

# ANNUAL REPORT COVER SHEET

## CITY OF GRAND RAPIDS, MICHIGAN

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

City's name: City of Grand Rapids, Michigan

Page 1 of 2

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

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

50 pages plus the Comprehensive Annual Financial Report for the period ending June 30, 2013

Bond Issues to which this Annual Report relates:

CUSIP	Name of Bond Issue	Date of Such Bonds:
386289	\$83,650,000 City of Grand Rapids, Michigan Sanitary Sewer System Improvement & Refunding Revenue Bonds, Series 1998A	July 1, 1998
386244	\$20,000,000 City of Grand Rapids Building Authority Building Authority Bonds, Series 1998	September 1, 1998
386226	\$11,020,000 City of Grand Rapids, Michigan Transportation Fund Improvement and Refunding, Series 1999	December 1, 1999
386244	\$25,500,000 City of Grand Rapids Building Authority Building Authority Bonds, Series 2000	November 2, 2000
386316 *	\$88,930,000 City of Grand Rapids, Michigan (See Note below) Water Supply System Refunding Revenue Bonds, Series 2000	November 1, 2000
386244	\$14,620,000 City of Grand Rapids Building Authority Building Authority Bonds, Series 2001	October 1, 2001
386244	\$3,500,000 City of Grand Rapids Building Authority Building Authority Bonds, Series 2002	May 1, 2002
386226	\$3,750,000 City of Grand Rapids, Michigan Transportation Fund Bonds, Series 2003	May 8, 2003
490278	\$5,290,000 Silver Creek Drainage District Silver Creek Drain Refunding Bonds, Series 2003	September 30, 2003
386289	\$37,475,000 City of Grand Rapids, Michigan Sanitary Sewer System Revenue Bonds, Series 2004	August 26, 2004
386289	\$51,525,000 City of Grand Rapids, Michigan Sanitary Sewer System Revenue Bonds, Series 2005	October 27, 2005
386316	\$35,000,000 City of Grand Rapids, Michigan Water Supply System Revenue Bonds, Series 2005	December 14, 2005
386226	\$4,470,000 City of Grand Rapids, Michigan Municipal Purchase Notes, Series 2006	April 13, 2006
386244	\$7,375,000 City of Grand Rapids Building Authority Building Authority Bonds, Series 2006	November 15, 2006
386226	\$3,660,000 City of Grand Rapids, Michigan Municipal Purchase Notes, Series 2006A	December 20, 2006
386226	\$14,740,000 City of Grand Rapids, Michigan Capital Improvement Bonds, Series 2007	May 16, 2007
386316	\$32,900,000 City of Grand Rapids, Michigan Water Supply System Revenue Refunding Bonds, Series 1993 Conversion	April 8, 2008
386289	\$67,260,000 City of Grand Rapids Michigan Sanitary Sewer System Revenue Bonds, Series 2008	August 6, 2008
490278	\$7,870,000 Grand River Floodwalls and Embankments Drainage District Grand River Floodwalls and Embankments Drain Refunding Bonds, Series 2008	September 18, 2008
386244	\$8,980,000 City of Grand Rapids Building Authority Building Authority Bonds, Series 2008	December 23, 2008

List continues on next page

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

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

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

50 pages plus the Comprehensive Annual Financial Report for the period ending June 30, 2013

**Bond Issues to which this Annual Report relates:**

CUSIP	Name of Bond Issue	Date of Such Bonds
386244	\$18,005,000 City of Grand Rapids Building Authority Building Authority Refunding Bonds, Series 2009	March 4, 2009
59455T	\$28,430,000 Michigan Municipal Bond Authority Local Government Loan Program Revenue Bonds, Series 2009A	March 18, 2009
386316	\$30,000,000 City of Grand Rapids, Michigan Water Supply System Refunding Revenue Bonds, Series 2009	May 6, 2009
386226	\$7,410,000 City of Grand Rapids, Michigan Capital Improvement Bonds, Series 2009	September 3, 2009
386289	\$29,625,000 City of Grand Rapids, Michigan Sanitary Sewer System Revenue Refunding Bonds, Series 2010	January 26, 2010
386244	\$1,770,000 City of Grand Rapids, Michigan Building Authority Bonds, Series 2010A	March 30, 2010
386244	\$2,815,000 City of Grand Rapids, Michigan Building Authority Bonds, Series 2010B	March 30, 2010
386244	\$7,325,000 City of Grand Rapids Building Authority Building Authority Bonds, Series 2010C	September 15, 2010
386316	\$43,025,000 City of Grand Rapids, Michigan Water Supply System Refunding Revenue Bonds, Series 2010	October 4, 2010
386289	\$24,815,000 City of Grand Rapids, Michigan Sanitary Sewer System Revenue Bonds, Series 2010A and 2010B	December 15, 2010
386244	\$14,585,000 City of Grand Rapids Building Authority Building Authority Refunding Bonds, Series 2011	July 28, 2011
386205	\$2,325,000 City of Grand Rapids, Michigan Brownfield Redevelopment Authority Tax Increment Bonds, Series 2012	June 12, 2012
386289	\$30,000,000 City of Grand Rapids, Michigan Sanitary Sewer System Improvement Revenue Bonds, Series 2012	October 10, 2012
386316	\$3,385,000 City of Grand Rapids, Michigan Water Supply System Refunding Revenue Bonds, Series 2013	March 13, 2013
386289	\$37,830,000 City of Grand Rapids, Michigan Sanitary Sewer System Revenue Refunding Bonds, Series 2013	May 16, 2013
386226	\$4,350,000 City of Grand Rapids, Michigan Capital Improvement Refunding Bond, Series 2013	October 11, 2013

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

**Signature:** 

**Name:** Scott Buhner

**Title:** Chief Financial Officer

**Employer:** City of Grand Rapids

**Address:** Financial Planning, 7th Floor; 300 Monroe Avenue, N.W.

**City, State, ZIP code:** Grand Rapids, Michigan 49503

**Voice telephone number:** 616-456-3950



**CITY OF  
GRAND  
RAPIDS**

**CITY OF GRAND RAPIDS, MICHIGAN  
CONTINUING DISCLOSURE CERTIFICATE  
AS OF JUNE 30, 2013**

Prepared by Jana M. Wallace  
Debt and Authority Finance Officer  
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December 27, 2013

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• Table A - Matrix of Continuing Disclosure Requirements by Debt Issuance	
• Comprehensive Annual Financial Report, Year Ended June 30, 2013	

## CITY OF GRAND RAPIDS

### City of Grand Rapids Population

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

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

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

### Form of Government

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

## CITY TAXATION AND LIMITATIONS

### Property Valuations

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

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

In 1994, the electors of the State approved an amendment to the Michigan Constitution permitting the Michigan Legislature to authorize real and personal ad valorem taxes on a non-uniform basis. The legislation implementing this constitutional amendment added a new measure of property value known as taxable value ("Taxable Value"). Since 1995, taxable property has two valuations, SEV and Taxable Value. Property taxes are levied on Taxable Value. Generally, the Taxable Value of property is the lesser of (a) the Taxable Value of the property in the immediately preceding year, adjusted for losses, multiplied by the lesser of the inflation rate or 5%, plus additions, or (b) the property's current SEV. Under certain circumstances therefore the Taxable Value of property may be different from the same property's SEV.

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

Ad Valorem Taxable Value does not include any value of tax-exempt property (e.g., hospitals, governmental facilities, churches, public schools, etc.) or property granted tax abatement under Act 198, Public Acts of Michigan, 1974, as amended ("Act 198"), Act 146, Public Acts of Michigan, 2000, as amended ("Act 146") and Act 147, Public Acts of Michigan, 1992, as amended ("Act 147"). For its fiscal year ended June 30, 2013, the equivalent effect of the abatements granted under Act 198, Act 146 and Act 147 is to understate the City's Taxable Value by \$33,828,602 or 0.75%. Including the Equivalent Taxable Value (hereinafter defined) of these properties, the City's total Taxable Value ("Total Taxable Value") has decreased \$410,036,262 or approximately 8.34% between the fiscal years ended or ending June 30, 2009 through 2013. See the following table and "CITY TAXATION AND LIMITATIONS -- Tax Abatements" herein.

**City of Grand Rapids  
Total Taxable Value  
Fiscal Years Ended June 30, 2009 Through 2013**

Assessed Value as of <u>December 31</u>	Year of State Equalization and Tax <u>Levy</u>	City's Fiscal Year Ended <u>June 30</u>	Ad Valorem Taxable Value (1)	Equivalent Taxable Value of Property Granted Tax Abatements Under Act 198, Act 146 and Act 147 (2)	Total Taxable Value	Percent Increase Over Prior Year
2007	2008	2009	\$4,868,590,553	\$45,998,260	\$4,914,588,873	2.65%
2008	2009	2010	4,857,768,355	44,624,913	4,902,393,268	(0.25)
2009	2010	2011	4,722,366,946	38,637,966	4,761,004,912	(2.88)
2010	2011	2012	4,595,933,786	37,285,000	4,633,218,786	(2.68)
2011	2012	2013	4,470,723,949	33,828,602	4,504,552,551	(2.78)

Per Capita Total Taxable Value for the Fiscal Year Ended June 30, 2013 (3)..... \$23,955.29

- (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, 2013, the Taxable Value of property qualified for the benefits of the Zone program totaled \$92,934,825. As of the fiscal year ending June 30, 2013, exemptions for most of the City's Zone designated property begin to phase-out according to the schedule created when the designation was awarded by the State of Michigan. For most of the City's Zone, property and income tax exemptions may be reduced to 0% beginning in the years 2013 through 2025, depending on the particular development agreement.
- (2) At the full tax rate. See "CITY TAXATION AND LIMITATIONS – Tax Abatement" herein.
- (3) Based on the City's 2010 Census of 188,040.

Source: City of Grand Rapids

Including the value of property granted tax abatements under Act 198, Act 146 and Act 147, a breakdown of the City's Total Taxable Value by use and class for the fiscal years ended June 30, 2009 through 2013 is shown below.

**City of Grand Rapids**  
**Total Taxable Value by Use and Class**  
**Fiscal Years Ended June 30, 2009 Through 2013**

<u>Use</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Commercial .....	\$1,407,235,429	\$1,427,756,898	\$1,412,553,412	\$1,420,557,313	\$1,433,918,687
Utility .....	60,596,600	68,535,300	76,285,100	75,081,000	81,398,600
Industrial.....	479,284,592	482,989,243	467,193,367	417,007,350	394,068,984
Residential.....	<u>2,967,472,192</u>	<u>2,923,111,827</u>	<u>2,804,973,033</u>	<u>2,720,573,123</u>	<u>2,595,166,280</u>
	<u>\$4,914,588,813</u>	<u>\$4,902,393,268</u>	<u>\$4,761,004,912</u>	<u>\$4,633,218,786</u>	<u>\$4,504,552,551</u>

  

<u>Class</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Real Property.....	\$4,457,091,313	\$4,437,301,718	\$4,308,378,662	\$4,182,262,386	\$4,031,823,201
Personal Property ....	<u>457,497,500</u>	<u>465,091,550</u>	<u>452,626,250</u>	<u>450,956,400</u>	<u>472,729,350</u>
	<u>\$4,914,588,813</u>	<u>\$4,902,393,268</u>	<u>\$4,761,004,912</u>	<u>\$4,633,218,786</u>	<u>\$4,504,552,551</u>

Source: City of Grand Rapids

**City of Grand Rapids**  
**Percent of Total Taxable Value by Use and Class**  
**Fiscal Years Ended June 30, 2009 Through 2013**

<u>Use</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Commercial .....	28.64%	29.12%	29.67%	30.66%	31.83%
Utility .....	1.23	1.40	1.60	1.62%	1.81
Industrial.....	9.75	9.85	9.81	9.00%	8.75
Residential.....	<u>60.38</u>	<u>59.63</u>	<u>58.92</u>	<u>58.72%</u>	<u>57.61</u>
	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

  

<u>Class</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Real Property.....	90.69%	90.51%	90.49%	90.27%	89.51%
Personal Property ....	<u>9.31</u>	<u>9.49</u>	<u>9.51</u>	<u>9.73%</u>	<u>10.49</u>
	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

Source: City of Grand Rapids

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

Ad Valorem SEV does not include any value of tax-exempt property (e.g., hospitals, governmental facilities, churches, public schools, etc.) or property granted tax abatement under Act 198, Act 146 or Act 147. The effect of the abatements granted under Act 198, Act 146 and Act 147 is to understate the City's Ad Valorem SEV for its fiscal year ended June 30, 2013 by \$64,724,500 or 1.36%. Including the SEV of these properties, the City's total SEV ("Total SEV") has decreased \$872,319,700 or approximately 15.52% between the fiscal years ended June 30, 2009 through 2013. See the following table and "CITY TAXATION AND LIMITATIONS – Tax Abatement" herein.

**City of Grand Rapids  
Total State Equalized Valuation  
Fiscal Years Ended June 30, 2009 Through 2013**

<u>Assessed Value as of December 31</u>	<u>Year of State Equalization and Tax Levy</u>	<u>City's Fiscal Year Ended June 30</u>	<u>Ad Valorem SEV</u>	<u>Property Granted Tax Abatement Under Act 198, Act 146 and Act 147 (1)</u>	<u>Total SEV</u>	<u>Percent Increase Over Prior Year</u>
2007	2008	2009	\$5,533,017,200	\$89,243,700	\$5,622,260,900	0.10%
2008	2009	2010	5,471,356,300	87,149,100	5,558,505,400	(1.13)
2009	2010	2011	5,192,219,200	74,299,500	5,266,518,700	(5.25)
2010	2011	2012	4,920,948,700	71,266,100	4,992,214,800	(5.21)
2011	2012	2013	4,685,216,700	64,724,500	4,749,941,200	(4.85)

Per Capita Total SEV for the Fiscal Year Ended June 30, 2013 (2) ..... \$25,260.27

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

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

Source: City of Grand Rapids

Including the value of property granted tax abatement under Act 198, Act 146 and Act 147 a breakdown of the City's Total SEV by use and class for the fiscal years ended or ending June 30, 2009 through 2013 is shown below. See "CITY TAXATION AND LIMITATIONS – Tax Abatement" herein.

