20	23	4.2	29	4.4	1	0.4	18	1
April-20	23	3.9	29	4	1	0.5	18	1.7
March-20	23	3.6	29	3.9	1	0.8	18	1.8
February-20	23	4	29	4.6	1	0.9	18	2.7
January-20	23	3.9	29	3.9	1	0.7	18	2.5
December-19	23	4	29	4.4	1	0.7	18	1.3
November-19	23	3.8	29	3.8	1	0.7	18	1.4
October-19	23	4.1	29	4.6	1	0.7	18	2.7
September-19	16	4.5	29	4.8	1	0.8	8.5	2
August-19	16	4.3	29	3.4	1	0.4	8.5	2.4
July-19	16	5.3	29	6.8	1	0.9	8.5	3.2
June-19	16	4.6	29	5.3	1	0.6	8.5	1.33
May-19	23	4.6	29	4.9	1	0.8	18	1.36
April-19	23	4.3	29	4	1	0.8	18	2.5
March-19	23	4.2	29	6.2	1	0.9	18	4.4
February-19	23	4.8	29	4.8	1	0.3	18	5
January-19	23	4.6	29	4.3	1	0.8	18	1.8
December-18	23	3.8	29	3	1	0.3	18	2.2
November-18	23	4.5	29	3.7	1	0.9	18	1
October-18	23	4.7	29	4.4	1	0.9	18	0.6
September-18	16	3.7	29	2.4	1	0.7	8.5	0.4
August-18	16	3.6	29	3.8	1	0.6	8.5	2.2
July-18	16	4.1	29	5.2	1	0.9	8.5	1
June-18	16	4.1	29	5.1	1	0.6	8.5	0.3
May-18	23	3.9	29	5.5	1	0.8	18	0.8
April-18	23	5	29	4.8	1	0.6	18	1.4
March-18	23	3.5	29	4.7	1	0.3	18	2.2
February-18	23	5.1	29	9.1	1	0.8	18	2.2
January-18	23	3.6	29	4.6	1	0.7	18	1.4

* 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 Water Resource Recovery Facility

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

Organization, Management and Staffing

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

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

The fiscal year 2020 budget for these divisions authorized a total of 112 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 EGLE. Regulations of these agencies deal primarily with the quality of effluent discharged to the Grand River, disposal of biosolids and other requirements imposed on the SSS as a condition of its participation in federal financial assistance for construction of wastewater facilities.

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

The Grand River, which receives the treated effluent from the WRRF, has a water quality standard for partial body contact, recreational use, and the ability to support warm water fish and supply agricultural and industrial water needs. The City's current NPDES permit was issued on November 1, 2017 and remains in effect until October 1, 2021.

Since 2009 the EGLE has registered 30 violations and 6 compliance actions in the State of Michigan MiWaters system (tracking system for permit compliance). Most of the violations were procedural in nature and the balance were operational. For example, the 9 recently recorded violations for unpreventable Sanitary Sewer Overflows (SSO) did not result in harm to the environment. None of the items has resulted in an adverse effect on the operation of System. Upon notice, the City promptly took any necessary corrective actions to address the issue, and most had been addressed prior to receiving notice. The violations and/or compliance actions have not resulted in fines or penalties. In connection with the construction of the biodigester facility at the WRRF, the City did not

timely request the issuance of an air quality permit from EGLE. The permit has been obtained; however, the City was required to pay a fine of \$50,000.

Retail Billings and Collections

The following table sets forth the history of billings and collections for the SSS for the fiscal years ended June 30, 2016 through 2020.

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>
2016	47,854,769	37,358,507	7,639,566	1,576,896	46,574,969
2017	48,468,774	38,403,087	7,559,063	1,600,886	47,563,036
2018	49,125,908	40,175,537	6,875,709	1,506,620	48,557,866
2019	51,370,573	42,706,922	6,177,936	1,235,682	50,120,540
2020	50,975,029	42,718,437	5,822,179	1,240,682	49,781,298

(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, 2020, 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, 2020

<u>Customer</u>	<u>Volume of Usage (Sewer Gallons)</u>	<u>Dollar Amount Billed Per Year</u>	<u>Percent of Total Billings</u>
Vicinity Energy (Veolia Energy)	118,188,488	\$554,612	1.09%
Spectrum Health System	88,540,760	466,827	0.92
Founders Brewing Company	54,277,872	251,673	0.49
Roskam Baking Co	68,548,216	248,575	0.49
Calvin College	38,012,612	206,825	0.41
Kent Quality Foods	41,237,988	193,823	0.38
Allied Finishing, Inc.	52,331,576	187,484	0.37
Saint Mary's Hospital	35,560,668	186,831	0.37
Lacks Trim Systems	48,065,732	178,268	0.35
Grand Rapids Public Schools	15,800,752	172,599	0.34

Source: City of Grand Rapids

Rate Setting Methodology

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

To remedy this and to establish a procedure for implementing annual rate adjustments, the City, in consultation with the customer communities with which it had retail and wholesale water service agreements, adopted a method of adjusting rates annually. The first such annual rate study took eighteen months to complete and resulted in new rates

effective January 1, 1978. Agreements with each of the retail and wholesale governmental customer communities serviced by the System were amended in 2000, 2002, 2006, 2010 and 2018 to incorporate rate setting methodology adjustments. In 2000, the first amendment to the contracts established the integrated connection fees required to be paid at the time a User receives a permit to connect to the Water or Sanitary Sewer System and the method by which the fees are set and adjusted annually in the rate study.

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

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

The annual rate analysis background material is assembled during the period from August through November of each year. The base period financial information consists of the actual revenues and expenses of the fiscal year ended on the most recent June 30th. Revenue requirements of the SSS are comprised of operating and maintenance expense, depreciation expense, a “return” on the net book value of fixed assets constructed and acquired utilizing the retained earnings of the SSS, and certain debt service costs. Integrated connection fees are an offset to revenue requirements. The revenue requirement components are adjusted to reflect current unit cost data available during the pendency of the rate study. Rates are then calculated that will generate revenues equal to the net revenue requirement. New rates and charges are reported to the City Commission and customer communities on or about November 15th each year with implementation on the following January 1st. The most recent rates were adopted and approved by the City Commission on December 17, 2019 for users within the City and customer communities.

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

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

The following table “Sanitary Sewer System Rate Studies – Comparative Analysis of Rates 1978 to 2020”, demonstrates the rate study methodology’s various objectives in four major ways: (1) the methodology has recognized variations among the various communities; (2) the methodology has produced adequate revenues over the period; (3) the methodology has resulted in a wide variety of rate adjustment; and (4) the methodology operates in an open and transparent manner with information available to customer communities and users.

City of Grand Rapids Sanitary Sewer System Rate Studies
Comparative Analysis of Rates 1978 to 2020
Readiness-to-Serve Charge
(Monthly) Service Charge

<u>Effective</u>	Commodity Charge (\$/HCF) (3)	<u>Readiness-to Serve-(Monthly)</u>		Billing Volume (HCF) (4)	Revenue Requirement
		<u>3/4" Meter</u>	<u>6" Meter & Greater</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, 2020	3.58	18.06	913.29	6,627,589	38,851,246
City of Kentwood					
Retail-expiring December 31, 2048					
January 1, 1978	\$ 0.25	\$ 1.84	\$ 116.50	303,302	\$ 110,135
January 1, 2020	2.73	8.19	281.61	1,409,099	4,494,063
City of Walker					
Retail-expiring December 31, 2048					
January 1, 1978	\$ 0.36	\$ 4.09	249.79	339,729	\$ 228,829
January 1, 2020	2.64	29.61	1,652.49	862,197	4,925,302
Cascade Charter Township					
Retail-expiring December 31, 2048					
January 1, 1978	\$ 0.38	\$ 4.01	\$ 254.75	68,492	\$ 64,685
January 1, 2020	2.77	33.75	1,917.45	476,498	2,614,086
Grand Rapids Charter Township					
Retail-expiring December 31, 2048					
January 1, 1978	\$ 0.36	\$ 5.87	\$ 362.45	122,955	\$ 120,106
January 1, 2020	2.47	29.20	1,626.25	386,429	2,661,906
Tallmadge Township					
Retail-expiring December 31, 2048					
January 1, 1995	\$ 1.47	\$ 10.06	\$ 534.85	9,857	\$ 17,070
January 1, 2020	8.96	28.86	1,604.49	32,567	442,300
Wright Township					
Retail-expiring December 31, 2048					
January 1, 2004	\$ 47.37**	\$ --	\$ --	23,618	\$ 192,899
January 1, 2020	57.92**	--	--	25,931	293,667
City of East Grand Rapids					
Wholesale-expiring December 31, 2048					
January 1, 1978	\$172.62*	\$ --	\$2,018.00 ⁽²⁾	1,235,707	\$ 183,765
January 1, 2020	2,068.00*	--	2,213.00 ⁽²⁾	577,609	919,968
Ada Township					
Wholesale-expiring December 31, 2048					
January 1, 1978	\$171.22*	\$ --	\$1,399.00 ⁽²⁾	151,961	\$ 36,253
January 1, 2020	2,721.00*	--	47,747.00 ⁽²⁾	402,551	1,392,221
Gaines Township⁽¹⁾					
Wholesale-expiring June 6, 2028					
January 1, 1993	\$672.00*	\$ --	\$ 122.00 ⁽²⁾	15,858	\$ 9,431
January 1, 2020	1,670.00*	--	1,631.00 ⁽²⁾	154,216	212,197
Caledonia Charter Township					
Wholesale-expiring December 31, 2048					
March 12, 2014	\$15,478.00*	\$ --	\$ 285.00 ⁽²⁾	4,881	\$ 59,920
January 1, 2020	5,115.00*	--	739.00 ⁽²⁾	40,149	162,461
Total all Entities					
January 1, 1978 and other initial years				11,907,901	\$ 4,783,233
January 1, 2020				10,994,835	56,969,417

