

# 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

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

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

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

Bond Issues to which this Annual Report relates:

| CUSIP  | Name of Bond Issue  | Date of Such Bonds: |
|--------|---|---------------------|
| 386289 | \$83,650,000 City of Grand Rapids, Michigan<br>Sanitary Sewer System Improvement & Refunding Revenue Bonds, Series 1998A                          | July 1, 1998        |
| 386244 | \$20,000,000 City of Grand Rapids Building Authority<br>Building Authority Bonds, Series 1998   | September 1, 1998   |
| 386226 | \$11,020,000 City of Grand Rapids, Michigan<br>Transportation Fund Improvement and Refunding, Series 1999   | December 1, 1999    |
| 386226 | \$3,975,000 City of Grand Rapids, Michigan<br>Municipal Purchase Notes, Series 2002A  | December 1, 2002    |
| 386226 | \$3,750,000 City of Grand Rapids, Michigan<br>Transportation Fund Bonds, Series 2003  | May 8, 2003         |
| 827564 | \$5,290,000 Silver Creek Drainage District<br>Silver Creek Drain Refunding Bonds, Series 2003   | September 30, 2003  |
| 386289 | \$51,525,000 City of Grand Rapids, Michigan<br>Sanitary Sewer System Revenue Bonds, Series 2005   | October 27, 2005    |
| 386316 | \$35,000,000 City of Grand Rapids, Michigan<br>Water Supply System Revenue Bonds, Series 2005   | December 14, 2005   |
| 386244 | \$7,375,000 City of Grand Rapids Building Authority<br>Building Authority Bonds, Series 2006  | November 15, 2006   |
| 386226 | \$3,660,000 City of Grand Rapids, Michigan<br>Municipal Purchase Notes, Series 2006A  | December 20, 2006   |
| 386226 | \$14,740,000 City of Grand Rapids, Michigan<br>Capital Improvement Bonds, Series 2007   | May 16, 2007        |
| 386316 | \$32,900,000 City of Grand Rapids, Michigan<br>Water Supply System Revenue Refunding Bonds, Series 1993 Conversion                                | April 8, 2008       |
| 386289 | \$67,260,000 City of Grand Rapids Michigan<br>Sanitary Sewer System Revenue Bonds, Series 2008  | August 6, 2008      |
| 386445 | \$7,870,000 Grand River Floodwalls and Embankments Drainage District<br>Grand River Floodwalls and Embankments Drain Refunding Bonds, Series 2008 | September 18, 2008  |
| 386244 | \$8,980,000 City of Grand Rapids Building Authority<br>Building Authority Bonds, Series 2008  | December 23, 2008   |
| 386244 | \$18,005,000 City of Grand Rapids Building Authority<br>Building Authority Refunding Bonds, Series 2009   | March 4, 2009       |
| 59455T | \$28,430,000 Michigan Municipal Bond Authority<br>Local Government Loan Program Revenue Bonds, Series 2009A                                       | March 18, 2009      |
| 386316 | \$30,000,000 City of Grand Rapids, Michigan<br>Water Supply System Refunding Revenue Bonds, Series 2009   | May 6, 2009         |
| 386289 | \$29,625,000 City of Grand Rapids, Michigan<br>Sanitary Sewer System Revenue Refunding Bonds, Series 2010   | January 26, 2010    |
| 386244 | \$1,770,000 City of Grand Rapids, Michigan<br>Building Authority Bonds, Series 2010A  | March 30, 2010      |

List continues on next page

# 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

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

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

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

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

| CUSIP  | Name of Bond Issue  | Date of Such Bonds |
|--------|---|--------------------|
| 386244 | \$2,815,000 City of Grand Rapids, Michigan<br>Building Authority Bonds, Series 2010B  | March 30, 2010     |
| 386244 | \$7,325,000 City of Grand Rapids Building Authority<br>Building Authority Bonds, Series 2010C   | September 15, 2010 |
| 386316 | \$43,025,000 City of Grand Rapids, Michigan<br>Water Supply System Refunding Revenue Bonds, Series 2010                                 | October 4, 2010    |
| 386289 | \$24,815,000 City of Grand Rapids, Michigan<br>Sanitary Sewer System Revenue Bonds, Series 2010A and 2010B                              | December 15, 2010  |
| 386244 | \$14,585,000 City of Grand Rapids Building Authority<br>Building Authority Refunding Bonds, Series 2011                                 | July 28, 2011      |
| 386205 | \$2,325,000 City of Grand Rapids, Michigan<br>Brownfield Redevelopment Authority Tax Increment Bonds, Series 2012                       | June 12, 2012      |
| 386289 | \$30,000,000 City of Grand Rapids, Michigan<br>Sanitary Sewer System Improvement Revenue Bonds, Series 2012                             | October 10, 2012   |
| 386316 | \$3,385,000 City of Grand Rapids, Michigan<br>Water Supply System Refunding Revenue Bonds, Series 2013                                  | March 13, 2013     |
| 386289 | \$37,830,000 City of Grand Rapids, Michigan<br>Sanitary Sewer System Revenue Refunding Bonds, Series 2013                               | May 16, 2013       |
| 386289 | \$55,230,000 City of Grand Rapids, Michigan<br>Sanitary Sewer System Revenue Refunding Bonds, Series 2014                               | October 8, 2014    |
| 386445 | \$4,550,000 Grand River Floodwalls and Embankments Drainage District<br>Grand River Floodwalls and Embankments Drain Bonds, Series 2014 | December 3, 2014   |