**City of Grand Rapids  
Total SEV by Use and Class  
Fiscal Years Ended June 30, 2009 Through 2013**

<u>Use</u>	<u>Fiscal Year Ended June 30</u>				
	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Commercial .....	\$1,555,643,900	\$1,644,543,200	\$1,600,746,500	\$1,564,206,200	\$1,537,780,700
Industrial .....	558,084,000	551,526,700	531,612,300	465,192,900	81,398,600
Residential.....	3,447,936,400	3,293,900,200	3,057,874,800	2,887,734,700	433,613,300
Utility .....	<u>60,596,600</u>	<u>68,535,300</u>	<u>76,285,100</u>	<u>75,081,000</u>	<u>2,697,148,600</u>
	<u>\$5,622,260,900</u>	<u>\$5,558,505,400</u>	<u>\$5,266,518,700</u>	<u>\$4,992,214,800</u>	<u>\$4,749,91,200</u>
<u>Class</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Real Property.....	\$5,143,624,300	\$5,073,426,900	\$4,795,824,100	\$4,523,306,000	\$4,259,185,100
Personal Property .....	<u>478,636,600</u>	<u>485,078,500</u>	<u>470,694,600</u>	<u>468,908,800</u>	<u>490,756,100</u>
	<u>\$5,622,260,900</u>	<u>\$5,558,505,400</u>	<u>\$5,266,518,700</u>	<u>\$4,992,214,800</u>	<u>\$4,749,941,200</u>

Source: City of Grand Rapids



**City of Grand Rapids**  
**Percent of Total SEV by Use and Class**  
**Fiscal Years Ended June 30, 2009 Through 2013**

<u>Use</u>	<u>Fiscal Year Ended June 30</u>				
	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Commercial .....	27.67%	29.59%	30.40%	31.33%	32.38%
Industrial .....	9.92	9.92	10.09	9.32	1.71
Residential.....	61.33	59.26	58.06	57.85	9.13
Utility .....	<u>1.08</u>	<u>1.23</u>	<u>1.45</u>	<u>1.50</u>	<u>56.78</u>
	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>
<u>Class</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Real Property.....	91.49%	91.27%	91.06%	90.61%	89.67%
Personal Property .....	<u>8.51</u>	<u>8.73%</u>	<u>8.94%</u>	<u>9.39</u>	<u>10.33</u>
	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

Source: City of Grand Rapids

**Tax Abatements**

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

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

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

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

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

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

There are two types of available NEZ property tax abatements: one for the rehabilitation of an existing property and one for new construction. Both types of NEZ property tax abatements apply only to residential properties. The holder of an NEZ Certificate does not pay ad valorem property taxes related to the taxable value of the NEZ residence. Instead, the property owner pays the Neighborhood Enterprise Zone Tax (the "NEZ Tax") which is equal to one half of the State's average rate of taxation. For FY2013, the NEZ Tax rate is 16.5500 mills for a new Principal Residence Exemption ("Pre") facility and 25.3350 mills for a new non-PRE facility. The amount of the NEZ Tax on a rehabilitated NEZ residence is determined each year by multiplying the Taxable Value of the residence for the tax year immediately preceding the effective date of the NEZ Certificate by the total ad valorem millage rate. Land value and special assessments are not eligible for the NEZ property tax abatement. The effective date for the tax abatement is dependent upon commencement of construction and when the residence is substantially completed. NEZ Certificates are in effect for up to 12 years. The continuance of a NEZ Certificate is conditional upon being current on payment of all taxes and any other debts owed to the City on an annual basis.

The City has established goals, objectives and procedures to provide the opportunity for residential, industrial and commercial development and expansion. The SEV of properties that have been granted tax abatement under Act 198, Act 146 and Act 147, removed from the Ad Valorem Tax Roll and placed on the IFT Tax Roll, the Obsolete Properties Tax Roll and the NEZ roll totaled \$64,724,500 for the fiscal year ended June 30, 2013. The IFT, Obsolete Properties and NEZ taxes paid on these properties are equivalent to Ad Valorem Taxes paid on \$33,828,602 of Taxable Value at the full tax rate (the "Equivalent Taxable Value"). Upon expiration of the industrial facilities exemption, obsolete property rehabilitation and NEZ certificates the current equalized valuation of the abated properties will return to the Ad Valorem Tax Roll as Taxable Value.

### **Personal Property Tax Exemptions**

Act 328, Public Acts of Michigan, 1998, as amended, ("Act 328") allows certain eligible communities to designate specific existing areas as "eligible distressed areas" in which "new personal property" of "eligible businesses" would be exempt from Ad Valorem property taxation. The City is one of the eligible communities. With the approval of the State Tax Commission, the City designated certain areas as eligible distressed areas. Under Act 328, the City has exempted personal property related to ten 12- year agreements for the 2012 (FY 2013) assessment roll. To date, through roll year 2012 / FY 2013 it is estimated that personal property assessed value in the amount of \$15,960,600 is currently eligible for PA 328 abatements.

## **Personal Property Tax Reform**

On December 20, 2012, Governor Snyder signed into law a package of bills reforming personal property tax in Michigan. The legislation exempts commercial and industrial personal property of each owner with a combined taxable value in the local taxing unit of less than \$40,000 from ad valorem taxes beginning in 2014. All industrial personal property purchased or put into service beginning in 2013 and industrial personal property that has been in use for 10 years or more becomes exempt beginning in 2016. The legislation extends certain personal property tax exemptions and tax abatements for technology parks, industrial facilities and enterprise zones that were to expire after 2012, until the newly enacted personal property tax exemptions take effect. The legislation authorizes local units to specially assess commercial and industrial real property to replace revenue lost due to the personal property tax exemptions for police, fire, ambulance and jail operations. The legislation also includes a formula to reimburse certain local governments for a portion of their lost personal property tax revenue from state use tax money to the extent the local unit has a reduction in taxable value of more than 2.3% as a result of the personal property tax exemption. However voters would need to approve a change in the state distribution of use tax in the August 2014 primary election for such reimbursement provisions to become effective. If voters approve the redistribution, a portion of the use tax would be directed to a newly created statewide Metropolitan Areas Metropolitan Authority and redistributed to qualifying local units. If voters fail to approve the use tax redistribution, the above personal property tax reform acts will be repealed and the local reimbursement act and the special assessment act will not go into effect. The final impact of this legislation, pending the outcome of the August 2014 election, cannot be determined at this time.

## **Property Taxes**

Michigan statutes provide that all ad valorem taxes are to be levied upon Taxable Value. The City's ability to tax is limited by the State Constitution, State statutes and the City Charter. Home rule cities, such as the City, are permitted by Act 279, Public Acts of Michigan, 1909, as amended (the "Home Rule City Act"), to authorize by their charters a maximum levy of 20 mills for operating purposes. The City's Charter authorizes a maximum levy of 6.4100 mills for operating purposes (including the library) and 0.3950 mills for additional library purposes limited to twenty years commencing July 1, 1998. A mill is equal to \$1.00 for each \$1,000 of Taxable Value.

Pursuant to Act 298, Public Acts of Michigan, 1917, as amended, home rule cities may authorize an additional levy of up to three mills for refuse collection and disposal. Home rule cities are also authorized to levy up to one mill (plus one additional mill with voter approval) for library purposes pursuant to Michigan Public Act 164, of 1877, as amended. Michigan Public Act 359, of 1925, as amended, also authorizes home rule cities to levy up to \$50,000 for promotional expenses.

For its fiscal year ended June 30, 2013, the City levied 6.1798 mills for operating purposes, 1.6000 mills for refuse collection and disposal, 0.0113 mill for promotion purposes and 0.3805 mill for library capital improvement purposes (see "CITY TAXATION AND LIMITATIONS – State Limitations on Property Taxes" herein). In addition, the electorate may authorize the issuance of general obligation bonds or other obligations which pledge the full faith and credit and unlimited taxing power of the City. See "CITY TAXATION AND LIMITATIONS" and "CITY DEBT" herein.

**State Limitations on Property Taxes**

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

The Headlee Amendment does not limit taxes for the payment of principal of and interest on the bonds or other evidences of indebtedness outstanding at the time the Headlee Amendment became effective or which have been approved by the electorate of the State or such political subdivision. For the fiscal year ended June 30, 2013 the Headlee Amendment had the effect of reducing the City's authorized millages as follows:

**City of Grand Rapids  
Maximum Property Tax Rates  
Fiscal Year Ended June 30, 2013**

<u>Millage Classification</u>	<u>Millage Authorized</u>	<u>Millage Rate As Permanently Reduced by Headlee</u>	<u>Current Year Millage Reduction Fraction</u>	<u>Maximum Allowable Millage</u>
Operating (1).....	6.4100	6.1798	1.0000	6.1798
Refuse Collection and Disposal ..	3.0000	2.7711	1.0000	2.7711
Promotional (2) .....	\$50,000			0.0113
Library (3).....	0.3950	0.3805	1.0000	0.3805

(1) For the fiscal year ended June 30, 2013, includes operating levies allocated for general, capital reserve and library purposes of 2.8570, 1.2500, and 2.0728 mills respectively.

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

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

Source: City of Grand Rapids

**Property Tax Rates**

As defined under "Property Taxes" herein, a mill is equal to \$1.00 for each of \$1,000 of Taxable Value. The City is currently authorized to levy annually 6.1798 mills for operating purposes or a maximum of \$6.1798 for each \$1,000 of Taxable Value. Excluding taxes levied by other units of government, the City's property tax rates, expressed as a dollar for each \$1,000 of Taxable Value, for the fiscal years ended June 30, 2009 through 2013 are shown below. See "CITY TAXATION AND LIMITATIONS-State Limitations on Property Taxes" herein.

**City of Grand Rapids  
Property Tax Rates  
Fiscal Years Ended June 30, 2009 Through 2013**

Levy <u>July 1</u>	Fiscal Year <u>Ended June 30</u>	<u>Operating (1)</u>	<u>Other (2)</u>	<u>Library (3)</u>	<u>Total</u>
2008	2009	\$6.1798	\$1.6807	\$0.3805	\$8.2410
2009	2010	6.1798	1.8106	0.3805	8.3709
2010	2011	6.1798	1.8108	0.3805	8.3711
2011	2012	6.1798	1.8110	0.3805	8.3713
2012	2013	6.1798	1.6113	0.3805	8.1716

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

Source: City of Grand Rapids

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

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

Total rates, expressed as a \$1.00 for each \$1,000 of Taxable Value, for the City's fiscal years ended June 30, 2009 through 2013, are as follows:

**City of Grand Rapids**  
**PRE/Homestead<sup>(1)</sup> Property Tax Rates per \$1,000 of Taxable Value by Governmental Unit**  
**Fiscal Years Ended June 30, 2009 Through 2013**

<u>Governmental Unit</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
City of Grand Rapids .....	\$ 8.2410	\$ 8.3709	\$ 8.3711	\$ 8.3713	\$ 8.1716
County of Kent.....	5.3940	5.3940	5.3940	5.3940 <sup>3</sup>	5.3940
State of Michigan.....	6.0000	6.0000	6.0000	6.0000	6.0000
Grand Rapids Public Schools (2).....	2.7000	2.4200	2.2900	2.3600	3.6000
Kent Intermediate School District.....	4.6903	4.6903	4.6903	4.6903	4.6903
Grand Rapids Community College .....	1.7865	1.7865	1.7865	1.7865	1.7865
Interurban Transit Partnership.....	<u>1.1200</u>	<u>1.1200</u>	<u>1.1200</u>	<u>1.2900</u>	<u>1.4100</u>
Total .....	<u>\$29.9318</u>	<u>\$29.7817</u>	<u>\$29.6519</u>	<u>\$29.8921</u>	<u>\$31.0524</u>

- (1) *Principal Residence Exemption ("PRE")/Homestead Property* means a dwelling or unit in a multiple-unit dwelling subject to ad valorem property taxes that is owned and occupied as a principal residence by the owner of the dwelling or unit. PRE/Homestead includes all unoccupied property classified as agricultural adjacent and contiguous to the home of the owner that is not leased or rented by the owner to another person if the gross receipts of the agricultural or horticultural operations, if any, exceed the household income of the owner. If the gross receipts of the agricultural or horticultural operations do not exceed the household income of the owner, the homestead includes only 5 acres adjacent and contiguous to the home of the owner. PRE/Homestead includes a life care facility registered under the Living Care Disclosure Act, Act 440, Public Acts of Michigan, 1976, as amended. PRE/Homestead also includes property owned by a cooperative housing corporation and occupied as a principal residence by tenant stockholders.
- (2) Debt and sinking fund millage. The Grand Rapids Public Schools is the largest school district within the City. Portions of other school districts overlap the City's boundaries. Of those which do, the total PRE/Homestead local school millage rates for the fiscal year ended June 30, 2013 ranged from \$2.97 to \$8.90 for each \$1,000 of Taxable Value. The total tax rates for property owners in other school districts would change accordingly.

**City of Grand Rapids**  
**Non-PRE/Non-Homestead Property<sup>(1)</sup> Tax Rates per \$1,000 of Taxable Value by Governmental Unit**  
**Fiscal Years Ended June 30, 2009 Through 2013**

<u>Governmental Unit</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
City of Grand Rapids .....	\$ 8.2410	\$ 8.3709	\$ 8.3711	\$ 8.3713	\$ 8.1716
County of Kent.....	5.3940	5.3940	5.3940	5.3940	5.3940
State of Michigan.....	6.0000	6.0000	6.0000	6.0000	6.0000
Grand Rapids Public Schools (2).....	20.7000	20.4200	20.2900	20.3600	21.6000
Kent Intermediate School District.....	4.6903	4.6903	4.6903	4.6903	4.6903
Grand Rapids Community College .....	1.7865	1.7865	1.7865	1.7865	1.7865
Interurban Transit Partnership.....	<u>1.1200</u>	<u>1.1200</u>	<u>1.1200</u>	<u>1.2900</u>	<u>1.4100</u>
Total .....	<u>\$ 47.9318</u>	<u>\$ 47.7817</u>	<u>\$47.6519</u>	<u>\$47.8921</u>	<u>\$49.0524</u>

- (1) *Non-PRE / Non-Homestead Property* is property not included in the definition of *PRE / Homestead Property* (see Note 1 in the preceding table).
- (2) The Grand Rapids Public Schools is the largest school district within the City. Portions of other school districts overlap the City's boundaries. Of those which do, the total Non-PRE/Non-Homestead local school millage rates for the fiscal year ended June 30, 2013 ranged from \$13.00 to \$26.90 for each \$1,000 of Taxable Value.

Source: City of Grand Rapids

## Property Tax Collections

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

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

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

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

The continued purchase of Delinquent Real Property Taxes may be dependent upon the sale of delinquent tax notes by the County for that purpose. There is no assurance that the County will issue such delinquent tax notes or purchase such Delinquent Real Property Taxes in any fiscal year. If Delinquent Real Property Taxes are not purchased by the County, any Delinquent Real Property Taxes collected by the County are remitted to the City within a month following the County's collection those past due taxes. The following table reflects the actual property tax collections for the City's fiscal years ended June 30, 2009 through 2013.

### City of Grand Rapids Property Tax Collections Fiscal Years Ended June 30, 2009 Through 2013

<u>July 1 Levy</u>	<u>Fiscal Year Ended June 30</u>	<u>City Tax Levy (1)</u>	<u>Collections to March 1 Following Levy (2)</u>	<u>Percent Collected</u>
2008	2009	\$38,091,543	\$36,100,643	94.8%
2009	2010	39,986,363	37,959,572	94.9
2010	2011	38,191,675	36,428,727	95.4
2011	2012	37,456,094	35,576,860	95.0
2012	2013	35,786,676	34,299,635	95.8

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

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

Source: City of Grand Rapids

Pursuant to Michigan Public Act 197, of 1975, as amended, Michigan Public Act 281, of 1986, as amended, Michigan Public Act 381, of 1996, as amended, and Michigan Public Act 450, of 1980, as

amended, the City has established authorities which capture property tax increment. The City's general operating levies reflected in its audited financial statements are net of such capture.

### Real Estate Market Developments

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

### Taxpayers with Largest Valuations

The taxpayers with the largest valuations in the City, their principal product or service and Total Taxable Value for the fiscal year ended June 30, 2013 are as follows:

**City of Grand Rapids  
Largest Valuations <sup>(1)</sup>  
Fiscal Year Ended June 30, 2013**

<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	\$58,629,514	1.30%
Kellogg/Keebler Subsidiary (4)	Bakery products	42,218,600	0.94
Amway Hotel Corporation	Hotel / real estate	37,238,941	0.83
HP3 LLC	J.W. Marriott Hotel	24,480,300	0.54
Fifth Third Bank	Banking / real estate holding	22,653,595	0.50
Steelcase, Inc.	Office systems design / manufacture	22,545,650	0.50
Michigan Street Development	Medical office building development	21,610,268	0.48
Michigan Consolidated Gas	Gas utility	20,659,955	0.46
Centerpointe Partners LLC	Shopping center / real estate	20,557,698	0.46
GMAC 2001-C1 Bridgewater Industrial	Bridgewater/office buildings	18,940,600	0.42
		<u>\$289,535,121</u>	<u>6.43%</u>

(1) Property taxpayers and Taxable Value are based on the July 1, 2012 tax bills.

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

(3) Based on \$4,504,552,551 which is the City's Total Taxable Value for the fiscal year ended June 30, 2013. Includes the Taxable Value of property granted tax abatement under Act 198, Act 146 and Act 147 as applicable. See "CITY TAXATION AND LIMITATIONS – Property Valuations" and "CITY TAXATION AND LIMITATIONS – Tax Abatement" herein.