Source: City of Grand Rapids

* Rate charged per one million gallons. **Rate charged per REU.

(1) Operating under the 1978 Agreement.

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

(3) HCF: Hundred Cubic Feet

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

Revenue Requirements and Percentage Rate Adjustments – Historical

The rate setting methodology when applied in the annual rate studies for the years 2015 through 2019 has yielded the revenue requirements and percentage rate increases/(decreases) set forth in the table below for the calendar years commencing January 1, 2016 through January 1, 2020.

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

Rate Study Year Effective Date	2015 1/1/16	2016 1/1/17	2017 1/1/18	2018 1/1/19	2019 1/1/20
Operation & Maintenance	\$26,057,855	\$27,801,771	\$27,440,606	\$29,320,024	\$30,407,882
Depreciation	6,444,256	5,731,874	7,348,797	7,289,152	8,025,112
Return on Investment	12,295,457	11,994,805	12,217,951	13,388,665	13,816,207
Less: Revenue Credits	(687,034)	(459,879)	(127,437)	(587,610)	(342,427)
CSO Project Debt Service	8,637,610	9,007,175	8,007,588	8,001,052	7,971,030
Less: Integrated Connection Fee Credit	(2,657,604)	(3,169,115)	(2,537,379)	(2,600,008)	(2,630,285)
Less: Circuit Breaker Program	(330,718)	(614,492)	(138,000)	(307,829)	(278,102)
Plus: Capital Investment Reimbursement	108,205	108,205	107,854	107,854	--
Total Revenue Requirements	<u>\$49,868,027</u>	<u>\$50,400,344</u>	<u>\$52,319,981</u>	<u>\$54,611,300</u>	<u>\$56,969,417</u>
Gross Rate Increases (Decreases) Necessary to Meet Total Revenue Requirement ⁽¹⁾	2.81%	0.30%	3.08%	3.28%	3.49%

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

Source: City of Grand Rapids

Connection Fees

On June 27, 2000, the Grand Rapids City Commission enacted Ordinance No. 2000-32 establishing a schedule of integrated connection base fee increases for initial connection to the SSS for periods through December 31, 2008. The fees have been adjusted annually thereafter, most recently on December 17, 2019 when the Grand Rapids City Commission approved a resolution establishing the fees effective January 1, 2020. These integrated connection fees apply to all users of the SSS except users in Gaines Township. The receipts from these fees are shown in the table "SANITARY SEWER SYSTEM – Results of Operations."

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

Water Meter Size	Effective On and After				
	01/01/14	01/01/15	01/01/16	01/01/17	01/01/18*
¾" or less	\$2,873	\$2,922	\$2,928	\$2,959	\$3,016
1"	4,798	4,880	4,890	4,942	5,037
1-1/2"	9,567	9,730	9,750	9,853	10,043
2"	15,313	15,574	15,606	15,771	16,075
3"	33,528	34,100	34,170	34,532	35,197
4"	60,333	61,362	61,488	62,139	63,336
6" & over	134,083	136,370	136,650	138,097	140,757

Source: City of Grand Rapids

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

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

<u>Residential User</u>			
<u>(three residential units or less)</u>	<u>2019</u>	<u>2020</u>	<u>% Change</u>
Meter Size			
¾" or less	\$350	\$360	3%
1"	360	370	3%
1-1/2"	360	370	3%
All Other Users			
<u>(three residential units or more)</u>	<u>2019</u>	<u>2020</u>	<u>% Change</u>
Meter Size			
¾" or less	\$680	\$700	3%
1"	870	910	5%
1-1/2"	1,140	1,220	7%
2"	1,610	1,680	4%
3"	1,960	2,100	7%
4"	2,730	3,025	11%
6" & over	3,970	4,270	8%

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

<u>Meter Size</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>% Change</u>
¾" or less	\$175	\$210	\$210	0%
1"	250	250	250	0%
1-1/2" – T2	800	800	750	(6%)
2" – T2	900	900	880	(2%)
3" – T2	1,100	1,100	1,100	0%
4" – T2	at cost	at cost	at cost	N/A
5" & over – T2	at cost	at cost	at cost	N/A
1-1/2" – C2	N/A	N/A	1,200	N/A
2" – C2	N/A	N/A	1,385	N/A
3" – C2	N/A	N/A	1,755	N/A
4" – C2	N/A	N/A	at cost	N/A
5" & over – C2	N/A	N/A	at cost	N/A

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

Statement of Operations - Historical

The rate increases/(decreases) under the rate setting methodology have produced the results of operations from the SSS for the fiscal years ended June 30, 2016 through 2020 as set forth in the table below.

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

	Fiscal Years Ended June 30,				
	2016	2017	2018	2019	2020
REVENUES					
Service Charges- Retail	\$47,638,738	\$48,870,101	\$49,152,626	\$51,382,353	\$53,517,010
Service Charges-Wholesale	2,054,466	2,216,685	2,318,152	2,449,370	2,661,446
Sewage Surcharge	2,122,789	1,831,469	2,056,797	2,311,653	2,393,466
Connection Fees/Front Foot Fees	1,238,936	936,812	926,109	379,758	562,180
Industrial Pretreatment Permit Fee	51,197	50,750	47,521	44,693	46,659
Interest on Investments	398,387	245,759	880,212	1,184,260	1,022,889
Miscellaneous ⁽¹⁾	964,692	739,113	997,410	875,989	866,360
Total Gross Revenues	<u>54,469,205</u>	<u>54,890,689</u>	<u>56,378,828</u>	<u>58,628,076</u>	<u>61,070,010</u>
OPERATING EXPENSES					
Wastewater Treatment	15,879,533	16,496,175	18,384,773	18,774,744	17,801,657
Sanitary Sewer Repair & Maintenance	4,857,588	4,623,913	5,471,046	5,246,870	4,716,586
Customer Services	2,633,192	2,119,181	2,379,792	2,664,759	2,659,486
Administration	4,262,046	2,192,252	2,075,658	2,936,178	4,268,668
Industrial Pretreatment	618,945	709,067	565,926	709,342	799,450
Depreciation	14,440,267	14,734,268	14,735,236	14,886,913	15,478,452
Total Gross Expenses	<u>42,691,571</u>	<u>40,874,856</u>	<u>43,612,429</u>	<u>45,218,806</u>	<u>45,724,299</u>
Additions - Depreciation	<u>14,440,267</u>	<u>14,734,268</u>	<u>14,735,236</u>	<u>14,886,913</u>	<u>15,478,452</u>
NET EARNINGS ⁽²⁾	<u>\$26,217,901</u>	<u>\$28,750,101</u>	<u>\$27,501,634</u>	<u>\$28,296,183</u>	<u>\$30,824,163</u>

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

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

Source: City of Grand Rapids

Net Earnings and Bond Coverage - Historical

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

Net earnings of the SSS are calculated in the section entitled "Results of Operations." The table below sets forth the debt service and the coverage ratio based on the net earnings of the SSS for the fiscal years ended June 30, 2016 through 2020. The Coverage Ratio has been determined by dividing the Net Earnings for each fiscal year by the total annual principal and interest payments for each fiscal year.