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

Signature:  \_\_\_\_\_

**Name:** Scott Buhner

**Title:** Chief Financial Officer

**Employer:** City of Grand Rapids

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

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

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



**CITY OF  
GRAND  
RAPIDS**

**CITY OF GRAND RAPIDS, MICHIGAN**

**CONTINUING DISCLOSURE CERTIFICATE – ANNUAL REPORT**

**AS OF JUNE 30, 2014**

Prepared by Jana M. Wallace  
Debt and Authority Finance Officer  
City of Grand Rapids - Fiscal Services  
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Grand Rapids, Michigan 900049503  
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December 23, 2014

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## CITY OF GRAND RAPIDS, MICHIGAN

### City of Grand Rapids Population

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

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

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

### Form of Government

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

## CITY TAXATION AND LIMITATIONS

### Property Valuations

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

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

In 1994, the electors of the State approved an amendment to the Michigan Constitution permitting the Michigan Legislature to authorize real and personal ad valorem taxes on a non-uniform basis. The legislation implementing this constitutional amendment added a new measure of property value known as taxable value ("Taxable Value"). Since 1995, taxable property has two valuations, SEV and Taxable Value. Property taxes are levied on Taxable Value. Generally, the Taxable Value of property is the lesser of (a) the Taxable Value of the property in the immediately preceding year, adjusted for losses, multiplied

by the lesser of the inflation rate or 5%, plus additions, or (b) the property's current SEV. Under certain circumstances therefore the Taxable Value of property may be different from the same property's SEV.

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

Ad Valorem Taxable Value does not include any value of tax-exempt property (e.g., hospitals, governmental facilities, churches, public schools, etc.) or property granted tax abatement under Act 198, Public Acts of Michigan, 1974, as amended ("Act 198"), Act 146, Public Acts of Michigan, 2000, as amended ("Act 146") and Act 147, Public Acts of Michigan, 1992, as amended ("Act 147"). For its fiscal year ended June 30, 2014, the equivalent effect of the abatements granted under Act 198, Act 146 and Act 147 is to understate the City's Taxable Value by \$37,454,350 or 0.85%. Including the Equivalent Taxable Value (hereinafter defined) of these properties, the City's total Taxable Value ("Total Taxable Value") has decreased \$507,211,374 or approximately 10.3% between the fiscal years ended or ending June 30, 2010 through 2014. See the following table and "CITY TAXATION AND LIMITATIONS -- Tax Abatements" herein.

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

| Assessed Value as of December 31 | Year of State Equalization and Tax Levy | City's Fiscal Year Ended June 30 | Ad Valorem Taxable Value (1) | Equivalent Taxable Value of Property Granted Tax Abatements Under Act 198, Act 146 and Act 147 (2) | Total Taxable Value | Percent Increase Over Prior Year |
|----------------------------------|---|----------------------------------|------------------------------|--|---------------------|----------------------------------|
| 2008                             | 2009                                    | 2010                             | \$4,857,768,355              | \$44,624,913   | \$4,902,393,268     | (0.25)%                          |
| 2009                             | 2010                                    | 2011                             | 4,722,366,946                | 38,637,966   | 4,761,004,912       | (2.88)                           |
| 2010                             | 2011                                    | 2012                             | 4,595,933,786                | 37,285,000   | 4,633,218,786       | (2.68)                           |
| 2011                             | 2012                                    | 2013                             | 4,470,723,949                | 33,828,602   | 4,504,552,551       | (2.78)                           |
| 2012                             | 2013                                    | 2014                             | 4,357,727,544                | 37,454,350   | 4,395,181,894       | (2.43)                           |