(4) Keebler Company's, a division of Kellogg USA Inc., real and personal property is eligible through 2017 for property tax exemptions under Act 376, Public Acts of Michigan, 1996, as amended.

Source: City of Grand Rapids



## City Income Tax

In 1967, the City's electorate approved a two mill reduction in the City's maximum authorized general operating millage and the implementation of an income tax imposed on income earned within the City regardless of the residence of the taxpayer and on all income of City residents. Income taxed includes business net income and individuals' salaries and wages. Up to and including the calendar year ending December 31, 1995, residents paid 1% and non-residents paid 0.5%. In 1995, the City's electorate authorized an increase in the income tax from 1.0 % to 1.3% for residents and from 0.5% to 0.65% for non-residents effective January 1, 1996. At the same time, the City's electorate voted to amend the City Charter to annually dedicate an appropriation of not less than 32% of the City's general operating fund budget to provide police services so long as an income tax of at least 1.3% for residents and 0.65% for non-residents is collected. In May 2010, the City's electorate authorized a temporary increase in the income tax from 1.3% to 1.5% for residents and from 0.65% to 0.75% for non-residents effective July 1, 2010 through June 30, 2015.

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

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

### City of Grand Rapids Income Tax Collections Fiscal Years Ended June 30, 2009 Through 2013

Fiscal Years Ended June 30	Gross Tax Collections <sup>1</sup>	Less: Refunds	Net Income Tax Collections <sup>1</sup>	% Increase or (Decrease) over Prior Year
2009	\$60,799,646	\$7,712,661	\$53,086,985	(10.77)%
2010	60,254,179	7,597,999	52,656,180	(0.81)
2011 <sup>2</sup>	71,602,332	7,749,406	63,852,923	21.26
2012 <sup>3</sup>	76,085,701	7,906,292	68,179,409	6.78
2013 <sup>4</sup>	84,433,157	8,961,666	75,471,491	10.70

<sup>1</sup> Including interest and penalties.

<sup>2</sup> Net collections were \$55,335,670 net of temporary income tax increase effective July 1, 2010 and which expires on June 30, 2015.

<sup>3</sup> Net collections were \$59,122,192 net of temporary income tax increase effective July 1, 2010 and which expires on June 30, 2015.

<sup>4</sup> Net collections were \$65,407,835 net of temporary income tax increase effective July 1, 2010 and which expires on June 30, 2015.

Source: City of Grand Rapids

## REVENUES FROM THE STATE OF MICHIGAN

The state fiscal year 2012 budget eliminated Michigan sales tax funded statutory revenue sharing for cities, villages and townships and replaces it with a \$215,000,000 new incentive-based revenue sharing program known as the Economic Vitality Incentive Program ("EVIP"), distributed to municipalities which complied with certain "best practices" such as local unit consolidation, sharing costs of services with other

communities, reducing employee pension costs and requiring employees to pay at least 20% of the cost of their health insurance as soon as labor contracts expire. The fiscal year 2012 budget did not alter the distribution of constitutionally dedicated sales tax revenues. The fiscal year 2012 State of Michigan budget also included increased constitutional revenue sharing distribution to cities, villages and townships of approximately \$15.25 million. Revenue sharing payments are issued by the State during even-number months.

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

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

The following table sets forth the annual revenue sharing payments and other moneys received for the City’s general operating fund for the fiscal years ended June 30, 2009 through June 30, 2013.

**City of Grand Rapids  
General Operating Fund Revenues from the State of Michigan  
Fiscal Years Ended June 30, 2009 Through 2013**

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Sales Tax .....	\$21,665,044	\$19,268,890	\$19,268,890	\$13,466,847 <sup>1</sup>	\$13,745,657 <sup>1</sup>
Grants and Other .....	<u>742,923</u>	<u>781,881</u>	<u>453,721</u>	<u>618,875</u>	<u>817,520</u>
Total Revenues from the State of Michigan.....	<u>\$22,407,967</u>	<u>\$20,050,771</u>	<u>\$19,722,611</u>	<u>\$14,085,722</u>	<u>\$14,563,177</u>

<sup>1</sup> Constitutional revenue sharing only. The City also receives incentive based statutory revenue sharing under the EVIP program. For FY2012, the City received \$3,815,997 which was deposited into the City’s Transformation Fund. For FY2013, the City received \$4,661,457 for the EVIP, now known at the Competitive Grand Assistance Program (CGAP), for deposit into the Transformation Fund.

Source: City of Grand Rapids

## CITY DEBT

### Statutory and Constitutional Debt Provisions

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

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

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

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

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

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

### Legal Debt Margin

Pursuant to the statutory and constitutional debt provisions set forth herein, the following table reflects the amount of additional debt the City may legally incur as of June 2, 2013.

Debt Limit (1).....	\$474,994,120
Debt Outstanding <sup>(2)</sup> .....	\$579,277,604
Less: Exempt Debt .....	(430,116,156) ....
Legal Debt Margin <sup>(2)</sup> .....	<u>\$149,161,448</u>
	<u>\$325,832,672</u>

(1) 10% of \$4,749,941,200 which is the City's Total SEV for the fiscal year ending June 30, 2013. Includes the SEV of property granted tax abatement under Act 198, Act 146 and Act 147. See "CITY TAXATION AND LIMITATIONS – Property Valuations" and "CITY TAXATION AND LIMITATIONS – Tax Abatement" herein.

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

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

## Debt Statement

The following table reflects a breakdown of the City's direct debt as of June 2, 2013. Direct debt that is shown as self-supporting is paid from sources other than the City's general fund. The City's ability to levy taxes to pay the debt service on the obligations that are designated as "Limited Tax" is subject to applicable charter, statutory and constitutional limitations. See "CITY TAXATION AND LIMITATIONS" herein.

City Direct Debt	Gross	Self-Supporting	Net
<b>Share of County Issued Bonds:</b>			
Dated September 30, 2008 (Limited Tax)	\$ 5,325,000	\$ -	\$ 5,325,000
Dated September 30, 2003 (Limited Tax)	1,054,648	-	1,054,648
Subtotal.....	\$6,379,648	\$ -	\$6,379,648
<b>Share of Joint Building Authority Bonds:</b>			
Dated December 1, 1993 (Limited Tax)	\$ 265,000	\$ 265,000	\$ -
<b>Building Authority Bonds:</b>			
Dated July 28, 2011 (Limited Tax)	\$ 14,030,000	\$ -	\$14,030,000
Dated September 15, 2010 (Limited Tax, Series C)	6,875,000	-	6,875,000
Dated March 30, 2010 (Limited Tax, Series A)	1,770,000	-	1,770,000
Dated March 30, 2010 (Limited Tax, Series B)	2,655,000	-	2,655,000
Dated March 5, 2009 (Limited Tax)	14,280,000	-	14,280,000
Dated December 23, 2008	8,335,000	8,335,000	-
Dated November 15, 2006	6,525,000	6,525,000	-
Dated November 18, 2004 (1)	14,650,000	14,650,000	-
Dated June 15, 2002 (1)	15,075,000	15,075,000	-
Dated September 1, 1998 (Limited Tax)	8,715,000	-	8,715,000
Subtotal.....	\$92,910,000	\$44,585,000	\$48,325,000
<b>Tax Increment Authority Bonds:</b>			
Dated June 12, 2012 (Limited Tax)	\$ 2,325,000	\$ 2,325,000	\$ -
Dated March 18, 2009 (Limited Tax)	28,430,000	28,430,000	-
Dated November 15, 1994	4,376,508	4,376,508	-
Subtotal.....	\$35,131,508	\$35,131,508	\$ -
<b>Sewer Revenue Bonds:</b>			
<b>Senior Lien</b>			
Dated May 16, 2013	\$ 37,830,000	\$ 37,830,000	\$ -
Dated October 10, 2012	30,000,000	30,000,000	-
Dated December 15, 2010 (Series 2010A)	21,330,000	21,330,000	-
Dated December 15, 2010 (Series 2010B)	3,090,000	3,090,000	-
Dated January 26, 2010	29,625,000	29,625,000	-
Dated August 6, 2008	62,240,000	62,240,000	-
Dated October 27, 2005	46,700,000	46,700,000	-
Dated August 26, 2004	215,000	215,000	-
Dated July 1, 1998	30,575,000	30,575,000	-
<b>Junior Lien</b>			
Dated April 9, 2013 (9)	2,235,000	2,235,000	-
Dated June 24, 2011 (Limited Tax) (3)	3,160,000	3,160,000	-
Dated April 8, 2011 (Limited Tax) (2)	5,765,000	5,765,000	-
Dated September 28, 1995 (Limited Tax)	820,000	820,000	-
Dated June 29, 1995 (Limited Tax)	520,080	520,080	-

Dated September 29, 1994 (Limited Tax)	600,000	600,000	-
Dated June 28, 1994 (Limited Tax)	1,220,000	1,220,000	-
Dated September 30, 1993 (Limited Tax)	905,000	905,000	-
Dated June 29, 1993 (Limited Tax)	625,000	625,000	-
Dated September 24, 1992	105,000	105,000	-
Dated June 25, 1992	855,000	855,000	-
Dated December 20, 1991	70,000	70,000	-
Subtotal.....	<u>\$278,485,080</u>	<u>\$278,485,080</u>	<u>\$ -</u>
<b>Water Revenue Bonds:</b>			
Senior Lien			
Dated March 13, 2013	\$ 3,385,000	\$ 3,385,000	\$ -
Dated October 4, 2010	31,825,000	31,825,000	-
Dated May 6, 2009	28,310,000	28,310,000	-
Dated December 14, 2005	30,185,000	30,185,000	-
Dated March 18, 1993	21,900,000	21,900,000	-
Junior Lien			
Dated December 14, 2012 (7)	770,000	770,000	-
Dated September 18, 2012 (8)	4,380,000	4,380,000	-
Dated September 23, 2011(Limited Tax) (6)	3,460,000	3,460,000	-
Dated June 24, 2011 (Limited Tax) (5)	925,000	925,000	-
Dated April 8, 2011 (Limited Tax) (4)	1,440,000	1,440,000	-
Subtotal.....	<u>\$126,580,000</u>	<u>\$126,580,000</u>	<u>\$ -</u>
<b>Michigan Transportation Fund Bonds:</b>			
Dated May 8, 2003 (Limited Tax)	\$870,000	\$870,000	\$ -
Dated December 1, 1999 (Limited Tax)	1,995,000	1,995,000	-
Subtotal.....	<u>\$2,865,000</u>	<u>\$2,865,000</u>	<u>\$ -</u>
<b>Installment Purchase Notes:</b>			
Dated August 22, 2012 (Limited Tax)	\$ 526,800	\$ -	\$ 526,800
Dated November 13, 2008 (Limited Tax)	590,000	-	590,000
Dated December 20, 2006 (Limited Tax)	275,000	-	275,000
Dated April 13, 2006 (Limited Tax)	165,000	-	165,000
Dated December 1, 2002 (Limited Tax)	450,000	-	450,000
Subtotal.....	<u>\$2,006,800</u>	<u>\$ -</u>	<u>\$2,006,800</u>
<b>Capital Improvement Bonds:</b>			
Dated September 3, 2009 (Limited Tax)	\$ 5,090,000	\$ -	\$ 5,090,000
Dated May 16, 2007 (Limited Tax)	11,755,000	-	11,755,000
Subtotal.....	<u>\$16,845,000</u>	<u>-</u>	<u>\$16,845,000</u>
<b>Share of Grand Valley Regional Biosolids Authority Bonds:</b>			
Dated April 1, 2008 (10)	\$ 8,513,679	\$ 8,513,679	\$ -
Dated September 20, 2007 (10)	9,295,889	9,295,889	-
Subtotal.....	<u>\$17,809,568</u>	<u>\$17,809,568</u>	<u>\$ -</u>
<b>Total Direct Debt</b>	<u><u>\$579,277,604</u></u>	<u><u>\$505,721,156</u></u>	<u><u>\$ 73,556,448</u></u>

**Total Direct Debt - continued**

Per Capita Net Direct Debt (11) .....	\$391.17
Percent of Net Direct Debt to Total SEV (12) .....	1.55%

<b>Overlapping Debt (13)</b>	City Share As		Net
	Gross	Percent of Gross	
Caledonia Community Schools	\$104,150,421	0.08%	\$ 83,320
Forest Hills Public Schools	173,420,000	1.94%	3,364,349
Godwin Heights Public Schools	7,285,000	6.42%	467,697
Grand Rapids Public Schools	136,075,000	100.00%	136,075,000
Grandville Public Schools	21,880,000	0.00%	0
Kenowa Hills Public Schools	35,005,000	0.11%	38,506
Kentwood Public Schools	61,175,000	8.17%	4,997,998
Kent County	127,795,000	21.47%	27,437,587
Grand Rapids Community College	66,515,000	20.82%	13,848,423
<b>Total Overlapping Debt</b>	<b>\$733,300,421</b>		<b>\$186,312,878</b>
<b>Total City Direct and Overlapping Debt</b>	<b>\$1,312,578,025</b>		<b>\$259,869,326</b>

Per Capita Net Overlapping Debt (11) .....	\$990.82
Percent of Net Overlapping Debt to Total SEV (12) .....	3.92%

Per Capita Net Direct and Overlapping Debt (11) .....	\$1,381.99
Percent of Net Direct and Overlapping Debt to Total SEV (12) .....	5.47%

- (1) Debt service is payable only from rental revenues received from the State of Michigan.
- (2) Project 5454-01: Maximum principal is \$6,000,000. Maximum "green project" principal forgiveness is \$1,246,500.
- (3) Project 3016-01: Maximum principal is \$3,160,000. Maximum "green project" principal forgiveness is \$0.
- (4) Project 7346-01: Maximum principal is \$1,500,000. Maximum "green project" principal forgiveness is \$374,325.
- (5) Project 7364-01: Maximum principal is \$960,000. Maximum "green project" principal forgiveness is \$144,000.
- (6) Project 7365-01: Maximum principal is \$3,460,000. Maximum "green project" principal forgiveness is \$519,000.
- (7) Project 7374-01: Maximum principal is \$4,380,000. Maximum "green project" principal forgiveness is \$832,200.
- (8) Project 7381-01: Maximum principal is \$770,000. Maximum "green project" principal forgiveness is \$0.
- (9) Project 5532-01: Maximum principal is \$2,235,000. Maximum "green project" principal forgiveness is \$964,200.
- (10) Estimated, based on total authorized and allocated to the City of Grand Rapids.
- (11) Based on the City's 2010 Census of 188,040.
- (12) Based on \$4,749,941,200 which is the City's total SEV for the fiscal year ended June 30, 2013. Total SEV includes the SEV of property granted tax abatements under Act 198, Act 146 and Act 147.
- (13) Overlapping debt is the portion of another taxing unit's debt for which property taxpayers of the City are liable in addition to debt issued by the City.

Source: The City of Grand Rapids and Municipal Advisory Council of Michigan.