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

	Fiscal Years Ended June 30,				
	2016	2017	2018	2019	2020
Net Earnings of the SSS	\$26,217,901	\$28,750,101	\$27,501,634	\$28,296,183	\$30,824,163
Total Net Senior Debt Service ⁽¹⁾	19,183,039	18,470,521	18,885,470	21,457,995	21,472,012
Coverage-Senior Debt	1.37	1.56	1.46	1.32	1.44
Debt Service on Junior Lien Bonds ⁽²⁾	1,111,688	784,744	573,073	499,188	469,624
Coverage Ratio - All Debt	1.29	1.49	1.41	1.29	1.40
Total Available After Debt Service	\$5,923,174	\$9,494,836	\$8,043,091	\$6,339,000	\$8,882,527

⁽¹⁾ Net of the Build America Bonds 35% interest expense subsidy in the amount of \$4,524,896 pertaining to the SSS Series 2010A bonds.

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

Source: City of Grand Rapids

Revenue Requirements and Percentage Rate Adjustments – Projected

The rate setting methodology when applied to future operations and maintenance costs, depreciation and return on investment requirements results in the following projected revenue requirements and anticipated rate adjustments for the calendar years commencing January 1, 2021 through January 1, 2025.

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

Rate Study Year Date Effective	2020 1/1/21	2021 1/1/22	2022 1/1/23	2023 1/1/24	2024 1/1/25
Operation & Maintenance ⁽²⁾	\$31,491,002	\$32,429,433	\$34,855,155	\$32,620,940	\$33,120,040
Depreciation Expense ⁽³⁾	10,833,191	13,161,170	13,274,919	13,139,015	12,998,451
Return on System Investment ⁽⁴⁾	14,196,963	14,657,189	14,803,761	14,951,799	15,101,317
Less: Revenue Credits ⁽⁵⁾	(418,643)	(100,625)	(100,625)	(100,625)	(100,625)
CSO Project Debt Service ⁽⁴⁾	8,186,466	7,166,622	7,171,454	7,172,461	7,180,753
Less: Integrated System Credits ⁽⁵⁾	(2,697,078)	(2,381,500)	(3,906,500)	(5,181,500)	(5,181,500)
Less: Circuit Breaker ⁽⁵⁾	(349,611)	(239,335)	(239,719)	(239,205)	(238,110)
Total Revenue Requirements	<u>\$61,242,290</u>	<u>\$64,692,954</u>	<u>\$65,858,445</u>	<u>\$62,362,885</u>	<u>\$62,880,326</u>
Percentage Gross Rate Increase (Decrease) From Prior Year Necessary to Meet Total Revenue Requirements ⁽⁶⁾	7.92%	5.63%	1.80%	(5.31%)	0.83%

- (1) Revenue requirements per the 2020 Rate Study.
- (2) Projections for 2020 Rate Study and thereafter are increased proportionate to the City's FY2021-2025 Fiscal Plan and updated for expense adjustments.
- (3) Projections for 2021 Rate Study and thereafter are based on the City's fixed asset system projections based on assets in service on June 30, 2020 and adjusted for the upcoming biodigester facilities.
- (4) Projections for 2021 Rate Study and thereafter are based on the 2020 Rate Study and adjusted for the upcoming biodigester facilities.
- (5) Projections for 2021 Rate Study and thereafter are based on the City's FY2021-2025 Fiscal Plan and adjusted for the upcoming biodigester facilities.
- (6) These percentages represent the required changes in gross revenues of the System if the three-year average billed volume remains the same as in the 2020 Rate Study, but, because of changes in billed volume and other factors, such as capital improvement projects servicing specific customer communities, the actual percentage change in rates for the individual customer communities will vary from these figures.

Source: City of Grand Rapids

Statement of Operations - Projected

The City projects that the rates in effect for the year commencing January 1, 2020 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, 2021 through June 30, 2025 as set forth in the table below.

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

	Fiscal Years Ending June 30,				
	2021	2022	2023	2024	2025
REVENUES:					
Retail Service Charges ⁽⁴⁾	\$55,374,832	\$57,859,226	\$60,076,600	\$61,278,132	\$63,757,174
Wholesale Service Charges ⁽⁴⁾	2,802,372	3,070,710	3,186,181	3,249,905	3,314,903
Sewer Surcharges	2,131,500	2,131,500	2,131,500	2,131,500	2,131,500
Connection / Front Foot Fees	425,000	425,000	425,000	425,000	425,000
Industrial Pretreatment Permit Fees	45,000	45,000	45,000	45,000	45,000
RNG, Phos, & Liquid Indus. Byproduct ⁽⁴⁾	-	1,525,000	2,800,000	2,800,000	2,800,000
Interest on Investments	736,407	504,256	504,256	622,887	741,517
Miscellaneous ⁽⁴⁾	<u>680,625</u>	<u>680,625</u>	<u>680,625</u>	<u>680,625</u>	<u>680,625</u>
Total Revenues	<u>\$62,195,736</u>	<u>\$66,241,317</u>	<u>\$69,849,162</u>	<u>\$71,233,049</u>	<u>\$73,895,719</u>
OPERATING EXPENSES:					
Water Resource Recovery Facility ⁽⁴⁾	\$20,933,005	\$23,083,483	\$20,802,368	\$21,114,281	\$21,282,274
Sanitary Sewer Repair & Maintenance	5,685,218	5,894,680	6,053,134	5,964,389	6,110,779
Customer Services ⁽⁴⁾	2,911,384	3,108,395	3,184,217	3,370,220	3,331,907
Administration ⁽⁴⁾	782,397	541,690	421,450	474,494	754,414
Industrial Pretreatment	834,070	847,781	869,316	886,136	903,124
Depreciation ⁽²⁾	<u>18,804,666</u>	<u>18,967,191</u>	<u>18,773,012</u>	<u>18,572,173</u>	<u>18,208,142</u>
Total Expenses	\$49,950,740	\$52,443,220	\$50,103,497	\$50,381,693	\$50,590,640
Additions: Depreciation	<u>18,804,666</u>	<u>18,967,191</u>	<u>18,773,012</u>	<u>18,572,173</u>	<u>18,208,142</u>
NET EARNINGS ⁽³⁾	<u>\$31,049,662</u>	<u>\$32,765,288</u>	<u>\$38,518,677</u>	<u>\$39,423,529</u>	<u>\$41,513,220</u>

(1) Projections are taken from the City's FY2021-2025 Fiscal Plan, except as noted in (2) and (4) below.

(2) Projections are taken from the City's fixed asset system, based on assets in service on June 30, 2020.

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

(4) Projections updated for revenue and expense adjustments.

WATER SUPPLY SYSTEM

Annual Water Sales

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

<u>Fiscal Year Ended June 30</u>	<u>Total Sales in Billion Gallons</u>	<u>Total Pumpage in Billion Gallons</u>	<u>Total Annual Billings in Millions of Dollars</u>
2016	11.285	12.684	\$38.468
2017	11.806	12.649	40.315
2018	12.074	13.525	42.432
2019	12.106	12.911	43.382
2020	11.151	12.735	43.906

Source: City of Grand Rapids

Daily Water Pumpage

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

	<u>Fiscal Years Ended June 30</u>				
	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Average Day Pumpage	34.6	34.6	37.0	35.3	34.8
Maximum Day Pumpage	62.7	70.4	66.4	77.1	63.1

Source: City of Grand Rapids

Retail Billings and Collections

The following table sets forth the history of billings and collections for the Water Supply System (“WSS”) for the fiscal years ended June 30, 2016 through June 30, 2020.

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

<u>Fiscal Year Ended June 30</u>	<u>Total Billed</u>	<u>Paid 0-30 Days</u>	<u>Paid 31-90 Days</u>	<u>Paid Over 90 Days</u>	<u>Total Collected ⁽¹⁾</u>
2016	34,740,002	28,206,150	5,605,702	1,463,549	35,275,401
2017	36,615,962	30,023,129	5,755,141	1,478,911	37,257,181
2018	38,282,327	32,402,144	5,550,086	1,401,943	39,354,173
2019	39,557,231	34,222,917	5,038,414	1,232,467	40,493,798
2020	37,769,100	32,712,216	4,574,240	1,204,184	38,490,640

⁽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, 2020 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, 2020**

<u>Customer</u>	<u>Volume of Usage (Water Gallons)</u>	<u>Dollar Amount Billed Per Year</u>	<u>Percent of Total Billings</u>
Vicinity Energy (Veolia Energy)	118,188,488	\$321,856	0.85%
Spectrum Health System	90,073,412	273,664	0.72%
Great Lakes Coca Cola Distribution	74,389,348	202,408	0.54%
Roskam Baking Co	87,837,640	197,732	0.52%
Founders Brewing Company	60,882,712	164,679	0.44%
Kent Quality Foods	45,504,580	124,305	0.33%
Lacks Trim Systems	49,243,832	120,307	0.32%
Plastic Plate Inc.	36,523,344	119,524	0.32%
Calvin College	38,061,232	118,988	0.32%
Allied Finishing, Inc.	52,403,384	114,228	0.30%

Source: City of Grand Rapids

Organization, Management and Staffing

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

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

The fiscal year 2020 budget for these divisions authorized a total of 118.5 employees. The City believes the WSS is adequately staffed in accordance with regulatory compliance.