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

(1) Includes the value of qualified property located within the City's Renaissance Zone (the "Zone") which was created pursuant to the provisions of Act 376, Public Acts of Michigan, 1996 ("Act 376"), as amended. Act 376 was designed to stimulate private investment within the Zone through the abatement of certain property, income and business taxes. For the fiscal year ended June 30, 2014, the Taxable Value of property qualified for the benefits of the Zone program totaled \$94,841,127. As of the fiscal year ended June 30, 2010, exemptions for most of the City's Zone designated property begin to phase-out according to the schedule created when the designation was awarded by the State of Michigan. For the remaining properties in the City's Zone, property and income tax exemptions will be reduced to 0% beginning in the years 2014 through 2025, depending on the particular development agreement.

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

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

Source: City of Grand Rapids

Including the value of property granted tax abatements under Act 198, Act 146 and Act 147, a breakdown of the City's Total Taxable Value by use and class for the fiscal years ended June 30, 2010 through 2014 is shown below.

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

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

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

Source: City of Grand Rapids

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

| <u>Use</u>       | <u>2010</u>    | <u>2011</u>    | <u>2012</u>    | <u>2013</u>    | <u>2014</u>    |
|------------------|----------------|----------------|----------------|----------------|----------------|
| Commercial ..... | 29.12%         | 29.67%         | 30.66%         | 31.83%         | 31.85%         |
| Industrial.....  | 9.85           | 9.81           | 9.00           | 8.75           | 8.41           |
| Residential..... | 59.63          | 58.92          | 58.72          | 57.61          | 57.82          |
| Utility .....    | <u>1.40</u>    | <u>1.60</u>    | <u>1.62</u>    | <u>1.81</u>    | <u>1.92</u>    |
|                  | <u>100.00%</u> | <u>100.00%</u> | <u>100.00%</u> | <u>100.00%</u> | <u>100.00%</u> |

| <u>Class</u>           | <u>2010</u>    | <u>2011</u>    | <u>2012</u>    | <u>2013</u>    | <u>2014</u>    |
|------------------------|----------------|----------------|----------------|----------------|----------------|
| Real Property.....     | 90.51%         | 90.49%         | 90.27%         | 89.51%         | 89.01%         |
| Personal Property .... | <u>9.49</u>    | <u>9.51</u>    | <u>9.73</u>    | <u>10.49</u>   | <u>10.99</u>   |
|                        | <u>100.00%</u> | <u>100.00%</u> | <u>100.00%</u> | <u>100.00%</u> | <u>100.00%</u> |

Source: City of Grand Rapids

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

Ad Valorem SEV does not include any value of tax-exempt property (e.g., hospitals, governmental facilities, churches, public schools, etc.) or property granted tax abatement under Act 198, Act 146 or Act 147. The effect of the abatements granted under Act 198, Act 146 and Act 147 is to understate the City's Ad Valorem SEV for its fiscal year ended June 30, 2014 by \$71,863,200 or 1.56%. Including the SEV of these properties, the City's total SEV ("Total SEV") has decreased \$952,605,400 or approximately 17.14% between the fiscal years ended June 30, 2010 through 2014. See the following table and "CITY TAXATION AND LIMITATIONS – Tax Abatement" herein.

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

| <u>Assessed Value as of December 31</u> | <u>Year of State Equalization and Tax Levy</u> | <u>City's Fiscal Year Ended June 30</u> | <u>Ad Valorem SEV</u> | <u>Property Granted Tax Abatement Under Act 198, Act 146 and Act 147 (1)</u> | <u>Total SEV</u> | <u>Percent Increase Over Prior Year</u> |
|---|--|---|-----------------------|--|------------------|---|
| 2008                                    | 2009   | 2010                                    | \$5,471,356,300       | \$87,149,100   | \$5,558,505,400  | (1.13)%                                 |
| 2009                                    | 2010   | 2011                                    | 5,192,219,200         | 74,299,500   | 5,266,518,700    | (5.25)                                  |
| 2010                                    | 2011   | 2012                                    | 4,920,948,700         | 71,266,100   | 4,992,214,800    | (5.21)                                  |
| 2011                                    | 2012   | 2013                                    | 4,685,216,700         | 64,724,500   | 4,749,941,200    | (4.85)                                  |
| 2012                                    | 2013   | 2014                                    | 4,534,036,800         | 71,863,200   | 4,605,900,000    | (3.03)                                  |

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

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

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

Source: City of Grand Rapids

Including the value of property granted tax abatement under Act 198, Act 146 and Act 147 a breakdown of the City's Total SEV by use and class for the fiscal years ended or ending June 30, 2010 through 2014 is shown below. See "CITY TAXATION AND LIMITATIONS – Tax Abatement" herein.