### Schedule of Remaining Bond Maturities

The following table sets forth the remaining annual maturities of the City's bonded indebtedness by type of issue as of June 2, 2013:

Fiscal Year Ending June 30	County Issued Bonds	Joint Building Authority Bonds	Building Authority Bonds*	Tax Increment Authority Bonds	Sewer Revenue Bonds	Water Revenue Bonds	Michigan Transportation Fund Bonds	Installment Purchase Notes	Capital Improvement Bonds	Biosolids Authority Bonds <sup>1</sup>
2014	\$1,282,352	\$265,000	\$5,500,000	\$929,047	\$10,321,777	\$10,445,000	\$1,225,000	\$653,000	\$1,490,000	\$937,028
2015	1,125,040	-	5,785,000	1,021,247	8,670,094	11,085,000	1,305,000	498,000	1,545,000	970,878
2016	1,182,256	-	6,235,000	957,487	7,618,209	11,500,000	280,000	368,000	1,460,000	986,588
2017	930,000	-	6,620,000	1,224,572	7,775,000	12,085,000	55,000	173,000	1,135,000	1,008,582
2018	970,000	-	6,985,000	1,184,601	7,910,000	12,495,000	-	53,000	1,175,000	1,033,718
2019	285,000	-	5,145,000	3,764,554	8,295,000	5,870,000	-	53,000	1,040,000	1,052,570
2020	295,000	-	5,390,000	4,640,000	8,690,000	6,140,000	-	53,000	1,030,000	1,074,564
2021	310,000	-	5,655,000	4,890,000	9,060,000	2,555,000	-	53,000	805,000	1,099,700
2022	-	-	3,900,000	5,135,000	8,790,000	2,670,000	-	53,000	835,000	1,118,552
2023	-	-	3,695,000	5,390,000	11,335,000	2,800,000	-	49,800	890,000	1,143,688
2024	-	-	3,880,000	4,790,000	11,895,000	2,935,000	-	-	930,000	1,168,824
2025	-	-	4,080,000	135,000	12,460,000	3,070,000	-	-	975,000	1,190,818
2026	-	-	4,290,000	135,000	13,085,000	3,215,000	-	-	1,025,000	1,215,954
2027	-	-	4,510,000	140,000	13,725,000	3,365,000	-	-	1,080,000	1,244,232
2028	-	-	4,750,000	145,000	14,340,000	3,525,000	-	-	1,135,000	1,269,368
2029	-	-	5,000,000	155,000	10,280,000	3,385,000	-	-	145,000	1,294,504
2030	-	-	2,445,000	160,000	10,760,000	3,535,000	-	-	150,000	-
2031	-	-	1,750,000	165,000	11,245,000	3,695,000	-	-	-	-
2032	-	-	1,835,000	170,000	11,775,000	3,865,000	-	-	-	-
2033	-	-	935,000	-	11,955,000	3,880,000	-	-	-	-
2034	-	-	975,000	-	13,970,000	3,795,000	-	-	-	-
2035	-	-	1,010,000	-	12,265,000	3,700,000	-	-	-	-
2036	-	-	1,055,000	-	7,240,000	1,615,000	-	-	-	-
2037	-	-	675,000	-	7,590,000	1,695,000	-	-	-	-
2038	-	-	260,000	-	7,960,000	1,785,000	-	-	-	-
2039	-	-	270,000	-	5,555,000	1,875,000	-	-	-	-
2040	-	-	280,000	-	5,795,000	-	-	-	-	-
2041	-	-	-	-	6,045,000	-	-	-	-	-
2042	-	-	-	-	2,080,000	-	-	-	-	-
	\$6,379,648	\$265,000	\$92,910,000	\$35,131,508	\$278,485,080	\$126,580,000	\$2,865,000	\$2,006,800	\$16,845,000	\$17,809,568

<sup>1</sup>Estimated. The City's share of the annual bond maturities will vary from year to year based on its share of total biosolids treated and disposed of at the biosolids facility jointly owned and operated by the City and the City of Wyoming.

Source: The City of Grand Rapids.

## **Debt History**

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

## **Short Term Borrowing**

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

## **Operating Lease**

In 1998, the Kent County Building Authority sold \$65,650,000 of bonds to finance the construction of a new courthouse. In November, 2005 the Kent County Building Authority refunded a portion of such outstanding bonds with a \$49,990,000 issue of refunding bonds. The City entered into a 28 year operating lease with Kent County to utilize approximately 31.35% of the facility to house the 61st District Court and related City facilities. The City pays the Kent County Building Authority 31.35% of the debt service payments on the bonds issued for the courthouse as well as its proportionate share of facility operating and maintenance costs.

## **Future Financing**

After the City's June 30, 2013 fiscal year-end but before publication of this continuing disclosure document, the City issued a \$4,350,000 Series 2013 General Obligation Limited Tax Capital Improvement Refunding Bond to refund the remaining maturities of the City's Series 2009 General Obligation Limited Tax Capital Improvement Bonds, Series 2009 ("Series 2009") which were issued as Build America Bonds under the federal American Recovery and Reinvestment Act program. The refunding was initiated due to the sequester of federal appropriations which reduced the semi-annual 35% federal interest refundable credits on the Series 2009 bonds. Within the next twenty-four months the City is expecting to issue approximately \$3 million through the Michigan Finance Authority's Revolving Fund program. The City plans to work with the State of Michigan to refund the Grand Rapids Building Authority (the "GRBA") Series 2002A bonds and the GRBA Series 2004A bonds both of which were issued by the GRBA on behalf of the State of Michigan. The City also plans to work with the County of Kent Drain Commission to issue approximately \$5 million for capital repairs to the floodwalls and other flood prevention infrastructure along the Grand River. City staff regularly review outstanding bond issues to determine whether all or a portion of such series of bonds should be refunded due to the current low interest rates.

As described under Other Postemployment Benefits below, the City has closed the defined benefit retiree health care plan and now requires the employees who remain eligible for the defined benefit retiree health care plan to earn the benefit over the course of their careers. The City is considering the issuance of general obligation bonds for the purpose of funding a portion of the unfunded accrued liability of the retiree health care plan to smooth out and lower the annual financial requirements of combined debt service and revised annually required contributions. The City has not determined whether or when to proceed with this financing or the principal amount of bonds that might be issued. Any such financing requires approval of the Michigan Department of Treasury and state law currently provides that such bonds may only be issued through December 31, 2014.

## **Vacation and Sick Leave Benefits and Associated Liabilities**

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

Employees of the City also earn up to 1 day of paid sick leave per month. Employees are paid for up to 90 days of accumulated sick leave at termination or retirement provided they have worked a minimum of 10



continuous years. Employees at time of retirement can also elect to purchase pension service credit with unused sick leave hours.

The City no longer accrues paid vacation and sick leave liabilities as a liability in the General Fund. Instead, beginning with the fiscal year ended June 30, 2003, the City has designated fund equity on the Governmental Fund Balance Sheet. For the fiscal year ended June 30, 2013, the amount of \$6,992,685 was so designated for the City's General Fund.

### **Other Postemployment Benefits**

In June, 2004 the Governmental Accounting Standards Board ("GASB") issued its Statement 45 – "Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions." Other postemployment benefits ("OPEB") include postemployment healthcare insurance as well as other forms of postemployment benefits (for example, life insurance) when provided separately from a pension plan. GASB Statement 45 established standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information in the financial reports of state and local governmental employers.

The City provides postemployment healthcare insurance until age 65 for its employees who retire prior to age 65, were hired prior to 2009, and meet other criteria. Similar to other governmental units, the City historically funded its OPEB program on a pay-as-you-go basis prior to 2007.

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

The retiree health care benefit has been modified. All employees hired after specific dates determined in the individual collective bargaining agreements participate in a defined contribution retiree health care plan rather than a defined benefit plan. Currently, approximately 30% of City employees are participating in the defined contribution retiree health care plan. Employees who remain in the defined benefits plan now earn the benefit incrementally over the course of their careers, and employees who retire after June 30, 2010 will "float" with active employees relative to health care plan design and premium sharing.

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

For more information regarding the City's postemployment benefits see Appendix B – Comprehensive Annual Financial Report for the fiscal year ended June 30, 2013, Note 8 – Postemployment Benefits Other than Pensions.

## Pension Plans

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

For the fiscal year ended June 30, 2013, the City was required to make contributions of 18.01% of covered wages to the GRS while GRS member employees contributed 9.05% (weighted average) of their covered wages to the fund. For the fiscal year beginning July 1, 2013, GRS employees contribute 7.96% (weighted average) and the City is contributing 20.64% of covered wages.

Police and fire employees contributed 5.24% to the PFRS and the City contributed 22.26% of covered wages for the fiscal year ended June 30, 2013. Based on the December 31, 2012 valuation, for the fiscal year beginning July 1, 2013, police and fire employees will contribute 10.27% to the PFRS and the City is contributing 19.07% of covered wages.

The plans are advance funded on a level percent-of-payroll basis. These contributions are equal to normal cost (the current value of benefits accrued by active members during the year) and both interest and principal on the unfunded actuarial accrued liability (the difference between actuarial accrued liability and the system assets). The actuary for both of the retirement systems is Gabriel, Roeder, Smith and Company of Southfield, Michigan.

The most recent actuarial studies were completed as of June 30, 2013. These studies used an assumed rate of return of 5% because plan assets are now being held and invested by the Municipal Employees Retirement System (MERS) of Michigan. The June 30, 2013 valuations showed total unfunded accrued actuarial liabilities of \$135,541,000. These valuations calculated annual required contributions for the fiscal year beginning July 1, 2014 (i.e., FY 2015) in the amount of \$5,583,728 for general employees, \$163,038 for library employees, \$5,112,382 for police officers, and \$3,622,949 for firefighters. These amounts will be included in the proposed budget currently being developed for fiscal year 2015.

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

For additional information regarding “Actuarial Accrued Liability” and “Actuarial Value of Plan Assets” please refer to the Notes to the Financial Statements – Retirement Plans section of the June 30, 2013 Comprehensive Annual Financial Report.

### City of Grand Rapids General Retirement System Fiscal Years Ended June 30, 2009 Through 2013

Valuation Date	Actuarial Accrued <u>Liabilities</u>	Actuarial Value of <u>Plan Assets</u>	Assets as a Percent of Actuarial <u>Accrued Liabilities</u>
<u>June 30</u> 2009	\$391,339,300	\$381,136,182	97.4%
2010	435,893,490	366,543,009	84.1
2011	445,762,361	360,280,315	80.8
2012	448,864,237	349,486,629	77.9
2013	455,914,323	353,299,470	77.5 <sup>1</sup>

Source: Gabriel, Roeder, Smith and Company

<sup>1</sup> The General Retirement System actuarial report was prepared as of June 30, 2013 by Gabriel, Roeder, Smith and Company. The General Retirement System contribution requirements are mitigated in the short term by the 5-year smoothing process.

**City of Grand Rapids  
Police and Fire Retirement System  
Fiscal Years Ended December 31, 2008 Through 2012**

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>
2008	\$310,236,119	\$346,472,441	111.7%
2009	348,250,068	334,247,051	96.0
2010	360,573,351	328,609,947	91.1
2011	365,300,394	321,207,218	87.9
2012	375,797,800	321,323,888	85.5 <sup>1</sup>

Source: Gabriel, Roeder, Smith and Company

<sup>1</sup> The Police and Fire Retirement System actuarial report was prepared as of December 31, 2012 by Gabriel, Roeder, Smith and Company. The Police and Fire Retirement System contribution requirements are mitigated in the short term by the 5-year smoothing process.

**Labor Contracts**

Approximately 95.0% of the City's 1,411 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<sup>1</sup></u>	<u>Contract Expiration Date</u>
Grand Rapids Police Officers Association (Officers and Sergeants Unit)	272	June 30, 2014
Grand Rapids Police Officers Association – CST Unit	8	June 30, 2014
Grand Rapids Police Officers Association – ECO Unit	41	June 30, 2014
Grand Rapids Command Police Officers Association	21	June 30, 2014
International Association of Firefighters	213	June 30, 2014
Grand Rapids Employees Independent Union	489	June 30, 2013
Grand Rapids Employees Independent Union (61 <sup>st</sup> District Court Affiliate)	56	June 30, 2013
Grand Rapids Employees Independent Union (Library Supervisor Affiliate)	16	June 30, 2014
Grand Rapids Employees Independent Union (Library Non-Supervisor Affiliate)	65	June 30, 2014
Association of Public Administrators	137	June 30, 2014
Association of Public Administrators (61 <sup>st</sup> District Court Chapter)	18	June 30, 2014
Teamsters – Emergency Communication Supervisors	5	June 30, 2014
Non-union	<u>70</u>	N/A
<b>Total FTE City Employees</b>	<b><u>1,411</u></b>	

<sup>1</sup>Actual number of employees (full-time and FTE) on June 25, 2013.

Source: City of Grand Rapids.

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

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

<u>Company</u>	<u>Principal Product or Service</u>	<u>Grand Rapids Area Employees</u>
Spectrum Health	Hospitals, clinics and medical care	19,100
Axios Incorporated	Human resource and employment services	8,000
Meijer, Inc.	Retailer - food and general merchandise	7,725
Mercy Health Partners/St. Mary's	Hospital, clinics and medical care	6,446
Johnson Controls, Inc.	Motor vehicle seating and interior trim	4,050
Amway Corporation	Home care, nutritional and other products	4,000
Grand Valley State University	Education	3,991
Perrigo Company	Generic & over the counter pharmaceuticals	3,800
Spartan Stores, Inc.	Supermarkets and other grocery stores/supplies	3,608
Herman Miller Inc	Office, commercial & health industry furniture	3,300
Steelcase Inc.	Office, commercial & health industry furniture	3,227
Wal-Mart Stores, Inc.	Retailer - general merchandise and food	3,131
Grand Rapids Public Schools	Elementary and secondary schools	2,907
Gentex Corporation	Electro-optical automotive technology	2,730
Fifth Third Bank	Banking and financial services	2,729
Magna International Inc.	Truck and automobile mirrors, trim & handles	2,500
Farmers Insurance Group	Direct property and casualty insurance carrier	2,500
Haworth Inc	Office, commercial, & health industry furniture	2,450
Metro Health Hospital	Hospital and medical care	2,383
Lacks Enterprises, Inc.	Plastic trim parts-automotive, telecom, electronics	2,300
Grand Rapids Community College	Pre-university and technical training	2,254
Holland Community Hospital	Hospital and medical care	2,044
Alcoa Howmet Corp	Precision superalloy, titanium & aluminum castings	2,000
Hope Network	Mental health and substance abuse facilities	2,000
GE Aviation	Avionics systems and engines/parts manufacturing	1,953
Pine Rest Christian Hospital	Psychiatric and substance abuse hospital	1,694
Gordon Food Service	Food/supplies wholesaler and distributor	1,669
County of Kent	County government	1,668
Wolverine World Wide Inc	Footwear and leather products	1,640
U. S. Postal Svc - 493, 494, 495	Mail and package delivery services	1,633
Shape Corporation	Structural metal manufacturing	1,500
Consumers Energy	Electric power generation and distribution	1,493
City of Grand Rapids	Municipal government	1,411

*Source: 2013 data compiled by The Right Place, Inc.*

## Employment

Reflected below are the not seasonally adjusted unemployment statistics for the City and the State for the calendar years 2009 through 2013.

<b>City of Grand Rapids:</b>	<u>2009<sup>(1)</sup></u>	<u>2010<sup>(1)</sup></u>	<u>2011<sup>(1)</sup></u>	<u>2012<sup>(1)</sup></u>	<u>2013<sup>(3)</sup></u>
Employed	86,670	85,474	88,567	91,214	94,559
Unemployed	<u>14,837</u>	<u>13,987</u>	<u>11,138</u>	<u>9,161</u>	<u>8,971</u>
Labor Force	<u>101,507</u>	<u>99,461</u>	<u>99,705</u>	<u>100,375</u>	<u>103,530</u>
Unemployed as % of Labor Force <sup>(2)</sup>	14.6%	14.1%	11.2%	9.1%	8.7%
 <b>State of Michigan:</b>	 <u>2009<sup>(1)</sup></u>	 <u>2010<sup>(1)</sup></u>	 <u>2011<sup>(1)</sup></u>	 <u>2012<sup>(1)</sup></u>	 <u>2013<sup>(3)</sup></u>
Employed	4,200,000	4,147,000	4,190,000	4,232,000	4,319,000
Unemployed	<u>651,000</u>	<u>601,000</u>	<u>486,000</u>	<u>426,000</u>	<u>393,000</u>
Labor Force	<u>4,851,000</u>	<u>4,747,000</u>	<u>4,676,000</u>	<u>4,657,000</u>	<u>4,712,000</u>
Unemployed as % of Labor Force <sup>(2)</sup>	13.4%	12.7%	10.4%	9.1%	8.3%

(1) Annual average.