Regulatory Requirements

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

Rate Setting Methodology

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

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

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

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

The annual rate analysis background material is assembled during the period from August through November of each year. The base period financial information consists of the actual revenues and expenses of the fiscal year ended on the most recent June 30th. Revenue requirements of the WSS are comprised of operating and maintenance expense, depreciation expense, a “return” on the net book value of fixed assets constructed and acquired utilizing the retained earnings of the WSS, and certain debt service costs. Integrated connection fees are an offset to revenue requirements. The revenue requirement components are adjusted to reflect current unit cost data available during the pendency of the rate study. Rates are then calculated that will generate revenues equal to the net revenue requirement. New rates and charges are reported to the City Commission and customer communities on or about November 15th each year with implementation on the following January 1st. The most recent rates were adopted and approved by the City Commission on December 17, 2019 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 2020”, 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 2020⁽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, 2020	2.04	11.40	478.23	8,493,136	27,038,667	
City of Kentwood						
Retail-expiring December 31, 2048						
January 1, 1978	\$ 0.48	\$ 3.63	\$ 206.49	307,080	\$ 243,459	
January 1, 2020	1.63	15.60	747.03	1,797,862	4,568,150	
City of Walker						
Retail-expiring December 31, 2048						
January 1, 1978	\$ 0.48	\$ 2.79	\$ 133.20	414,437	\$ 294,613	
January 1, 2020	1.76	13.64	621.59	1,231,466	3,551,020	
Grand Rapids Charter Township						
Retail-expiring December 31, 2048						
January 1, 1978	\$ 0.48	\$ 2.99	\$ 144.11	95,466	\$ 82,603	
January 1, 2020	1.99	17.10	843.03	704,947	2,493,552	
City of East Grand Rapids						
Wholesale-expiring December 31, 2048						
January 1, 1978	\$ 0.24	\$----	\$1,163.00	650,641	\$ 170,752	
January 1, 2020	1.07	----	17,849.00	558,136	811,391	
Ada Township ⁽²⁾						
Wholesale-expiring December 31, 2048						
January 1, 1982	\$ 0.37	\$----	\$1,111.00	22,878	\$ 21,792	
January 1, 2020	1.22	----	45,244.00	616,741	1,295,354	
Tallmadge Charter Township ⁽²⁾						
Retail-expiring December 31, 2048						
January 1, 1995	\$ 2.58	\$ 10.93	\$ 535.75	9,759	\$ 27,891	
January 1, 2020	2.98	4.50	36.63	48,878	212,290	
Cascade Charter Township						
Retail-expiring December 31, 2048						
January 1, 1978	\$ 0.48	\$ 3.38	\$ 179.15	135,393	\$ 149,357	
January 1, 2020	2.43	23.31	1,240.47	955,420	3,834,786	
Ottawa County ⁽²⁾						
Wholesale-expiring November 1, 2029						
January 1, 1979	\$ 0.27	\$----	\$ 60.00	100,365	\$ 27,315	
January 1, 2020	1.14	----	----	1,712,397	1,947,787	
Total all Entities						
January 1, 1978 and other initial years				13,231,779	\$ 6,167,687	
January 1, 2020				16,118,983	45,752,997	

(1) Rates effective January 1, 2020.

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

(3) HCF: Hundred Cubic Feet.

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

Source: City of Grand Rapids

Revenue Requirements and Percentage Rate Adjustments - Historical

The rate setting methodology when applied in the annual rate studies for the years 2014 through 2018 has yielded the revenue requirements and percentage increases/(decreases) set forth in the table below for the calendar years commencing January 1, 2016 through January 1, 2020.

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

Rate Study Year Date Effective	2015 1/1/16	2016 1/1/17	2017 1/1/18	2018 1/1/19	2019 1/1/20
Operation & Maintenance	\$23,939,647	\$25,249,451	\$25,130,522	\$24,681,475	\$26,296,991
Depreciation	6,366,310	6,464,577	7,377,523	7,827,518	7,780,110
Return on Investment	12,255,736	11,643,593	12,345,466	13,077,518	13,325,270
Less: Revenue Credits	(980,715)	(708,238)	(844,068)	(754,101)	(923,803)
Less: Integrated Connection Fee Credit	(941,160)	(1,081,378)	(789,922)	(569,709)	(359,368)
Less: Circuit Breaker	(461,379)	(380,488)	(390,549)	(394,237)	(366,203)
Total Revenue Requirements	<u>\$40,178,439</u>	<u>\$41,187,517</u>	<u>\$42,828,972</u>	<u>\$43,868,464</u>	<u>\$45,752,997</u>
Gross Rate Increases/(Decrease) Necessary to Meet Total Revenue Requirements (1)	1.00%	3.63%	2.45%	2.71%	2.47%

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

Source: City of Grand Rapids

Connection Fees

On June 27, 2000, the Grand Rapids City Commission enacted Ordinance No. 2000-32 establishing a schedule of integrated connection base fee increases for initial connection to the WSS for periods through December 31, 2008. The fees have been adjusted annually thereafter, most recently on December 15, 2020 when the Grand Rapids City Commission approved a resolution establishing the fees effective January 1, 2021. These integrated connection fees apply to all users of the WSS except users in Ottawa County. The receipts from these fees are shown in the table "WATER SUPPLY SYSTEM – Statement of Operations".

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

INTEGRATED CONNECTION BASE FEE SCHEDULE - HISTORICAL

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

Water Meter Size	Effective On and After				
	1/1/14	1/1/15	1/1/16	1/1/17	1/1/18*
¾" or less	\$2,873	\$2,922	\$2,928	\$2,959	\$3,016
1"	4,798	4,880	4,890	4,942	5,037
1-1/2"	9,567	9,730	9,750	9,853	10,043
2"	15,313	15,574	15,606	15,771	16,075
3"	33,528	34,170	34,170	34,532	35,197
4"	60,333	61,488	61,488	62,139	63,336
6" & over	134,083	136,650	136,650	138,097	140,757

Source: City of Grand Rapids

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

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

Residential User (three residential units or less)	2019	2020	% Change
Meter Size			
¾" or less	\$350	\$360	3%
1"	360	370	3%
1-1/2"	360	370	3%
All Other Users (three residential units or more)			
Meter Size			
¾" or less	\$680	\$700	3%
1"	870	910	5%
1-1/2"	1,140	1,220	7%
2"	1,610	1,680	4%
3"	1,960	2,100	7%
4"	2,730	3,025	11%
6" & over	3,970	4,270	8%

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

Meter Size	2018	2019	2020	% Change
¾" or less	\$175	\$210	\$210	0%
1"	250	250	250	0%
1-1/2" – T2	800	800	750	(6%)
2" – T2	900	900	880	(2%)
3" – T2	1,100	1,100	1,100	0%
4" – T2	at cost	at cost	at cost	N/A
5" & over – T2	at cost	at cost	at cost	N/A
1-1/2" – C2	N/A	N/A	1,200	N/A
2" – C2	N/A	N/A	1,385	N/A
3" – C2	N/A	N/A	1,755	N/A
4" – C2	N/A	N/A	at cost	N/A
5" & over – C2	N/A	N/A	at cost	N/A

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

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

Meter Size	2019	2020	% Change
All sizes	\$695	\$710	2%

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

Meter Size	2019	2020	% Change
All sizes	N/A	\$125	N/A

Statements of Operations - Historical

The rate increases or decreases under the rate setting methodology have produced the results of operations from the WSS for the fiscal years ended June 30, 2016 through June 30, 2020 as set forth below.

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

	Fiscal Years Ended June 30,				
	2016	2017	2018	2019	2020
REVENUES					
Retail Service Charges	\$34,713,082	\$36,652,888	\$38,700,581	\$39,404,089	\$39,901,920
Wholesale Service Charges	3,764,695	3,730,651	3,848,680	4,022,384	4,076,500
Connection & Front Foot Fees	1,473,203	1,075,768	1,139,578	645,415	580,227
Sewage Disposal Fund–Customer Svc.	1,931,449	2,119,181	2,379,792	2,664,759	2,659,486
Other Operating Revenues ⁽¹⁾	2,017,433	2,192,821	1,840,445	1,887,007	1,553,374
Interest on Investments	164,860	184,287	636,536	874,413	902,755
Miscellaneous (Non-Operating)	826,672	1,086,059	786,099	621,252	671,903
Total Revenues	\$44,891,394	\$47,041,655	\$49,331,711	\$50,119,319	\$50,346,165
OPERATING EXPENSES					
Administration	\$3,586,653	\$2,489,044	\$2,454,197	\$4,557,769	\$3,238,471
Customer Services	4,968,221	5,604,469	6,044,940	6,423,299	6,230,849
Engineering	1,095,563	1,099,908	1,064,547	1,148,499	1,260,864
Distribution System	2,340,520	2,395,076	2,371,180	2,542,169	2,476,336
Repair & Maintenance	7,172,077	6,854,568	6,807,304	7,097,746	6,574,836
Filtration Plant	6,388,436	6,851,536	7,970,985	7,218,392	8,080,908
Depreciation	8,425,252	8,887,670	9,295,560	9,346,793	9,831,819
Total Expenses	\$33,976,722	\$34,182,271	\$36,008,713	\$38,334,667	\$37,694,083
ADDITIONS - DEPRECIATION	8,425,252	8,887,670	9,295,560	9,346,793	9,831,819
NET EARNINGS ⁽²⁾	\$19,339,925	\$21,747,054	\$22,618,558	\$21,131,445	\$22,483,901

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

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

Source: City of Grand Rapids

Net Earnings and Bond Coverage - Historical

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

Net earnings of the WSS are stated in the section entitled "Statements of Operations." The table below sets forth the debt service and coverage ratio based upon the net earnings of the WSS for the fiscal years ended June 30, 2016 through 2020. The coverage ratio has been determined by dividing the net earnings for each fiscal year by the total annual principal and interest payments of outstanding bonds for each fiscal year.

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

Fiscal Years Ended June 30,

	2016	2017	2018	2019	2020
Net Earnings of the System	\$19,339,924	\$21,747,054	\$22,337,587	\$21,131,445	\$22,483,901
Total Net Senior Debt Service	13,610,609	13,776,401	14,348,419	9,189,786	10,898,719
Coverage-Senior Debt	1.42	1.58	1.56	2.30	2.06
Junior Lien Bonds Debt Service (1)	1,519,757	993,343	1,579,267	1,640,948	1,442,812
Coverage Ratio-All Debt	1.28	1.47	1.40	1.95	1.82
Total Available After Debt Service	\$4,209,558	\$6,977,310	\$6,409,901	\$10,300,711	\$10,142,370

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

Source: City of Grand Rapids

Revenue Requirements and Percentage Rate Adjustments – Projected

The rate setting methodology when applied to future operations and maintenance costs, depreciation, and return on investment requirements results in the following projected revenue requirements and anticipated rate adjustments for the calendar years beginning January 1, 2021 through January 1, 2025.

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

Rate Study Year Date Effective	2020 1/1/2021	2021 1/1/2022	2022 1/1/2023	2023 1/1/2024	2024 1/1/2025
Operation and Maintenance ⁽²⁾	\$25,768,766	\$29,675,311	\$31,565,628	\$32,168,531	\$33,014,563
Depreciation Expense ⁽³⁾	9,172,624	9,364,386	9,323,875	8,296,224	7,940,329
Return on System Investment ⁽⁴⁾	12,013,676	12,133,813	12,255,151	12,377,702	12,501,479
Less: Revenue Credits ⁽⁵⁾	(806,508)	(650,500)	(650,500)	(650,500)	(650,500)
Less: Integrated System Credits ⁽⁵⁾	(386,298)	(350,000)	(350,000)	(350,000)	(350,000)
Less: Circuit Breaker ⁽⁵⁾	(260,317)	(357,330)	(361,008)	(371,590)	(371,590)
Total Revenue Requirements	\$45,501,943	\$49,815,680	\$51,783,146	\$51,470,367	\$52,084,281
Gross Rate Increase / (Decrease) From Prior Year Necessary to Meet Total Revenue Requirements ⁽⁶⁾	0.62%	9.48%	3.95%	(0.60%)	1.19%

(1) Revenue requirements per the 2020 Rate Study.

(2) Projections for the 2021 Rate Study and thereafter are increased proportionately per the City's FY2021-2025 Fiscal Plan.

(3) Projections for the 2021 Rate Study and thereafter are based on the City's fixed asset system projections and on assets in service on June 30, 2020.

(4) Projections for the 2021 Rate Study and thereafter are based on the 2020 Rate Study.

(5) Projections for the 2021 Rate Study and thereafter are based on the City's FY2021-2025 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 2020 Rate Study, but because of variations in billed volume and other factors, such as capital improvement projects servicing specific customer communities, the actual percentage change in rates for the individual customer communities will vary from these figures.

Source: City of Grand Rapids

Statements of Operations – Projected

The City projects that the rates in effect for the year commencing January 1, 2019, 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, 2021 through June 30, 2025, as set forth in the following table.

CITY OF GRAND RAPIDS, MICHIGAN
WATER SUPPLY SYSTEM
STATEMENTS OF OPERATIONS - PROJECTED ⁽¹⁾
Fiscal Years Ended June 30,

<u>Revenues</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
Retail Service Charges	\$42,557,391	\$43,673,271	\$46,308,152	\$47,233,515	\$48,177,385
Wholesale Service Charges	4,356,435	4,656,089	4,938,892	5,037,670	5,138,423
Connection & Front Foot Fees	525,000	525,000	525,000	525,000	525,000
Sewage System Customer Svcs	2,911,384	3,108,395	3,184,217	3,370,220	3,331,907
Other Operating Revenues	1,600,500	1,600,500	1,600,500	1,600,500	1,600,500
Interest on Investments	618,819	408,804	408,804	516,123	623,441
Miscellaneous (Non-Operating)	656,605	665,959	589,414	543,933	432,210
Total Revenues	<u>\$53,226,134</u>	<u>\$54,638,018</u>	<u>\$57,554,979</u>	<u>\$58,826,961</u>	<u>\$59,828,866</u>
<u>Operating Expenses</u>					
Administration ⁽⁴⁾	\$2,582,363	\$2,265,195	\$2,268,134	\$2,405,831	\$2,903,369
Customer Services ⁽⁴⁾	7,092,460	7,488,183	7,631,901	8,036,699	7,957,686
Engineering	1,312,829	1,352,190	1,383,264	1,411,290	1,432,028
Distribution System	3,358,284	3,586,551	3,322,246	3,384,807	3,374,684
Repair and Maintenance	8,734,609	10,126,398	10,753,937	10,919,324	11,001,996
Filtration Plant	9,004,093	9,311,964	9,422,071	9,538,201	9,641,903
Depreciation ⁽²⁾	10,037,362	9,993,939	8,892,437	8,510,964	8,477,015
Total Expenses	<u>\$42,123,000</u>	<u>\$44,124,420</u>	<u>\$43,673,990</u>	<u>\$44,207,116</u>	<u>\$44,788,681</u>
<u>Additions:</u>					
Depreciation	10,037,362	9,993,939	8,892,437	8,510,964	8,477,015
Net Earnings ⁽³⁾	<u>\$21,140,496</u>	<u>\$20,507,537</u>	<u>\$22,773,426</u>	<u>\$23,130,809</u>	<u>\$23,517,200</u>

(1) Projections are taken from the City's FY2021-2025 Fiscal Plan, except as noted in (2) and (4) below.

(2) Projections are taken from the City's fixed asset system based on assets in service on June 30, 2020.

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

(4) Projections updated for revenue and expense adjustments.

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,”) as well as State of Michigan Public Act 57 of 2018, as amended. The purpose of the Authority is to correct and prevent deterioration in business districts; encourage historic preservation; authorize the acquisition and disposal of interests in real and personal property; authorize the creation and implementation of development plans in the districts; promote the economic growth of the districts; authorize the levy and collection of taxes; authorize the issuance of bonds and other evidences of indebtedness; and authorize the use of tax increment financing.

The Authority’s tax capture district was once 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 expanded boundaries were 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 2007 expansion capture was in the fiscal year ended June 30, 2009. The 2007 expansion sub-districts are identified as Sub-Districts I, J, and K.

In December, 2016 the Authority and the Grand Rapids City Commission approved a plan amendment to expand the Authority’s tax capture boundaries to include five new sub-districts, known as Sub-Districts L, M, N, O, and P. After a sixty-day waiting period, all four local units chose to not opt out of the new sub-districts. Further, where local units had previously opted out of the Authority’s capture for Sub-Districts F, I, J, and K, the local units chose to rescind the prior opt outs in return for annual tax increment revenue rebates based on a percentage of the Authority’s district-wide tax increment revenues resulting from that unit’s millage. The rebate shares range from 10% for the fiscal year ending June 30, 2019 through 25% for the fiscal years ending June 30, 2032 and beyond. The first year of property tax increment revenue capture for Sub-Districts L, M, N, O, and P was Roll Year 2017 / FY2018.