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

(3) Data as of October 31, 2013.

Source: Michigan Department of Technology, Management and Budget.

## Retail Sales

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

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

\* Dollar amounts in thousands.

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

## Estimated 2003 Retail Sales

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

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

\* Dollar amount in thousands

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

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

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

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

## Building Permits

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

Fiscal Year Ended June 30	Number of Permits Issued	Total Value
2009	1,719	\$325,535,384
2010	1,747	214,338,626
2011	1,843	140,935,725
2012	2,115	169,780,000
2013	2,218	308,520,000

Source: City of Grand Rapids.

## MICHIGAN TRANSPORTATION FUND

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

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

(iii) 21.8% to the cities and villages of the State.

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

Michigan Public Act 175 of 1952, as amended (“Act 175”), specifically states that “no city or village may pledge, for annual debt service requirements in excess of 50% of the revenues received during the fiscal year next preceding any borrowing from the Fund pursuant to Act 51.” The effect of this pledge is to provide a minimum of 2.0 times coverage to the bondholders. The City may, but does not expect to, enter into contracts with the Michigan Department of Transportation which pledge on a pari passu basis with the bonds issued by the City under Act 175 the City’s receipts from the Fund and which contract could be the basis of a state bond issue payable from amounts distributed from the Fund and pledge Fund receipts for the payment thereof. The right is reserved in accordance with the provisions of Act 175, to issue additional bond pledging moneys derived from State collected taxes returned to the City for road purposes pursuant to Act 175 and subject to the limitations contained therein.

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

	Fiscal Years Ended June 30				
	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Accrued Revenue (1).....	\$12,811,157	\$12,592,453	\$12,789,890	\$13,094,196	\$13,210,493
Maximum Annual Debt Service (2).....	1,352,188	1,352,188	1,352,188	1,352,188	1,352,188
Historical Debt Service Coverage.....	9.47x	9.31x	9.46x	9.68x	9.77x

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

Source: City of Grand Rapids

### SANITARY SEWER SYSTEM

#### Wastewater Volumes

Annual tributary flows to the WWTP for fiscal year 2009 through 2013 are shown in the following table.

<u>Fiscal Year June 30</u>	<u>Total Sales<sup>(1)</sup> in Million Gallons ("MG")</u>	<u>Additional Inflow and Infiltration in MG to the WWTP<sup>(2)</sup></u>	<u>Total WWTP 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>
2009	9,294	8,676	17,970	49.2	220.928	\$42.8
2010	8,561	7,081	15,642	42.9	38.447	47.7
2011	8,240	7,082	15,322	42.0	50.055	47.7
2012	8,256	6,665	14,921	40.9	0.343	48.8
2013	8,041	7,060	15,100	41.4	0.000	46.1

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

Source: City of Grand Rapids



## Wastewater Characteristics

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

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

Month	<u>Carbonaceous BOD*</u>		<u>Suspended Solids*</u>		<u>Total Phosphorous*</u>		<u>Ammonia*</u>	
	<u>Allowed</u>	<u>Actual</u>	<u>Allowed</u>	<u>Actual</u>	<u>Allowed</u>	<u>Actual</u>	<u>Allowed</u>	<u>Actual</u>
June-13	16	3.1	29	4.6	1	0.7	8.5	0.9
May-13	16	3.3	29	5.4	1	0.4	18.0	1.1
April-13	23	4.0	29	7.5	1	0.5	18.0	3.6
March-13	23	4.7	29	6.0	1	0.7	18.0	6.3
February-13	23	4.6	29	5.7	1	0.7	18.0	7.6
January-13	23	4.2	29	6.9	1	0.6	18.0	5.6
December-12	23	3.8	29	4.4	1	0.8	18.0	2.2
November-12	23	3.3	29	4.1	1	0.7	18.0	1.6
October-12	16	3.5	29	5.8	1	0.8	18.0	1.6
September-12	16	2.8	29	4.2	1	0.8	8.5	1.4
August-12	16	2.7	29	4.0	1	0.8	8.5	0.4
July-12	16	3.0	29	3.7	1	0.9	8.5	1.1
June-12	16	4.1	29	5	1	0.9	8.5	0.6
May-12	23	4.0	29	5	1	0.8	18.0	0.6
April-12	23	3.6	29	4	1	0.6	18.0	0.7
March-12	23	4.8	29	8	1	0.6	18.0	1.6
February-12	23	4.1	29	7	1	0.7	18.0	1.7
January-12	23	2.7	29	4	1	0.8	18.0	0.4
December-11	23	3.9	29	7	1	0.7	18.0	1.4
November-11	23	3.8	29	6	1	0.7	18.0	1.2
October-11	23	2.9	29	8	1	0.8	18.0	2.6
September-11	16	4.3	29	4	1	0.7	8.5	0.8
August-11	16	2.9	29	5	1	0.6	8.5	0.5
July-11	16	2.8	29	7	1	0.7	8.5	0.5
June-11	16	2.6	29	5	1	0.8	8.5	0.5
May-11	23	3.5	29	6	1	0.4	18.0	2.4
April-11	23	5.3	29	8	1	0.3	18.0	3.8
March-11	23	6.6	29	10	1	0.4	18.0	7.1
February-11	23	9.3	29	12	1	0.8	18.0	12.9
January-11	23	7.5	29	7	1	0.9	18.0	6.7

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

The composite daily concentrations are analyzed and the daily results over a one month period are added together and averaged.

Source: City of Grand Rapids Waste Water Treatment Plant

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

## **Organization, Management and Staffing**

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

The fiscal year 2013 budget for these divisions authorizes a total staff of 107.42. The City believes that the ESD is adequately staffed to operate and maintain the collection and treatment system in accordance with its NPDES permit.

## **Regulatory Requirements**

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

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

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

## Billings and Collections

The following table sets forth the history of billings and collections for the System for the fiscal years ended June 30, 2009 through 2013.

### CITY OF GRAND RAPIDS SANITARY SEWER SYSTEM RETAIL BILLINGS AND COLLECTIONS

<u>Fiscal Year Ended June 30</u>	<u>Total Billings</u>	<u>Paid 0-30 Days</u>	<u>Paid 31-90 Days</u>	<u>Paid Over 90 Days</u>	<u>Total Collected (1)</u>
2009	\$38,876,996	\$27,837,460	\$7,491,502	\$2,598,126	\$37,927,088
2010	43,648,813	31,090,490	8,390,263	2,861,221	42,341,974
2011	46,745,078	33,905,788	8,979,319	3,233,027	46,118,134
2012	46,020,543	33,807,022	8,316,821	2,837,316	44,961,159
2013	45,699,138	34,417,073	8,102,202	2,903,318	45,422,593

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

Source: City of Grand Rapids

## 10 Largest Retail Customers of the Sanitary Sewer System

The following table sets forth the ten largest retail customers of the system for the one-year period ended on June 30, 2013, their respective volumes of usage and the amounts billed.

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

<u>Customer</u>	<u>Volume of Usage (Sewer Gallons)</u>	<u>Dollar Amount Billed Per Year</u>	<u>Percent of Total Billings</u>
Veolia Energy	107,266,940	\$ 479,431	1.05%
Spectrum Health System	83,621,164	402,416	0.88%
Lacks Trim Systems	114,267,472	355,026	0.78%
Calvin College	53,668,252	260,471	0.57%
Coca Cola Enterprises	53,395,980	241,013	0.53%
Grand Rapids Public Schools	41,291,844	235,715	0.52%
Saint Mary's Hospital	43,873,940	211,254	0.46%
Kent Quality Foods	43,428,880	196,363	0.43%
Allied Finishing, Inc.	60,832,596	187,622	0.41%
Plastic Plate	33,602,404	151,656	0.33%

Source: City of Grand Rapids

## Sanitary Sewer System Revenue Requirements and Results of Operations

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

To remedy this and to establish a procedure for implementing annual rate adjustments, the City, in consultation with the customer communities with which it had service agreements, adopted a method of adjusting

rates annually. The first such annual rate study took eighteen months to complete and resulted in new rates effective January 1, 1978. Agreements with each of the governmental customer communities serviced by the System were amended in 1978 to incorporate the current rate setting methodology and establish the annual revenue requirement. In 1998, the new Contracts further amended the rate setting methodology. Additionally, in 2006, the rate study was amended further for an amendment to the new Contracts. It no longer applies penalty fees as credits (offsets) to revenue requirements. Instead, the augmentation of revenue requirements for penalty fees is used to fund the Individual Circuit Breaker (“ICB”) program and City and Customer Community Circuit Breaker (“CCCCB”). The ICB is a program aimed at addressing retail users requiring assistance in payment of their water/sewer bills. The CCCCCB is a funding mechanism, if sufficient funding is available, to limit retail service area revenue requirement changes to a level in line with the overall systems’ initial proposed changes. In 2010, the contracts were amended further, changing the rate setting methodology to begin using a three-year average of billed flow, and reducing the rate of return on fixed assets to the Bond Buyer Index for 20-year municipal bonds plus 4.5% per annum (formerly plus 6.00%). The City has conducted annual rate studies each year since 1978 and has adjusted rates accordingly.

The rate setting methodology when applied in the annual rate studies for the years 2008 through 2012 has yielded the revenue requirements and percentage rate increases/(decreases) set forth in the table below for the calendar years commencing January 1, 2009 through January 1, 2013.

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

Rate Study Year Effective Date	2008 1/1/09	2009 1/1/10	2010 1/1/11	2011 1/1/12	2012 1/1/13
Operation & Maintenance	\$25,733,839	\$27,624,515	\$24,905,066	\$25,291,179	\$23,774,088
Depreciation	4,118,250	4,538,170	5,065,445	5,629,182	5,839,562
Return on Investment	8,218,068	8,908,851	9,762,211	11,006,552	11,232,274
Less: Revenue Credits	(192,640)	(192,352)	(121,838)	(367,427)	(405,902)
CSO Project Debt Service	10,687,557	11,760,474	11,141,805	11,085,005	10,958,348
Less: Integrated Connection Fee Credit	(960,323)	(627,908)	(650,955)	(2,190,184)	(2,655,683)
Less: Circuit Breaker Program	(511,826)	(633,326)	(428,344)	(371,766)	(559,006)
<b>Total Revenue Requirements</b>	<u>\$47,092,925</u>	<u>\$51,378,424</u>	<u>\$49,673,390</u>	<u>\$50,082,541</u>	<u>\$48,183,681</u>
Percentage Gross Rate Increases (Decreases)	14.69%	14.04%	(3.30%)	2.89%	(2.46%)
Necessary to Meet Total Revenue Requirement (1)					

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

Source: City of Grand Rapids

**Connection Fees**

On June 27, 2000, the Grand Rapids City Commission enacted Ordinance No. 2000-32 establishing a schedule of integrated connection base fee increases for initial connection to the System for periods through December 31, 2008. On December 18, 2012, the Grand Rapids City Commission enacted Ordinance No. 2012-64 establishing the fees effective January 1, 2013. These integrated connection fees apply to all users of the System except users in Gaines Township. The receipts from these fees are shown in the table “SANITARY SEWER SYSTEM-Statement of Operations.”

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

Water Meter Size	Effective On and After				
	01/01/09	01/01/10	01/01/11	01/01/12	01/01/13
¾" or less	\$2,650	\$2,650	\$2,680	\$2,780	\$2,830
1"	4,400	4,400	4,480	4,640	4,730
1-1/2"	8,750	8,750	8,920	9,260	9,420
2"	14,050	14,050	14,280	14,820	15,080
3"	30,750	30,750	31,280	32,440	33,030
4"	55,300	55,300	56,280	58,380	59,430
6" & over	122,950	122,950	125,080	129,740	132,080

Source: City of Grand Rapids

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

**Results of Operations**

The rate increases (decreases) under the rate setting methodology have produced the results of operations from the System for the fiscal years ended June 30, 2009 through 2013 as set forth in the table below.

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

Fiscal Years Ended June 30,

	2009	2010	2011	2012	2013
<b>REVENUES</b>					
Service Charges- Retail	\$39,277,878	\$44,820,602	\$45,789,223	\$46,728,993	\$44,035,641
Service Charges-Wholesale	2,345,979	1,601,189	1,893,769	2,042,873	1,934,373
Sewage Surcharge	1,158,864	1,253,705	1,648,582	2,048,421	1,605,632
Connection Fees/Front Foot Fees	732,020	677,349	523,565	629,933	826,015
Prelim/Design/Constr Engineering Fees	82,678	44,277	8,943	990	-
Industrial Pretreatment Permit Fee	49,143	60,811	70,529	48,814	61,136
Interest on Investments	516,016	600,918	201,359	169,940	180,844
Miscellaneous	136,921	2,203,215	887,098	750,210	815,115
<b>Total Gross Revenues</b>	<b>44,299,499</b>	<b>51,262,066</b>	<b>51,023,068</b>	<b>52,420,174</b>	<b>49,458,756</b>
<b>OPERATING EXPENSES</b>					
Wastewater Treatment	14,382,144	15,506,065	15,060,007	14,658,195	16,024,125
Sanitary Sewer Repair & Maintenance	7,272,594	4,611,791	4,630,631	4,875,701	5,021,812
Customer Services	1,863,011	2,101,817	1,895,125	2,179,715	2,034,689
Administration	1,964,714	2,403,827	2,123,746	1,643,768	1,064,087
Industrial Pretreatment	615,580	567,373	505,984	627,924	639,323
Depreciation	11,575,332	12,169,499	12,843,252	12,892,913	13,300,710
<b>Total Gross Expenses</b>	<b>37,673,375</b>	<b>37,360,372</b>	<b>37,058,745</b>	<b>36,878,216</b>	<b>38,084,746</b>
Additions - Depreciation	11,575,332	12,169,499	12,843,252	12,892,913	13,300,710
<b>NET EARNINGS <sup>(1)</sup></b>	<b>\$18,201,456</b>	<b>\$26,071,193</b>	<b>\$26,807,575</b>	<b>\$28,434,871</b>	<b>\$24,674,720</b>

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

Source: City of Grand Rapids

## Net Earnings and Bond Coverage

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

Net Earnings of the System are stated in the sections entitled “Sanitary Sewer System Revenue Requirements and Percentage Rate Increases” and “Results of Operations.” The table below sets forth the Debt Service and the Coverage Ratio based on the Net Earnings of the System for the fiscal years ended June 30, 2009 through 2013. The Coverage Ratio has been determined by dividing the Net Earnings for each fiscal year by the total annual principal and interest payments for each fiscal year.

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

	Fiscal Years Ended June 30,				
	2009	2010	2011	2012	2013
Net Earnings of the System	\$18,201,456	\$26,071,193	\$26,807,575	\$28,434,871	\$24,674,720
Total Net Senior Debt Service <sup>(1)(2)</sup>	12,136,283	15,248,325	15,108,948	16,494,970	16,774,503
Coverage-Senior Debt	1.50	1.71	1.77	1.72	1.47
Debt Service on Subordinated (SRF) Bonds <sup>(3)</sup>	3,881,234	3,885,876	3,859,187	3,737,713	3,902,242
Coverage Ratio-All Debt	1.14	1.36	1.41	1.41	1.19
Total Available After Debt Service	\$2,183,939	\$6,936,992	\$7,839,440	\$8,202,188	\$3,997,975

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

<sup>(2)</sup> Net of the Build America Bonds 35% interest expense subsidy in the amount of \$1,022,827 pertaining to the System’s Series 2010A bonds.

<sup>(3)</sup> Based on maximum principal draws without principal forgiveness incentives.