The Authority captures property tax increment revenues from two sources, local mills and school mills. Local property tax increment (“LTI”) revenues are captured from mills levied by the City of Grand Rapids, the County of Kent, the Interurban Transit Partnership and the Grand Rapids Community College. School property tax increment (“STI”) revenues are captured from mills levied by the State of Michigan, the Grand Rapids Public Schools, and the Kent Intermediate School District millages.

Under the provisions of Act 197 and Act 57, the Authority may capture STI revenues only to the extent that both city and county operating mills are captured. Until 2017, the County of Kent chose to ‘opt out’ of the Authority’s Sub-Districts F, I, J, and K which meant STI revenues were not captured from these four sub-districts. Beginning with Roll Year 2017, the County of Kent rescinded its prior “opt out,” (see above) which allowed the Authority to capture STI revenues from Sub-Districts F, I, and J. STI revenues are still not captured from Sub-Districts H and K since the City’s SmartZone LDFA captures all LTI revenues for these two districts.

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 for refunding of any of those pre-1995 eligible obligations. The Authority’s debt service for obligations issued after January 1, 1995 and all 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**

Roll Year	Fiscal Year	Local Tax Mills	Education/ "School Tax" Mills		NON-PRE TOTAL 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
2014	2015	18.0279 ^{7, 11}	14.2903	32.2903	50.3182
2015	2016	18.0276	14.5903	32.5903	50.6179
2016	2017	17.9915 ¹²	16.5352	34.5352	52.5267
2017	2018	17.8815	15.9194	33.9194	51.8009
2018	2019	17.4455 ¹³	15.9465	33.9465	51.3920
2019	2020	17.3260	16.4613	34.4613	51.7873

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 beginning 2005/FY2006 per the State's request.
- 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 through Roll Year 2018, the rate remained 1.6000 mills.
- ⁷ Voters renewed the Kent County senior citizen support millage, approved a 0.0800 mill increase beginning in 2006/FY2007, and approved an additional 0.1756 mill increase beginning in 2014/FY2015.
- 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 which expired after Roll Year 2016.
- ¹¹ Voters approved 0.9800 mill for 7 years in support of City parks and 0.0500 mill for County of Kent veterans' services for 8 years.
- ¹² Per the 2016 Plan Amendment, voter approved Kent County levies for Zoo/Museum operations (originally 0.4400 mill) and for Early Childhood Development (0.2500 mill) are not captured since they were approved by voters after November 7, 2016
- ¹³ DDA ceased capture of the Library – Capital levy beginning with Roll Year 2019.

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	30.0%
1986	1987	49,637,950	27,052,600	22,585,350	15.0%
1987	1988	54,715,100	27,159,000	27,556,100	22.0%
1988	1989	60,866,600	27,159,000	33,707,600	22.3%
1989	1990	65,179,750	27,159,000	38,020,750	12.8%
1990	1991	69,095,100	27,159,000	41,936,100	10.3%
1991	1992	76,272,300	27,279,000	48,993,300	16.8%
1992	1993	87,425,017	28,301,500	59,123,517	20.7%
1993	1994	97,865,000	27,812,600	70,052,400	18.5%
1994	1995 ¹	126,404,100	31,895,300	94,508,800	34.9%
1995	1996 ¹	139,023,867	31,895,300	107,128,567	13.4%
1996	1997 ²	143,989,934	31,895,300	112,094,634	4.6%
1997	1998 ²	153,710,185	31,895,300	121,814,885	8.7%
1998	1999 ^{2,4}	203,909,131	33,635,270	170,273,861	39.8%
1999	2000 ²	213,321,189	33,635,270	179,685,919	5.5%
2000	2001 ²	211,827,610	33,635,270	178,192,340	(0.8%)
2001	2002	213,084,653	33,635,270	179,449,383	0.7%
2002	2003 ⁵	273,164,380	87,406,488	185,757,892	3.5%
2003	2004 ⁶	271,789,814	86,868,580	184,921,234	(0.5%)
2004	2005 ⁷	282,356,639	87,284,880	195,071,759	5.5%
2005	2006	293,062,670	87,284,880	205,777,790	5.5%
2006	2007	310,564,573	87,284,880	223,279,693	8.5%
2007	2008	333,804,984	87,284,880	246,520,104	10.4%
2008	2009	422,163,545	147,752,451 ⁹	274,411,094	11.3%
2009	2010	484,626,596	160,352,382	324,274,214	18.2%
2010	2011	473,138,937	160,352,382	312,786,555	(3.5%)
2011	2012	461,134,175	163,558,491 ¹⁰	297,575,684	(4.9%)
2012	2013	449,963,527	163,558,491	286,405,036	(3.8%)
2013	2014	446,699,251	163,558,491	283,140,760	(1.1%)
2014	2015	454,495,745	163,634,789	290,860,956	2.7%
2015	2016	472,130,587	163,634,789	308,495,798	6.1%
2016	2017	492,303,199	163,634,989	328,668,210	6.5%
2017	2018	590,284,761 ¹¹	220,480,274 ¹¹	369,804,487	12.5%
2018	2019 ³	614,212,901	218,023,394	396,189,507	7.1%
2019	2020 ³	672,449,665	218,023,394	454,426,271	14.7%
2020	2021	721,574,775	218,708,679	502,866,096	10.6%

See Notes on the next page.

Downtown Development Authority Ad Valorem Assessed Valuations – Historical – continued from prior page

Notes for the Table on Prior Page

- Note 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.
- Note 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.
- Note 3: Total Roll Year 2019 assessed valuation data as of May 6, 2020. Valuations may still be affected by Board of Review, Michigan Tax Tribunal, and/or State Tax Commission decisions issued after this date. Roll year 2020 data based on March 2020 Board of Review values.
- Note 4: District F was added to the capture boundaries. Ad valorem initial value was \$1,739,970.
- Note 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.
- Note 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.
- Note 7: City Assessor adjusted District H parcel list & initial values when it was discovered the newly created SmartZone LDFA parcel list, which overlaps all of DDA District H, omitted parcels, included wrong parcels, and mathematical errors. DDA initial value net increase was \$416,300.
- Note 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.
- Note 9: The Authority expanded to include Sub-Districts I, J, and K which added 976 parcels to the Authority’s boundaries.
- Note 10: Effective 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.
- Note 11: In December, 2016 the Authority expanded its Development Plan Area 1 boundaries to include Sub-Districts L, M, N, O, and P. At the time the new districts were added, total ad valorem initial values for the additional five districts were \$56,605,158 and Industrial Facilities Tax Roll initial values were \$3,031,571.

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

USE¹	2019 / FY2021
Commercial	\$536,553,303
Industrial	18,434,889
Residential	117,061,096
Utility	-
TOTAL ASSESSED VALUATION	<u>\$672,049,288</u>

CLASS¹	2019 / FY2021
Real Property	\$617,137,688
Personal Property	58,614,200
TOTAL ASSESSED VALUATION	<u>\$675,751,888</u>

Note 1: Includes the taxable value of properties with industrial facilities tax and other abatements rolls 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 2019 / Fiscal Year 2020				% of DDA Assessed Valuation
	Real	Personal	IFT	Total	
Amway Hotel Corporation	\$20,616,582	\$7,610,900	\$ -	\$28,227,482	4.18%
HP3 LLC	17,733,215	3,222,400	-	20,922,615	3.10%
Hertz Grand Rapids One LLC	14,628,270	-	-	14,628,270	2.16%
601 Bond Nassau Dutch John	14,236,408	-	-	14,236,408	2.11%
Waters Building LLC	12,390,213	147,100	-	12,837,313	1.90%
CWD 111 Lyon LLC	12,228,096	-	-	12,228,096	1.81%
Arena Place Development LLC	12,166,749	-	-	12,166,749	1.80%
VREI99 LLC	11,994,753q	57,200	-	12,051,953	1.78%
Deep Creek Holdings LLC	10,495,457	87,800	-	10,583,257	1.57%
Hotel Holdings Monroe LLC	9,545,804	-	-	9,545,804	1.41%
Total	<u>\$138,335,547</u>	<u>\$11,125,400</u>	<u>\$ -</u>	<u>\$147,460,947</u>	21.82%

**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, & 2009 & 2017 Refundings	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	525,655	5,891,930	1.99
2012	2013	4,178,913	6,780,973	10,959,886	269,500	5,204,525	823,226 ⁴	6,297,251	1.74
2013	2014	4,236,321	7,350,094	11,586,415	271,625	5,199,525	208,600	5,679,750	2.04
2014	2015	4,712,336	7,508,989	12,221,325	-	5,479,525	458,601	5,938,126	2.06
2015	2016	4,930,670	7,972,845	12,903,515	-	5,479,525	459,291	5,938,816	2.17
2016	2017	5,573,340	9,671,199	15,244,539	-	5,771,199 ⁶	454,737	6,225,936	2.45
2017	2018	5,995,795	5,992,837 ⁵	11,988,632	-	9,380,463 ⁶	453,387	9,833,850	1.22
2018	2019	6,315,683	9,619,601 ⁵	15,935,284	-	7,649,200 ⁶	415,007	8,064,207	1.98
2019	2020	6,188,213	9,522,500	15,710,713	-	7,230,500 ⁶	416,808	7,647,308	2.05
2020	2021	6,219,529	9,570,238	15,789,767	-	6,986,750 ⁶	412,210	7,398,960	2.13
2021	2022	6,251,002	9,618,214	15,869,216	-	6,814,500 ⁶	390,100	7,204,600	2.20
2022	2023	6,282,632	- ⁶	6,282,632	-	-	393,400	393,400	15.97
2023	2024	6,314,420	- ⁶	6,314,420	-	-	391,200	391,200	16.14
2024	2025	6,302,564	-	6,302,564	-	-	75,000	75,000	84.03
2025	2026	6,290,590	-	6,290,590	-	-	75,000	75,000	83.87
2026	2027	6,278,496	-	6,278,496	-	-	75,000	75,000	83.71
2027	2028	6,266,281	-	6,266,281	-	-	75,000	75,000	83.55
2028	2029	6,253,944	-	6,253,944	-	-	75,000	75,000	83.39
2029	2030	6,241,483	-	6,241,483	-	-	75,000	75,000	83.22
2030	2031	6,228,898	-	6,228,898	-	-	75,000	75,000	83.05
2031	2032	6,216,187	-	6,216,187	-	-	75,000	75,000	82.88
					\$ 12,122,158	\$ 139,847,686	\$ 14,789,121	\$ 166,758,965	

See Notes on next page.

Downtown Development Authority Historical / Projected Tax Increment Revenue and Debt Service Coverage –
continued from prior page

Notes for the Table on Prior Page

Note 1: FY2018-2032 Historical and Project Revenues include tax increment revenues captured from Sub-Districts L, M, N, O, and P. Forecasted revenues are reduced by estimated annual losses for property assessment appeals.

Note 2: DDA-supported debt issued prior to 1995, and issues which refund these pre-1995 debt, are defined by the Authority's authorizing statutes as "eligible obligations" for which State of Michigan and local and intermediate school district-related tax increment revenues may be captured to support debt service. The Authority's 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 from which it was captured.

Note 4: Beginning with FY2013, the DDA agreed to pay the first \$75,000 of annual Brownfield Redevelopment Authority Series 2012A debt service thru the final bond maturity on June 1, 2032.

Note 5: The DDA captured only 60% of available tax increment revenues from Education Mills for fiscal year ended June 30, 2018 and only 90% in fiscal year ending June 30, 2019. This was possible since Series 1994 Debt Service Reserve Funds were available to supplement tax increment revenues for payment of debt service for these two fiscal years.

Note 6: On March 8, 2017 the City issued Downtown Development Series 2017 Improvement and Refunding Bonds to refund the Downtown Development Series 2009 maturities dated May 1, 2020 through May 1, 2024. Principal payments for these five maturities were re-allocated to the Series 2017 May 1, 2017 through May 1, 2022 maturities to eliminate the need for May 1, 2023 and 2024 maturities and to cease the capture of school tax increment revenues two years earlier than previously planned.

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CITY OF GRAND RAPIDS, MICHIGAN
CONTINUING DISCLOSURE ANNUAL REPORT
MATRIX OF FINANCIAL DISCLOSURES FOR DEBT ISSUES DATED JULY 1, 1998 - SEPTEMBER 15, 2010
December 22, 2020

	CUSIP	386289	386445	386244	59455T	386316	386289	368244	368244	368244
Internal Issue #	#48	County	#84	#85	#86	#88	#89 Series A	#89 Series B	#90	
Amount of Issue	\$ 83,650,000	\$ 7,870,000	\$ 18,005,000	\$ 28,430,000	\$ 30,000,000	\$ 29,625,000	\$ 1,770,000	\$ 2,815,000	\$ 7,325,000	
Type	SSS-Revenue	Drain - FW	GRBA-GOLT	MMBA-LGLP	WSS-Revenue	SSS-Rev Refdg	GRBA-GOLT	GRBA-GOLT	GRBA-GOLT	
Date of Issue	07/01/1998	09/18/2008	03/04/2009	03/18/2009	05/06/2009	01/26/2010	03/30/2010	03/30/2010	09/15/2010	
Final Maturity (including terms)	01/01/2028	11/01/2020	08/01/2020	05/01/2024	01/01/2039	01/01/2028	10/01/2039	10/01/2032	10/01/2035	
Dissemination Agent	City	City	City	City	City	City	City	City	City	City
- Population	X	-	X	X	X	X	X	X	X	X
- Taxable Value	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
- SEV - by Use and Class (\$ / %)	X	-	X	X	-	X	X	X	X	X
- Ten Largest Valuations by TV	-	X	X	X	X	X	-	-	-	-
- State and Local Tax Limitations	X	-	-	-	-	-	-	-	-	-
- Maximum Property Tax Rates	-	X	X	X	X	X	-	-	-	-
- Property Tax Rates - Grand Rapids and Homestead / Non-Homestead	X	XXX	X	X	X	X	-	-	-	-
- Property Tax Collections	X	X	X	X	X	X	X	X	X	X
- Status of Labor Contracts	X	X	X	X	X	X	X	X	X	X
- Statement of Legal Debt Margin	X	X	X	X	X	X	X	X	X	X
- Debt Statement	X	X	X	X	X	X	X	X	X	X
- Schedule of Remaining Bond Maturities	X	X	X	X	X	X	-	-	-	-
- Income Tax Collections	X	X	X	X	X	X	X	X	X	X
- Retirement Plans - General and Police & Fire	-	XX	X	X	X	X	-	-	-	-
- Other Postemployment Benefits (OPEB)	-	X	X	X	X	X	-	-	-	-
- Employment	X	-	-	-	-	-	-	-	-	-
- General Fund Revenues from Michigan	X	X	-	-	X	X	X	X	X	X
- Retail Billings & Collections	X	-	-	-	X	X	-	-	-	-
- 10 Largest Retail Customers	X	-	-	-	X	X	-	-	-	-
- Comparative Analysis of WSS Rates	-	-	-	-	X	-	-	-	-	-
- Stmt of Operations-Historical & Projected	X	-	-	-	X	X	-	-	-	-
- Debt Service & Coverage Ratio	X	-	-	-	X	X	-	-	-	-
- Annual Water Sales - Gals/Pumpage/\$	-	-	-	-	X	-	-	-	-	-
- Revenue Requirements & % Rate	-	-	-	-	X	X	-	-	-	-
- Adjustments - Historical & Projected	-	-	-	-	-	X	-	-	-	-
- Integrated Connection Base Fee Sched	-	-	-	-	-	X	-	-	-	-
- Wastewater Volumes	-	-	-	-	-	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	-	-	-	-	-	-
- Economic Profile - Industrial	X	-	-	-	-	-	-	-	-	-
- Economic Profile - Commercial	X	-	-	-	-	-	-	-	-	-
- GR Regional Retail Sales	X	-	-	-	-	-	-	-	-	-
- Effective Hshold Buying Income	X	-	-	-	-	-	-	-	-	-

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CITY OF GRAND RAPIDS, MICHIGAN
CONTINUING DISCLOSURE ANNUAL REPORT
MATRIX OF FINANCIAL DISCLOSURES FOR DEBT ISSUES DATED DECEMBER 15, 2010 - FEBRUARY 25, 2015
December 22, 2020