Source: City of Grand Rapids

## Projected Revenue Requirements and Projected Results of Operations

The rate setting methodology when applied to future operations and maintenance costs, depreciation and return on investment requirements results in the following projected revenue requirements and anticipated rate adjustments for the calendar years commencing January 1, 2014 through January 1, 2018.

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

Rate Study Year Date Effective	2013 1/1/2014	2014 1/1/2015	2015 1/1/2016	2016 1/1/17	2017 1/1/2018
Operation & Maintenance <sup>(2)</sup>	\$24,726,721	\$25,241,038	\$25,548,977	\$25,924,548	\$26,290,084
Depreciation Expense <sup>(3)</sup>	6,089,569	6,040,862	5,996,501	5,952,525	5,876,283
Return on System Investment <sup>(4)</sup>	11,379,865	11,607,462	11,839,612	12,076,404	12,317,932
Less: Revenue Credits <sup>(3)</sup>	(149,492)	(290,600)	(304,600)	(315,518)	(326,454)
CSO Project Debt Service <sup>(4)</sup>	9,420,985	8,154,124	7,913,717	7,621,587	7,622,251
Less: Integrated Connection Fee Credit <sup>(3)</sup>	(2,387,738)	(3,030,900)	(3,142,800)	(3,175,664)	(3,313,397)
Less: Circuit Breaker <sup>(3)</sup>	<u>(133,698)</u>	<u>(97,377)</u>	<u>(99,795)</u>	<u>(101,768)</u>	<u>(103,780)</u>
Total Revenue Requirements	<u>\$48,946,212</u>	<u>\$47,624,609</u>	<u>\$47,751,612</u>	<u>\$47,982,114</u>	<u>\$48,362,919</u>
Percentage Gross Rate Increase (Decrease) From Prior Year Necessary to Meet Total Revenue Requirements <sup>(5)</sup>	2.46%	(2.70%)	0.27%	0.48%	0.79%

(1) Revenue requirements per 2013 Rate Study.

(2) Projections for 2014 Rate Study and thereafter are increased proportionate to the City's FY2014 Fiscal Plan.

(3) Projections for 2014 Rate Study and thereafter are based on the City's FY2014 Fiscal Plan.

(4) Projections for 2014 Rate Study and thereafter are based on 2013 Rate Study.

(5) Percentages represent the required changes in gross revenues of the System if the three-year average billed volume remains the same as in the 2013 Rate Study. Changes in billed volume and other factors, such as capital improvement projects servicing specific customer communities, affect the actual percentage change in rates for the individual customer communities.

Source: City of Grand Rapids

The City projects that the rates in effect for the year commencing January 1, 2013 and the projected rate increases for future years as shown above will yield the projected results of operations for the System for the fiscal years ending June 30, 2014 through June 30, 2018 as set forth in the table below.

**City of Grand Rapids, Michigan  
Sewage Disposal System Fund  
Statement of Operations  
Projected<sup>(1)</sup>**

	Fiscal Years Ending June 30				
	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
<b>REVENUES:</b>					
Retail Service Charges	\$46,807,229	\$47,743,334	\$48,698,161	\$49,672,086	\$50,665,488
Wholesale Service Charges	1,831,609	1,868,241	1,905,608	1,943,719	1,982,593
Sewer Surcharges	2,370,900	2,469,600	2,489,000	2,613,000	2,613,000
Connection & Front Foot Fees	705,000	719,100	733,482	748,151	763,114
Industrial Pretreatment Permit Fees	65,800	68,900	68,900	68,900	68,900
Miscellaneous	<u>929,800</u>	<u>945,700</u>	<u>966,618</u>	<u>982,554</u>	<u>988,508</u>
Total Revenues	<u>\$52,710,338</u>	<u>\$53,814,875</u>	<u>\$54,861,767</u>	<u>\$56,028,410</u>	<u>\$57,081,603</u>
<b>OPERATING EXPENSES:</b>					
Wastewater Treatment Plant	\$16,585,696	\$16,725,382	\$16,980,948	\$17,193,970	\$17,497,729
Sanitary Sewer Repair & Maintenance	5,227,705	5,301,786	5,339,110	5,395,773	5,465,553
Customer Services	1,933,471	1,972,140	2,011,583	2,051,815	2,092,851
Administration	893,780	930,865	955,612	992,068	1,030,835
Industrial Pretreatment	658,503	678,258	698,606	719,564	741,151
Depreciation (2)	<u>13,424,138</u>	<u>13,325,557</u>	<u>13,227,833</u>	<u>13,058,406</u>	<u>12,909,196</u>
Total Expenses	<u>\$38,723,293</u>	<u>\$38,933,988</u>	<u>\$39,213,692</u>	<u>\$39,411,596</u>	<u>\$39,737,315</u>
Additions: Depreciation (3)	<u>13,424,138</u>	<u>13,325,557</u>	<u>13,227,833</u>	<u>13,058,406</u>	<u>12,909,196</u>
<b>NET EARNINGS</b>	<u>\$27,411,183</u>	<u>\$28,206,444</u>	<u>\$28,875,908</u>	<u>\$29,675,220</u>	<u>\$30,253,484</u>

(1) Projections are taken from the City's 2014 Fiscal Plan for periods noted.

(2) Projections are taken from the City's fixed asset system, based on assets in service on June 30, 2013.

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



## WATER SUPPLY SYSTEM

### Annual Sales

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

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

Fiscal Year Ended June 30	Total Sales in Billion Gallons	Total Pumpage in Billion Gallons	Total Annual Billings in Millions of Dollars
2009	11.665*	13.172	\$37.607
2010	11.211*	12.480	39.331
2011	10.945*	12.488	39.122
2012	11.329	13.176	40.735
2013	12.323	13.438	41.159

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

Source: City of Grand Rapids

The following table summarizes the historical daily volume pumpage.

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

	Fiscal Years Ended June 30				
	2009	2010	2011	2012	2013
Average Day Pumpage	36.1	34.2	34.2	36.0	36.7
Maximum Day Pumpage	74.3	61.9	62.8	70.2	80.2

Source: City of Grand Rapids

The following table sets forth the history of billings and collections for the System for the fiscal years ended June 30, 2009 through June 30, 2013.

#### CITY OF GRAND RAPIDS WATER SUPPLY SYSTEM RETAIL BILLINGS AND COLLECTIONS

Fiscal Year Ended June 30	Total Billed	Paid 0-30 Days	Paid 31-90 Days	Paid Over 90 Days	Total Collected <sup>(1)</sup>
2009	\$34,619,392	\$25,334,379	\$7,595,358	\$3,347,095	\$36,276,832
2010	35,161,645	25,545,281	7,700,477	3,268,516	36,514,274
2011	36,569,728	27,063,366	8,099,650	3,544,322	38,707,338
2012	36,073,451	27,278,403	6,919,616	2,426,146	36,624,165
2013	38,909,427	30,309,853	7,231,250	2,459,824	40,000,927

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

Source: City of Grand Rapids

## Ten Largest Retail Customers

The following table sets forth the ten largest retail customers of the System for the one year period ended on June 30, 2013 and their respective volumes of usage and the amounts billed.

**CITY OF GRAND RAPIDS  
WATER SUPPLY SYSTEM  
TEN LARGEST RETAIL CUSTOMERS BY BILLINGS  
FISCAL YEAR ENDED JUNE 30, 2013**

<u>Customer</u>	<u>Volume of Usage (Water Gallons)</u>	<u>Dollar Amount Billed Per Year</u>	<u>Percent of Total Billings</u>
Lacks Trim Systems	115,962,440	\$268,460	0.69%
Veolia Energy	107,266,940	263,482	0.68%
Spectrum Health Systems	91,090,692	244,432	0.63%
Coca Cola Enterprises	85,796,348	211,973	0.54%
Grand Rapids Public Schools	52,004,700	183,897	0.47%
Calvin College	53,772,972	146,684	0.38%
Allied Finishing, Inc.	61,001,644	136,821	0.35%
Saint Mary's Hospital	46,132,900	124,799	0.32%
Woodland Creek Apartments	36,193,476	118,115	0.30%
Wingate Apartments	42,263,496	113,123	0.29%
Grand Rapids Housing Commission	35,993,012	109,362	0.28%

Source: City of Grand Rapids

## Rate Setting Methodology

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

To remedy this and to establish a procedure for implementing annual rate adjustments, the City, in consultation with the customer communities with which it had retail and wholesale water service agreements, adopted a method of adjusting rates annually. The first such annual rate study took eighteen months to complete and resulted in new rates effective January 1, 1978. Agreements with each of the retail and wholesale governmental customer communities serviced by the System were amended in 1978 to incorporate the current rate setting methodology and establish the annual revenue requirement. In 1999, the new Contracts further amended the rate setting methodology. Additionally, in 2006, the rate study methodology was amended further to no longer apply penalty fees as credits (offsets) to revenue requirements. Instead, penalty fees are used to fund the Individual Circuit Breaker ("ICB") program 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 funding mechanism, if sufficient funding is available, to limit retail service area revenue requirement changes to a level in line with the overall systems' initial proposed changes. In 2010, the agreements were amended further, changing the rate setting methodology to begin using a three-year average of billed flow, and reducing the rate of return on fixed assets to the Bond Buyer Index for 20-year Municipal Bonds plus 4.50% per annum (formerly plus 6.00%). The City has conducted annual rate studies each year since 1978 and has adjusted rates accordingly.

The rate setting methodology is founded on the basic principle that rates will be set to meet revenue requirements as defined by historical costs adjusted by known cost increases. Also, a significant purpose of the methodology was the proper allocation of costs and rates among the users in each of the customer communities.

**CITY OF GRAND RAPIDS, MICHIGAN  
WATER SUPPLY SYSTEM RATE STUDIES  
COMPARATIVE ANALYSIS OF RATES 1978 TO 2013 <sup>(1)</sup>**

Effective	Commodity Charge (\$/HCF) <sup>(3)</sup>	Readiness to Serve-Monthly		Billing Volume (HCF) <sup>(4)</sup>	Revenue Requirements
		3/4 " Meter	6 " & Over		
<b>City of Grand Rapids</b>					
<b>Retail-No Expiration Date</b>					
January 1, 1978	\$0.24	\$2.48	\$94.46	11,628,762	\$5,226,903
January 1, 2013	1.77	9.99	430.20	8,497,281	23,513,817
<b>City of Kentwood</b>					
<b>Retail-Expiring December 31, 2038</b>					
January 1, 1978	\$0.48	\$3.63	\$206.49	307,080	\$243,459
January 1, 2013	1.60	15.10	757.24	1,632,656	4,094,901
<b>City of Walker</b>					
<b>Retail-Expiring December 31, 2038</b>					
January 1, 1978	\$0.48	\$2.79	\$133.20	414,437	\$294,613
January 1, 2013	1.63	12.54	593.40	1,155,423	3,115,440
<b>Grand Rapids Charter Township</b>					
<b>Retail-Expiring December 31, 2038</b>					
January 1, 1978	\$0.48	\$2.99	\$144.11	95,466	\$82,603
January 1, 2013	1.79	15.50	782.84	636,368	2,050,680
<b>City of East Grand Rapids</b>					
<b>Wholesale-Expiring December 31, 2038</b>					
January 1, 1978	\$0.242	N/A	\$1,163.00	650,641	\$170,752
January 1, 2013	1.18	N/A	15,702.00	589,736	884,316
<b>Ada Township (2)</b>					
<b>Wholesale-Expiring December 31, 2038</b>					
January 1, 1982	\$0.37	N/A	\$1,111.00	22,878	\$21,792
January 1, 2013	1.30	N/A	34,722.00	648,751	1,260,038
<b>Tallmadge Charter Township (2)</b>					
<b>Retail-Expiring December 31, 2038</b>					
January 1, 1995	\$2.58	\$10.93	\$535.75	9,759	\$27,891
January 1, 2013	3.67	7.49	270.20	23,504	124,737
<b>Cascade Charter Township</b>					
<b>Retail-Expiring December 31, 2038</b>					
January 1, 1978	\$0.48	\$3.38	\$179.15	135,393	\$149,357
January 1, 2013	2.16	20.38	1,095.16	783,436	2,915,919
<b>Ottawa County (2)</b>					
<b>Wholesale-Expiring November 1, 2029</b>					
January 1, 1979	\$0.265	N/A	\$60.00	100,365	\$27,315
January 1, 2013	1.26	N/A	170.00	1,020,283	1,287,594
<b>Total All Entities</b>					
January 1, 1978				13,231,779	\$6,167,687
January 1, 2013				14,987,438	39,247,442

(1) Rates effective January 1, 2013.

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

(3) HCF: Hundred Cubic Feet.

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

Source: City of Grand Rapids.

## Water Supply System Revenue Requirements and Results of Operations

The rate setting methodology when applied in the annual rate studies for the years 2008 through 2012 has yielded the revenue requirements and percentage increases/(decreases) set forth in the table below for the calendar years commencing January 1, 2009 through January 1, 2013.

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

Rate Study Year Date Effective	2008 1/1/09	2009 1/1/10	2010 1/1/11	2011 1/1/12	2012 1/1/13
Operation & Maintenance	\$26,049,441	\$25,681,117	\$25,267,124	\$24,086,019	\$22,636,057
Depreciation	5,579,302	5,534,396	5,690,711	6,291,958	6,447,054
Return on Investment	12,323,483	13,307,919	12,222,038	12,619,094	11,883,647
Less: Revenue Credits	(851,764)	(812,987)	(756,419)	(363,461)	(918,194)
Less: Integrated Connection Fee Credit	(1,036,449)	(676,881)	(822,349)	(548,364)	(676,539)
Less: Circuit Breaker Program	(46,333)	(93,812)	(400,998)	(282,842)	(124,583)
Total Revenue Requirements	<u>\$42,017,680</u>	<u>\$42,939,752</u>	<u>\$41,200,107</u>	<u>\$41,802,404</u>	<u>\$39,247,442</u>
Gross Rate Increases/(Decreases) Necessary to Meet Total Revenue Requirements (1)	2.45%	9.89%	(6.27%)	5.15%	(4.41%)

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

Source: City of Grand Rapids

### Connection Fees

On June 27, 2000, the Grand Rapids City Commission enacted Ordinance No. 2000-32 establishing a schedule of integrated connection base fee increases for initial connection to the System for periods through December 31, 2008. On December 18, 2012, the Grand Rapids City Commission enacted Ordinance No. 2012-63 establishing the fees effective January 1, 2013. These integrated connection fees apply to all users of the System except users in Ottawa County. The receipts from these fees are shown in the table "WATER SUPPLY SYSTEM – Statement of Operations".

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

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

Water Meter Size	Effective On and After				
	01/01/09	01/01/10	01/01/11	01/01/12	01/01/13
3/4" or less	\$2,650	\$2,650	\$2,680	\$2,780	\$2,830
1"	4,400	4,400	4,480	4,640	4,730
1-1/2"	8,750	8,750	8,920	9,260	9,420
2"	14,050	14,050	14,280	14,820	15,080
3"	30,750	30,750	31,280	32,440	33,030
4"	55,300	55,300	56,280	58,380	59,430
6" & over	122,950	122,950	125,080	129,740	132,080

Source: City of Grand Rapids

## Results of Operations

The rate increases or decreases under the rate setting methodology have produced the results of operations from the System for the fiscal years ended June 30, 2009 through June 30, 2013 as set forth in the table below.