CU SIP Internal Issue # Amount of Issue Type Date of Issue Final Maturity (including term bonds) Dissemination Agent	386289 #92 \$ 24,815,000 SSS Revenue 12/15/2010 01/01/2025 City	386244 #97 \$ 14,585,000 GRBA-GOLT 07/28/2011 10/01/2031 City	386205 #99 \$ 2,325,000 BRA-TIF/GOLT 06/12/2012 06/01/2032 City	386289 #102 \$ 30,000,000 SSS Revenue 10/10/2012 01/01/2042 City	386316 #104 \$ 3,385,000 WSS Rev Refd 03/13/2013 01/01/2028 City	386289 #106 \$ 37,830,000 SSS Rev Refd 05/16/2013 01/01/2034 City	386289 #111 \$ 55,230,000 SSS Rev Imp/Refd 10/8/2014 01/01/2044 City	386445 County \$ 4,550,000 Drain -FW 12/03/2014 11/01/2034 City	386316 #113 \$ 25,370,000 WSS-Rev Refd 2/25/2015 01/01/2035 City
- Population	X	X	X	X	X	X	X	X	X
- Taxable Value	X	X	X	X	X	X	X	X	X
- TV - by Use and Class (\$ / %)	X	X	X	X	X	X	X	X	XX
- Total State Equalized Valuation	X	X	X	X	X	X	X	X	X
- SEV - by Use and Class (\$ / %)	X	X	X	X	X	X	X	X	XX
- Ten Largest Valuations by TV	X	-	-	X	X	X	X	X	X
- Property Tax Rates - Grand Rapids and Homestead / Non-Homes tead	X	-	-	XXX	XXX	XXX	XXX	XXX	XXX
- Property Tax Collections	X	X	X	X	X	X	X	X	X
- Status of Labor Contracts	X	X	X	X	X	X	X	X	X
- Statement of Legal Debt Margin	X	X	X	X	X	X	X	X	X
- Debt Statement	X	X	X	X	X	X	X	X	X
- Schedule of Remaining Bond Maturities	X	-	-	X	X	X	X	-	X
- Income Tax Collections	X	X	X	X	X	X	X	X	X
- Retirement Systems - General and Police & Fire	X	-	-	XX	XX	XX	XX	XX	XX
- Other Postemploymt Benefits (OPEB)	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	-	X
- 10 Largest Retail Customers	X	-	-	X	X	X	X	-	X
- Results of Ops-Historical & Projected	X	-	-	XX	XX	XX	XX	-	XX
- Debt Srvc/Coverage Ratio-Historical	X	-	-	X	X	X	X	-	X
- Annual Water Sales - Gals/Pumpage/\$	-	-	-	-	X	-	-	-	X
- Comparative Analysis of Rates WSS Revenue Requirements & % Rate	-	-	-	-	-	-	-	-	-
- Adjustments - Historical & Projected	X	-	-	XX	XX	XX	XX	-	Historical only
- Integrated Connection Base Fee Sched	X	-	-	X	X	X	X	-	X
- Wastewater Volumes	X	-	-	X	-	X	X	-	-

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CITY OF GRAND RAPIDS, MICHIGAN
CONTINUING DISCLOSURE ANNUAL REPORT
MATRIX OF FINANCIAL DISCLOSURES FOR DEBT ISSUES DATED FEBRUARY 4, 2016 - DECEMBER 18, 2018
December 22, 2020

	CUSIP Internal Issue # Amount of Issue Type Date of Issue Final Maturity (inc term bonds) Dissemination Agent	386226 #116 \$ 19,580,000 LTGO-Rfdg 2/4/2016 10/01/2036 City	386289 #117 \$ 48,410,000 SSS Rev Refd 3/3/2016 01/01/2038 City	386226 #118 \$ 15,245,000 CIB-GOLT 3/31/2016 04/01/2026 City	386316 #120 \$ 36,740,000 WSS Rev Imp/Refd 9/22/2016 01/01/2046 City	386445 County \$ 8,445,000 Drain - FW 11/15/2016 11/01/2036 City	386226 #121 \$ 25,280,000 LTGO-Rfd/Imp 3/8/2017 05/01/2022 City	386289 #123 \$ 43,400,000 SSS-Revenue 06/13/2018 01/01/2048 City	386316 #124 \$ 38,680,000 WSS Rev Imp/Ref 09/20/2018 01/01/2048 City	386226 #125 \$ 8,210,000 CIB-GOLT 12/18/2018 10/01/2041 City
- Population	X	X	X	X	X	X	X	X	X	X
- Total Taxable Value	X	X	X	X	X	X	X	X	X	X
- TV - by Use and Class (\$ / %)	XX	XX	XX	XX	XX	XX	XX	XX	XX	XX
- Total State Equalized Valuation	X	X	X	X	X	X	X	X	X	X
- SEV - by Use and Class (\$ / %)	XX	XX	XX	XX	XX	X	X	XX	XX	XX
- Ten Largest Valuations by TV	X	X	X	X	X	X	X	X	X	X
- Property Tax Rates - Grand Rapids and Homestead / Non-Homestead	XX_	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
- Property Tax Collections	X	X	X	X	X	X	X	X	X	X
- Status of Labor Contracts	X	X	X	X	X	X	X	X	X	X
- Statement of Legal Debt Margin	X	X	X	X	X	X	X	X	X	X
- Debt Statement	X	X	X	X	X	X	X	X	X	X
- Schedule of Remaining Bond Maturities	X	X	X	X	X	-	X	X	X	X
- Income Tax Collections	X	X	X	X	X	X	X	X	X	X
- Retirement Systems - General and Police & Fire	XX	XX	XX	XX	XX	XX	XX	XX	XX	XX
- Other Postemployment Benefits (OPEB)	X	X	X	X	X	X	X	X	X	X
- General Fund Revs from Michigan	-	X	-	X	X	X	X	X	X	-
- Retail Billings & Collections	-	X	-	X	-	-	X	X	X	-
- 10 Largest Retail Customers	-	X	-	X	-	-	X	X	X	-
- Revenue Requirements & % Rate Adjustments - Historical & Projected	-	XXX	-	X	-	-	XX	X_	X_	-
- Results of Ops - Historical & Projected	-	XX	-	XX	-	-	XX	XX	XX	-
- Debt Svc & Coverage Ratio - Historical and Projected	-	XX	-	X	-	-	XX	X_	X_	-
- Annual Water Sales - Gals/Pumpage/\$	-	-	-	X	-	-	-	X	X	-
- Comparative Analysis of Rates - WSS	-	-	-	-	-	-	-	-	-	-
- Integrated Connection Base Fee Sched	-	X	-	X	-	-	X	X	X	-
- Wastewater Volumes	-	X	-	-	-	-	X	-	-	-

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 CITY OF GRAND RAPIDS, MICHIGAN
 CONTINUING DISCLOSURE ANNUAL REPORT
 MATRIX OF FINANCIAL DISCLOSURES FOR DEBT ISSUES DATED FEBRUARY 12, 2020 - DECEMBER 18, 2020
 December 22, 2020

	CU SIP	386289	386316	386244	386244
Internal Issue #	#126	#127	#128	#129	
Amount of Issue	\$ 35,030,000	\$ 26,445,000	\$ 5,805,000	\$ 11,050,000	
Type	SSS Rev Imp/Rfd	WSS Rev Imp	GRBA -Ref	GRBA - Tax Ref	
Date of Issue	2/12/20	6/25/20	11/18/20	11/18/20	
Final Maturity (inc term bonds)	1/1/50	1/1/50	10/1/39	10/1/32	
Dissemination Agent	City	City	City	City	
- Population	X	X	X	X	
- Total Taxable Value	X	X	X	X	
- TV - by Use and Class (\$ / %)	XX	XX	X	X	
- Total State Equalized Valuation	X	X	X	X	
- SEV - by Use and Class (\$ / %)	XX	XX	X	X	
- Ten Largest Valuations by TV	X	X	-	-	
- Property Tax Rates - Grand Rapids and Homestead / Non-Homestead	XXX	XXX	-	-	
- Property Tax Collections	X	X	X	X	
- Status of Labor Contracts	X	X	X	X	
- Statement of Legal Debt Margin	X	X	X	X	
- Debt Statement	X	X	X	X	
- Schedule of Remaining Bond Maturities	X	X	-	-	
- Income Tax Collections	X	X	X	X	
- Retirement Systems - General and Police & Fire	XX	XX	-	-	
- Other Postemployment Benefits (OPEB)	X	X	-	-	
- General Fund Revs from Michigan	X	X	X	X	
- Retail Billings & Collections	X	X	-	-	
- 10 Largest Retail Customers	X	X	-	-	
- Revenue Requirements & % Rate Adjustments - Historical & Projected	XX	X_	-	-	
- Results of Ops - Historical & Projected	XX	XX	-	-	
- Debt Svc & Coverage Ratio - Historical and Projected	XX	X_	-	-	
- Annual Water Sales - Gals/Pumpage/\$	-	X	-	-	
- Comparative Analysis of Rates - WSS	-	-	-	-	
- Integrated Connection Base Fee Sched	X	X	-	-	
- Wastewater Volumes	X	-	-	-	