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

	Fiscal Years Ended June 30,				
	2009	2010	2011	2012	2013
<b>REVENUES</b>					
Retail Service Charges	\$34,397,222	\$35,925,207	\$35,721,146	\$37,216,954	\$37,487,612
Wholesale Service Charges	3,209,591	3,405,857	3,462,601	3,579,770	3,732,852
3,732,852 Connection & Front Foot Fees	803,526	871,288	571,423	733,700	950,335
Engineering Fees	82,678	44,277	6,164	990	-
Sewage Disposal Fund—Customer Svc.	1,863,011	2,101,817	1,895,126	2,179,715	2,034,682
Other Operating Revenues (1)	1,635,803	1,735,730	1,884,327	1,860,824	2,057,503
Interest on Investments	652,059	240,925	238,908	164,768	192,493
Miscellaneous (Non-Operating)	647,642	639,722	713,431	747,701	581,765
Total Revenues	<u>\$43,291,532</u>	<u>\$44,964,823</u>	<u>\$44,493,126</u>	<u>\$46,484,422</u>	<u>\$47,037,242</u>
<b>OPERATING EXPENSES</b>					
Administration	\$2,829,342	\$2,770,727	\$2,392,012	\$2,445,569	\$2,705,421
Customer Services	5,829,137	6,085,273	6,006,419	5,697,716	5,212,374
Engineering	1,282,215	1,240,430	1,002,589	1,050,412	1,018,319
Distribution System	4,002,442	3,485,722	3,636,172	3,507,320	3,600,695
Repair & Maintenance	6,834,271	6,376,239	6,206,198	5,767,082	5,748,493
Filtration Plant	7,376,542	6,959,292	6,915,346	6,823,168	6,645,564
Depreciation	7,027,247	7,342,229	7,399,012	7,534,387	7,732,587
Total Expenses	<u>\$35,181,196</u>	<u>\$34,259,912</u>	<u>\$33,557,748</u>	<u>\$32,825,654</u>	<u>\$32,663,453</u>
<b>ADDITIONS - DEPRECIATION</b>	<u>7,027,247</u>	<u>7,342,229</u>	<u>7,399,012</u>	<u>7,534,387</u>	<u>7,732,587</u>
<b>NET EARNINGS (2)</b>	<u>\$15,137,583</u>	<u>\$18,047,140</u>	<u>\$18,334,390</u>	<u>\$21,193,155</u>	<u>\$22,106,376</u>

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

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

Source: City of Grand Rapids

### NET EARNINGS AND BOND COVERAGE

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

Net earnings of the System are stated in the section entitled “Water Supply System Revenue Requirements and Results of Operations. The table below sets forth the Debt Service and Coverage Ratio based upon the Net Earnings of the System for the fiscal years ended June 30, 2009 through 2013. The Coverage Ratio has been determined by dividing the Net Earnings for each fiscal year by the total annual principal and interest payments of Outstanding Bonds for each fiscal year.

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

	Fiscal Years Ended				
	6/30/2009	6/30/2010	6/30/2011	6/30/2012	6/30/2013
Net Earnings of the System					
Debt Service (1)	\$15,137,583	\$18,047,140	\$18,334,390	\$21,193,155	\$22,106,376
Total Net Senior Debt Service	13,233,170	14,638,246	14,874,785	14,892,528	15,069,828
Coverage-Senior Debt	1.14	1.23	1.23	1.42	1.47
Debt Service on Subordinated (SRF) Bonds (2)	-	-	-	-	134,625
Coverage Ratio-All Debt	1.14	1.23	1.23	1.42	1.45
Total Available After Debt Service	\$1,904,413	\$3,408,894	\$3,459,605	\$6,300,627	\$6,901,923

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

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

Source: City of Grand Rapids

## **GRAND RAPIDS DOWNTOWN DEVELOPMENT AUTHORITY**

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

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

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

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

Roll Year	Fiscal Year	Local Tax Millages	Education Millages		NON-PRE COMBINED MILLAGES
			PRE/Homestead	Non-PRE/Non-Hmstd	
1985	1986	13.92803	n/a	36.0500 <sup>1</sup>	49.9780
1986	1987	13.9274	n/a	36.3500 <sup>1</sup>	50.2774
1987	1988	13.9141	n/a	39.3430 <sup>1</sup>	53.2571
1988	1989	14.1887	n/a	41.0843 <sup>1</sup>	55.2730
1989	1990	14.1188	n/a	45.3480 <sup>1</sup>	59.4668
1990	1991	15.6093	n/a	44.7512 <sup>1</sup>	60.3605
1991	1992	17.5174	n/a	42.9337 <sup>1</sup>	60.4511
1992	1993	17.3771	n/a	43.5945 <sup>1</sup>	60.9716
1993	1994	16.6170	32.6311	42.2069 <sup>1</sup>	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 <sup>4</sup>	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 <sup>3</sup>
2003	2004	15.8348	9.5903	27.5057 <sup>8</sup>	43.3405
2004	2005	16.2022 <sup>4, 6</sup>	13.2133	31.0391 <sup>5, 9</sup>	47.2413
2005	2006	16.1728	12.7553	30.5811 <sup>2</sup>	46.7539
2006	2007	16.2522 <sup>7</sup>	12.4603	30.2861	46.5383
2007	2008	16.3718 <sup>6</sup>	13.3903	31.3903	47.7621
2008	2009	16.5415 <sup>4</sup>	13.3903	31.3903	47.9318
2009	2010	16.6714	13.1103	31.1103	47.7817
2010	2011	16.6716	12.9803	30.9803	47.6519
2011	2012	16.8418 <sup>4</sup>	13.0403	31.0503	47.8921
2012	2013	16.7621 <sup>6</sup>	14.2903 <sup>10</sup>	32.2903	49.0524

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

- <sup>1</sup> 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.
- <sup>2</sup> Capture of school tax increment for Districts F and H ceased per the State’s request beginning 2005/FY2006.
- <sup>3</sup> Added Districts G and H to Development Plan 1 capture boundaries in 2002/FY2003.
- <sup>4</sup> 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.
- <sup>5</sup> 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.
- <sup>6</sup> 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.
- <sup>7</sup> Voters renewed the Kent County senior citizen support millage and approved a 0.0800 mill increase beginning in 2006/FY2007.
- <sup>8</sup> The State of Michigan decreased the State Education Tax millage from 6.0000 mills to 5.0000 mills for 2003/FY2004 only.
- <sup>9</sup> Voters approved a 0.7430 mill net increase for the Kent Intermediate School District beginning 2004/FY2005.
- <sup>10</sup> Voters approved 1.0000 mill for creation of a Grand Rapids Public Schools sinking fund for capital repairs.



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

Roll Year	Fiscal Year	Total Assessed Valuation	Captured Assessed Valuation Change Over Prior Year <sup>8</sup>		
			Less: Initial Year Valuation	Amount	%
1985	1986	\$48,104,150	\$28,469,700	\$19,634,450	30%
1986	1987	49,637,950	27,052,600	22,585,350	15%
1987	1988	54,715,100	27,159,000	27,556,100	22%
1988	1989	60,866,600	27,159,000	33,707,600	22%
1989	1990	65,179,750	27,159,000	38,020,750	13%
1990	1991	69,095,100	27,159,000	41,936,100	10%
1991	1992	76,272,300	27,279,000	48,993,300	17%
1992	1993	87,425,017	28,301,500	59,123,517	21%
1993	1994	97,865,000	27,812,600	70,052,400	18%
1994	1995 <sup>1</sup>	126,404,100	31,895,300	94,508,800	35%
1995	1996 <sup>1</sup>	139,023,867	31,895,300	107,128,567	13%
1996	1997 <sup>2</sup>	143,989,934	31,895,300	112,094,634	5%
1997	1998 <sup>2</sup>	153,710,185	31,895,300	121,814,885	9%
1998	1999 <sup>2</sup>	203,909,131	33,635,270	170,273,861	40% <sup>4</sup>
1999	2000 <sup>2</sup>	213,321,189	33,635,270	179,685,919	6%
2000	2001 <sup>2</sup>	211,827,610	33,635,270	178,192,340	(1%)
2001	2002	213,084,653	33,635,270	179,449,383	1%
2002	2003	273,164,380	87,406,488	185,757,892	4% <sup>5</sup>
2003	2004	271,789,814	86,868,580	184,921,234	0% <sup>6</sup>
2004	2005	282,356,639	87,284,880	195,071,759	5% <sup>7</sup>
2005	2006	293,062,670	87,284,880	205,777,790	5%
2006	2007	310,564,573	87,284,880	223,279,693	9%
2007	2008	333,804,984	87,284,880	246,520,104	10%
2008	2009	422,163,545	147,752,451 <sup>9</sup>	274,411,094	11%
2009	2010	484,626,596	160,352,382	324,274,214	18%
2010	2011	473,138,937	160,352,382	312,786,555	(4%)
2011	2012	461,134,175	160,352,382	300,781,793	(4%)
2012 <sup>3</sup>	2013	449,963,527	160,352,382	289,611,145	(4%)
2013 <sup>3</sup>	2014	446,699,251	160,352,382	286,346,869	(1%)

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

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

<sup>3</sup> Total 2012 assessed valuation based as of April 4, 2013. Valuations may still be affected by Board of Review, Michigan Tax Tribunal, and/or State Tax Commission decisions issued after April, 2013. Roll year 2013 data based on March Board of Review values.

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

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

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

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

<sup>8</sup> 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.

<sup>9</sup> The Authority expanded to include an additional 976 parcels beginning in 2008.

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

<b>USE <sup>1</sup></b>	<b>2012 / FY2013</b>
Commercial	\$ 402,384,100
Industrial	9,110,800
Residential	72,582,100
Utility	-
<b>TOTAL ASSESSED VALUATION</b>	<b>\$ 484,077,000</b>

<b>CLASS <sup>1</sup></b>	<b>2012 / FY2013</b>
Real Property	\$ 438,756,800
Personal Property	45,320,200
<b>TOTAL ASSESSED VALUATION</b>	<b>\$ 484,077,000</b>

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

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

<b>Property Owner</b>	<b>Roll Year 2012 / Fiscal Year 2013</b>				<b>% of DDA</b>
	<b>Real</b>	<b>Personal</b>	<b>IFT</b>	<b>TOTAL</b>	<b>Assessed Valuation</b>
Amway Hotel Corporation - hotels	\$ 38,452,800	\$ 6,292,900	\$ -	\$ 44,745,700	9.24%
HP3 LLC - hotel	20,732,600	3,747,700	-	24,480,300	5.06%
GMAC 2001-C1 Bridgewater Industrial - offices and retail space	18,940,600	-	-	18,940,600	3.91%
Fifth Third Bank - offices and retail	17,813,800	-	-	17,813,800	3.68%
Deep Creek Holdings LLC - offices and retail	9,730,400	81,300	-	9,811,700	2.03%
Westminster Campau LLC - offices and retail	9,366,000	137,500	-	9,503,500	1.96%
CWD 50 Monroe LLC - offices and retail	9,203,200	-	-	9,203,200	1.90%
161 Ottawa LLC - offices and retail	8,161,400	22,000	-	8,183,400	1.69%
NC Building LLC - offices and retail	6,633,400	-	-	6,633,400	1.37%
Brass Works Equities LLC - offices and retail	6,461,400	-	-	6,461,400	1.33%
<b>TOTAL 2012 / FY2013</b>	<b>\$ 145,495,600</b>	<b>\$ 10,281,400</b>	<b>\$ -</b>	<b>\$ 155,777,000</b>	<b>32.18%</b>

**DOWNTOWN DEVELOPMENT AUTHORITY  
COMBINED HISTORICAL AND PROJECTED TAX INCREMENT REVENUE AND DEBT SERVICE COVERAGE  
DECEMBER 13, 2013**

Roll Year	FYE June 30	Historical / Projected Tax Increment Revenues <sup>1</sup>			Debt Service <sup>2</sup>				Total Debt Coverage
		Local Mills	Education Mills <sup>3</sup>	TOTAL	Series 1989 & Series 1993	Series 1994 & Series 2009 Refunding <sup>4</sup>	Debt Issued After 1994	TOTAL	
1994	1995	\$ 1,913,230	\$ 3,103,396	\$ 5,016,626	\$ 1,365,540	\$ 2,550,155	\$ -	\$ 3,915,695	1.28
1995	1996	2,044,235	3,318,229	5,362,464	1,308,242	2,919,861	-	4,228,103	1.27
1996	1997	2,170,754	3,525,653	5,696,407	1,293,427	2,919,861	590,912	4,804,200	1.19
1997	1998	2,216,317	3,599,704	5,816,021	699,854	3,319,861	601,877	4,621,592	1.26
1998	1999	2,613,801	4,675,598	7,289,399	679,363	3,652,861	620,680	4,952,904	1.47
1999	2000	2,764,977	5,055,938	7,820,915	706,664	3,825,393	617,819	5,149,876	1.52
2000	2001	2,847,682	4,919,263	7,766,945	722,478	3,939,133	624,359	5,285,970	1.47
2001	2002	2,843,000	4,942,551	7,785,551	722,692	4,022,158	620,377	5,365,227	1.45
2002	2003	2,801,568	5,134,973	7,936,541	739,994	4,089,758	722,325	5,552,077	1.43
2003	2004	2,820,761	4,752,047	7,572,808	724,628	4,197,223	276,128	5,197,979	1.46
2004	2005	3,041,221	5,672,387	8,713,608	731,786	4,281,163	508,514	5,521,463	1.58
2005	2006	3,057,532	5,687,263	8,744,795	267,879	4,836,818	535,183	5,639,880	1.55
2006	2007	3,250,069	5,921,033	9,171,102	269,236	4,932,778	531,480	5,733,494	1.60
2007	2008	3,681,000	6,871,108	10,552,108	269,875	5,029,678	532,660	5,832,213	1.81
2008	2009	4,241,818	7,552,304	11,794,122	269,875	4,974,380	546,689	5,790,944	2.04
2009	2010	4,743,608	8,399,795	13,143,403	269,375	5,071,843	529,129	5,870,347	2.24
2010	2011	4,527,679	7,765,877	12,293,556	268,375	4,994,525	528,768	5,791,668	2.12
2011	2012	4,373,708	7,365,197	11,738,905	271,750	5,094,525	1,453,092	6,819,367	1.72
2012	2013	4,178,913	6,780,973 <sup>5</sup>	10,959,886	269,500	5,204,525	1,760,526 <sup>6</sup>	7,234,551	1.51
2013	2014	4,346,933	7,314,281	11,661,214	271,625	5,199,525	1,154,681 <sup>6</sup>	6,625,831	1.76
2014	2015	4,123,056	6,848,567	10,971,623	-	5,479,525	1,406,713 <sup>6</sup>	6,886,238	1.59
2015	2016	3,949,364	6,456,139	10,405,503	-	5,479,525	1,421,475 <sup>6</sup>	6,901,000	1.51
2016	2017	3,949,111	6,458,419	10,407,530	-	5,809,525	1,427,288 <sup>6</sup>	7,236,813	1.44
2017	2018	3,948,856	6,460,711	10,409,568	-	5,811,325	1,427,838 <sup>6</sup>	7,239,163	1.44
2018	2019	3,948,601	6,463,015	10,411,616	-	5,811,663	714,863 <sup>6</sup>	6,526,525	1.60
2019	2020	3,948,344	6,465,330	10,413,674	-	5,811,163	714,794 <sup>6</sup>	6,525,956	1.60
2020	2021	3,967,827	6,499,983	10,467,810	-	5,807,013	712,600 <sup>6</sup>	6,519,613	1.61
2021	2022	3,987,505	6,534,983	10,522,489	-	5,808,263	390,100 <sup>6</sup>	6,198,363	1.70
2022	2023	4,007,380	6,570,333	10,577,713	-	5,807,513	393,400 <sup>6</sup>	6,200,913	1.71
2023	2024	4,027,454	6,606,036	10,633,491	-	4,916,275	391,200 <sup>6</sup>	5,307,475	2.00
2024	2025	4,047,729	-	4,047,729	-	-	- <sup>6</sup>	-	n/a
					<b>\$ 12,122,158</b>	<b>\$ 141,597,812</b>	<b>\$ 21,755,467</b>	<b>\$ 175,475,437</b>	

Note 1: Amounts projected for FY2014-25 are estimates. Revenues for FY2015 & 2016 are estimated to decrease annually. FY2017-21 are estimated to increase 0.5% annually. FY2021-25 revenues are estimated to increase at 1% annually. Estimates for FY2014 and beyond have been reduced by estimated reserves for reductions in property tax increment revenues resulting from property assessment appeals.

Note 2: All DDA-supported debt issued before 1995, and issues which refund pre-1995 debt, are classified by statute as "eligible obligations" for which education-related property tax increment revenues may be used to support annual debt service requirements. The DDA's post-1994 debt service is supported by a portion of the DDA's local tax increment revenues resulting from City, County, Transit, & Community College levies. As of July 2, 2013 post-1994 obligations include these issues: 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 amount of school tax increment revenue captured in excess of eligible debt service must be returned to the taxing unit, i.e. the State of Michigan, GR Public Schools, Kent Intermediate School District - after annual debt service related to pre-1995 eligible obligations has been paid.

Note 4: Excludes capitalized interest

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

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

**TABLE A - Page 1 of 3 pages**  
**CITY OF GRAND RAPIDS, MICHIGAN**  
**CONTINUING DISCLOSURE STATEMENT**  
**MATRIX OF FINANCIAL DISCLOSURES - ISSUES DATED JULY 1, 1998 - APRIL 13, 2006**  
**December 30, 2013**

	CUSIP Internal Issue #	386289 #49	386244 #50	386226 #53	386244 #56	386316* #57	386244 #59	386244 #63	386226 #66	490278 County	386289 #71	386289 #73	386316 #74	386226 #75
Amount of Issue	\$ 83,650,000	\$ 20,000,000	\$ 11,020,000	\$ 25,500,000	\$ 88,930,000	\$ 14,620,000	\$ 3,500,000	\$ 3,750,000	\$ 5,290,000	\$ 37,475,000	\$ 51,525,000	\$ 35,000,000	\$ 4,470,000	
Type	SSS-Revenue	GRBA	Act 175-GOLT	GRBA-GOLT	WSS-Revenue	GRBA-GOLT	GRBA-GOLT	Act 175-GOLT	Drain - SC	SSS-Revenue	SSS-Revenue	WSS-Revenue	MPN-GOLT	
Date of Issue	07/01/1998	09/01/1998	12/01/1999	11/02/2000	11/01/2000	10/01/2001	05/01/2002	05/08/2003	09/30/2003	08/12/2004	10/27/2005	12/14/2005	04/13/2006	
Final Maturity (including terms)	01/01/2028	04/01/2018	10/01/2014	08/01/2015	01/01/2018	10/01/2031	04/01/2022	10/01/2018	11/01/2015	01/01/2034	01/01/2035	01/01/2035	06/01/2014	
Dissemination Agent	City	GRBA	City	GRBA	City	City	City	City	City	County	City	City	City	City
- Population	X	X	X	X	X	X	X	X	X	X	X	X	X	X
- Taxable Value	X	X	X	X	X	X	X	X	X	X	X	X	X	X
- TV - by Use and Class (\$/%)	X	X	X	X	X	X	X	X	X	X	X	X	X	X
- State Equalized Value	X	X	X	X	X	X	X	-	X	X	X	X	X	X
- SEV - by Use and Class (\$/%)	X	X	X	X	X	X	X	-	X	X	X	X	X	X
- Ten Largest Valuations by TV	-	X	X	X	X	X	X	X	X	X	X	X	X	X
- State and Local Tax Limitations	X	-	-	-	-	-	-	-	X	-	-	-	-	-
- Maximum Property Tax Rates	-	X	X	X	-	X	X	X	-	X	X	X	X	X
- Property Tax Rates - Grand Rapids and Homestead / Non-Homestead	X	X	X	X	X	X	X	X	X	X	X	X	X	X
- Property Tax Collection Record	X	X	X	X	X	X	X	X	X	X	X	X	X	X
- Status of Labor Contracts	X	X	X	X	X	X	X	X	X	X	X	X	X	X
- Statement of Legal Debt Margin	X	X	X	X	X	X	X	X	X	X	X	X	X	X
- Debt Statement	X	X	X	X	X	X	X	X	X	X	X	X	X	X
- Schedule of Bond Maturities	X	-	-	-	X	-	-	-	-	-	X	X	-	-
- Income Tax Collections	X	X	X	X	X	X	X	X	-	X	X	X	X	X
- Retirement Plans - General and Police & Fire	-	X	X	X	X	X	X	X	-	-	X	X	X	X
- Other Postemployt Ben (OPEB)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Profile of Major Employers	-	-	-	-	X	-	-	-	-	X	-	-	-	-
- Employment	X	-	-	-	X	-	-	-	-	X	-	-	-	-
- Tax Abatement (Explanation)	-	-	-	-	-	-	-	-	-	X	-	-	-	-
- Revenues fr the State of Michigan	X	-	-	-	X	-	-	-	X	-	X	X	-	-
- Retail Billings & Collections	X	-	-	-	X	-	-	-	-	-	X	X	-	-
- 10 Largest Retail Customers	X	-	-	-	X	-	-	-	-	-	X	X	-	-
- Comparative Analysis of WSS Rates	-	-	-	-	-	-	-	-	-	-	-	X	-	-
- Statement of Operations	X	-	-	-	X	-	-	-	-	-	-	X	-	-
- Debt Service & Coverage Ratio	X	-	-	-	X	-	-	-	-	-	-	-	-	-
- Economic Profile - Industrial	X	-	-	-	-	-	-	-	-	-	-	-	-	-
- Economic Profile - Commercial	X	-	-	-	-	-	-	-	-	-	-	-	-	-
- GR Regional Retail Sales	X	-	-	-	X	-	-	-	-	-	-	-	-	-
- Effective Hshold Buying Income	X	-	-	-	X	-	-	-	-	-	-	-	-	-
- Building Permits	-	-	-	-	X	-	-	-	-	-	-	-	-	-
- Total Annual Water Sales	-	-	-	-	X	-	-	-	-	-	-	X	-	-
- Daily Water Pumpage	-	-	-	-	X	-	-	-	-	-	-	X	-	-
- Revenue Requirements & % Rate Increases - Historical	X	-	-	-	X	-	-	-	-	-	X	-	-	-
- Integrated Connection Base Fees	-	-	-	-	X	-	-	-	-	-	-	-	-	-
- Wastewater Volumes	-	-	-	-	-	-	-	-	-	-	X	-	-	-
- W W T P Effluent Table	-	-	-	-	-	-	-	-	-	X	X	-	-	-
- Michigan Transportation Fund	-	-	-	-	-	-	-	X	-	-	-	-	-	-

\* - Official Statement lists the incorrect CUSIP number - this is the correct one per Bond Counsel Dickinson Wright PLLC

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

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

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**TABLE A - Page 2 of 3 pages**  
**CITY OF GRAND RAPIDS, MICHIGAN**  
**CONTINUING DISCLOSURE STATEMENT**  
**MATRIX OF FINANCIAL DISCLOSURES - ISSUES DATED NOVEMBER 15, 2006 - JANUARY 26, 2010**  
**December 30, 2013**

	CUSIP Internal Issue #	386244 #76	386226 #77	386226 #78	386316 #81	386289 #82	386445 County	386244 #83	386244 #84	59455T #85	386316 #86	386226 #87	386289 #88	Reserved
Amount of Issue	\$7,375,000	\$3,660,000	\$14,740,000	\$32,900,000	\$67,260,000	\$7,870,000	\$8,980,000	\$18,005,000	\$28,430,000	\$30,000,000	\$7,410,000	\$29,625,000		
Type	GRBA-GOLT	MPN-GOLT	CIB-GOLT	WSS-Rev Refnd	SSS-Revenue	Drain - FW	GRBA-GOLT	GRBA-GOLT	MMBA-LGLP	WSS-Revenue	CIB-GOLT	SSS-Rev Refdg		
Date of Issue	11/15/2006	12/20/2006	05/16/2007	04/08/2008	08/06/2008	09/18/2008	12/23/2008	03/04/2009	03/18/2009	05/06/2009	09/03/2009	01/26/2010		
Final Maturity (including terms)	10/01/2036	12/01/2014	09/01/2027	01/01/2020	01/01/2038	11/01/2020	10/01/2029	08/01/2020	05/01/2024	01/01/2039	08/01/2029	01/01/2028		
Dissemination Agent	City	City	City	City	City	City	City	City	City	City	City	City	City	
- Population	X	X	X	X	-	-	X	X	X	X	X	X	X	
- Taxable Value	X	X	X	X	X	X	X	X	X	X	X	X	X	
- TV - by Use and Class (\$/%)	X	X	X	X	-	-	X	X	X	-	-	X		
- State Equalized Value	X	X	X	X	X	X	X	X	X	X	X	X	X	
- SEV - by Use and Class (\$/%)	-	-	-	X	-	-	X	X	X	-	-	X		
- Ten Largest Valuations by TV	X	X	X	X	X	X	X	X	X	X	X	X	X	
- Maximum Property Tax Rates	X	X	X	-	X	X	X	X	X	X	X	X	X	
- Property Tax Rates - Grand Rapids and Homestead / Non-Homestead	X	X	X	X	X	X	X	X	X	X	X	X	X	
- Property Tax Collection Record	X	X	X	X	X	X	X	X	X	X	X	X	X	
- Status of Labor Contracts	X	X	X	X	X	X	X	X	X	X	X	X	X	
- Statement of Legal Debt Margin	X	X	X	X	X	X	X	X	X	X	X	X	X	
- Debt Statement	X	X	X	X	X	X	X	X	X	X	X	X	X	
- Schedule of Bond Maturities	-	-	-	X	X	X	X	X	X	X	X	X	X	
- Income Tax Collections	X	X	X	X	X	X	X	X	X	X	X	X	X	
- Retirement Plans - General and Police & Fire	X	X	X	X	X	X	X	X	X	X	X	X	X	
- Other Postemployt Ben (OPEB)	-	-	-	X	X	X	X	X	X	X	X	X	X	
- Revenues fr the State of Michigan	-	X	X	X	X	X	-	-	-	X	X	X	X	
- Retail Billings & Collections	-	-	-	X	X	-	-	-	-	X	-	X		
- 10 Largest Retail Customers	-	-	-	X	X	-	-	-	-	X	-	X		
- Statemt of Opers - Hist/Projected	-	-	-	X	X	-	-	-	-	X	-	X		
- Debt Svc/Coverage Ratio-Historical	-	-	-	X	-	-	-	-	-	X	-	X		
- Total Annual Water Sales	-	-	-	X	-	-	-	-	-	X	-	-		
- Daily Water Pumpage	-	-	-	X	-	-	-	-	-	-	-	-		
- Comparative Analysis of WSS Rates	-	-	-	X	-	-	-	-	-	X	-	-		
- Revenue Requirements & % Rate Increases - Historical/Projected	-	-	-	X	X	-	-	-	-	X	-	X		
- Integrated Connection Base Fees	-	-	-	X	-	-	-	-	-	-	-	-	X	
- Wastewater Volumes	-	-	-	-	X	-	-	-	-	-	-	-	X	
- W W T P Effluent Table	-	-	-	-	X	-	-	-	-	-	-	-	-	
- DDA Histor Captured Millage Rates	-	-	-	-	-	-	-	-	X	-	-	-	-	
- DDA AV Hist Assessed Valuations	-	-	-	-	-	-	-	-	X	-	-	-	-	
- DDA Economic Diversity	-	-	-	-	-	-	-	-	X	-	-	-	-	
- DDA Ten Highest Valuations	-	-	-	-	-	-	-	-	X	-	-	-	-	
- DDA Projected Tax Increment & Debt Service Coverage	-	-	-	-	-	-	-	-	X	-	-	-	-	

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

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**TABLE A - Page 3 of 3 pages**  
**CITY OF GRAND RAPIDS, MICHIGAN**  
**CONTINUING DISCLOSURE STATEMENT**  
**MATRIX OF FINANCIAL DISCLOSURES - ISSUES DATED MARCH 30, 2010 - OCTOBER 11, 2013**  
**December 30, 2013**

	CUSIP	368244	368244	368244	386316	386289	386244	386205	386289	386316	386289	386226
Internal Issue #	#89 Series A	#89 Series B	#90	#91	#92	#97	#99	#102	#104	#106	#108	
Amount of Issue	\$ 1,770,000	\$ 2,815,000	\$ 7,325,000	\$ 43,025,000	\$ 24,815,000	\$ 14,585,000	\$ 2,325,000	\$ 30,000,000	\$ 3,385,000	\$ 37,830,000	\$ 4,350,000	
Type	GRBA-GOLT	GRBA-GOLT	GRBA-GOLT	WSS-Rev Refd	SSS Revenue	GRBA-GOLT	BRA-TIF-GOLT	SSS Revenue	WSS-Rev Refd	SSS Rev Refd	CIB - GOLT	
Date of Issue	03/30/2010	03/30/2010	09/15/2010	10/04/2010	12/15/2010	07/28/2011	06/12/2012	10/10/2012	03/13/2013	05/16/2013	10/11/2013	
Final Maturity (inc term bonds)	10/01/2039	10/01/2032	10/01/2035	01/01/2018	01/01/2025	10/01/2031	06/01/2032	01/01/2042	01/01/2028	01/01/2034	01/01/2029	
Dissemination Agent	City	City	City	City	City	City	City	City	City	City	City	City
- Population	X	X	X	X	X	X	X	X	X	X	X	-
- Taxable Value	X	X	X	X	X	X	X	X	X	X	X	-
- TV - by Use and Class (\$/%)	X	X	X	-	X	X	X	X	X	X	X	-
- 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	X	X	-
- Ten Largest Valuations by TV	-	-	-	X	X	-	-	X	X	X	X	-
- Maximum Property Tax Rates	-	-	-	X	-	-	-	-	-	-	-	-
- Property Tax Rates - Grand Rapids and Homestead / Non-Homestead	-	-	-	X	X	-	-	X	X	X	X	-
- Property Tax Collection Record	X	X	X	X	X	X	X	X	X	X	X	-
- Status of Labor Contracts	X	X	X	X	X	X	X	X	X	X	X	-
- Statement of Legal Debt Margin	X	X	X	X	X	X	X	X	X	X	X	-
- Debt Statement	X	X	X	X	X	X	X	X	X	X	X	-
- Schedule of Bond Maturities	-	-	-	X	X	-	-	X	X	X	X	-
- Income Tax Collections	X	X	X	X	X	X	X	X	X	X	X	-
- Retirement Plans - General and Police & Fire	-	-	-	X	X	-	-	X	X	X	X	-
- Other Postemployt Benefits (OPEB)	-	-	-	X	X	-	-	X	X	X	X	-
- Revenues from the State of Michigan	X	X	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	-
- Revenue Requirements & % Rate Increases - Historical & Projected	-	-	-	X	X	-	-	X	X	X	X	-
- Statemt of Operations - Hist/Projected	-	-	-	X	X	-	-	X	X	X	X	-
- Debt Service & Coverage Ratio - Historical	-	-	-	X	X	-	-	X	X	X	X	-
- Building Permits	-	-	-	-	-	-	-	-	-	-	-	-
- Total Annual Water Sales	-	-	-	X	-	-	-	-	X	-	-	-
- Daily Water Pumpage	-	-	-	-	-	-	-	-	-	-	-	-
- Comparative Analysis of Rates - WSS	-	-	-	X	-	-	-	-	-	-	-	-
- Integrated Connection Base Fees	-	-	-	-	X	-	-	X	X	X	X	-
- Wastewater Volumes	-	-	-	-	X	-	-	X	-	X	X	-
- W W T P Effluent Table	-	-	-	-	-	-	-	-	-	-	-	-
- Michigan Transportation Fund	-	-	-	-	-	-	-	-	-	-	-	-

Issue # 107: Per the lease, CCBA \$5,000,000 Series 2013B Continuing Disclosure requirements are executed and delivered by the County of Kent unless there is a material event. bondcdc063013.xls jmw 12/30/2013