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

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

Source: City of Grand Rapids



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

| Use                     | Fiscal Year Ended June 30 |                |                |                |                |
|-------------------------|---------------------------|----------------|----------------|----------------|----------------|
|                         | 2010                      | 2011           | 2012           | 2013           | 2014           |
| Commercial .....        | 29.59%                    | 30.40%         | 31.33%         | 32.38%         | 31.88%         |
| Industrial .....        | 9.92                      | 10.09          | 9.32           | 1.71           | 8.85           |
| Residential .....       | 59.26                     | 58.06          | 57.85          | 9.13           | 57.44          |
| Utility .....           | <u>1.23</u>               | <u>1.45</u>    | <u>1.50</u>    | <u>56.78</u>   | <u>1.83</u>    |
|                         | <u>100.00%</u>            | <u>100.00%</u> | <u>100.00%</u> | <u>100.00%</u> | <u>100.00%</u> |
| <br>                    |                           |                |                |                |                |
| Class                   | 2010                      | 2011           | 2012           | 2013           | 2014           |
| Real Property .....     | 91.27%                    | 91.06%         | 90.61%         | 89.67%         | 89.04%         |
| Personal Property ..... | <u>8.73%</u>              | <u>8.94%</u>   | <u>9.39</u>    | <u>10.33</u>   | <u>10.96</u>   |
|                         | <u>100.00%</u>            | <u>100.00%</u> | <u>100.00%</u> | <u>100.00%</u> | <u>100.00%</u> |

Source: City of Grand Rapids

**Tax Abatements**

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

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

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

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

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

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

There are two types of available NEZ property tax abatements: one for the rehabilitation of an existing property and one for new construction. Both types of NEZ property tax abatements apply only to residential properties. The holder of an NEZ Certificate does not pay ad valorem property taxes related to the taxable value of the NEZ residence. Instead, the property owner pays the Neighborhood Enterprise Zone Tax (the "NEZ Tax") which is equal to one half of the State's average rate of taxation. For FY2014, the NEZ Tax rate was 16.7350 mills for a new Principal Residence Exemption ("PRE") facility and 25.6200 mills for a new non-PRE facility. The amount of the NEZ Tax on a rehabilitated NEZ residence is determined each year by multiplying the Taxable Value of the residence for the tax year immediately preceding the effective date of the NEZ Certificate by the total ad valorem millage rate. Land value and special assessments are not eligible for the NEZ property tax abatement. The effective date for the tax abatement is dependent upon commencement of construction and when the residence is substantially completed. NEZ Certificates are in effect for up to 12 years. The continuance of a NEZ Certificate is conditional upon being current on payment of all taxes and any other debts owed to the City on an annual basis.

The City has established goals, objectives and procedures to provide the opportunity for residential, industrial and commercial development and expansion. The SEV of properties that have been granted tax abatement under Act 198, Act 146 and Act 147, removed from the Ad Valorem Tax Roll and placed on the IFT Tax Roll, the Obsolete Properties Tax Roll and the NEZ roll totaled \$71,863,200 for the fiscal year ended June 30, 2014. The IFT, Obsolete Properties and NEZ taxes paid on these properties are equivalent to Ad Valorem Taxes paid on \$37,454,350 of Taxable Value at the full tax rate (the "Equivalent Taxable Value"). Upon expiration of the industrial facilities exemption, obsolete property rehabilitation and NEZ certificates the current equalized valuation of the abated properties will return to the Ad Valorem Tax Roll as Taxable Value.

### **Personal Property Tax Exemptions**

Act 328, Public Acts of Michigan, 1998, as amended, ("Act 328") allows certain eligible communities to designate specific existing areas as "eligible distressed areas" in which "new personal property" of "eligible businesses" would be exempt from Ad Valorem property taxation. The City is one of the eligible communities. With the approval of the State Tax Commission, the City designated certain areas as eligible distressed areas. Under Act 328, the City has exempted personal property related to sixteen 12-year agreements for the 2013 (FY 2014) assessment roll. To date, through roll year 2013 / FY 2014 it is estimated that personal property assessed value in the amount of \$23,094,200 is currently eligible for PA 328 abatements.

## **Personal Property Tax Reform**

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

## **Future Tax Reform Proposals**

The ultimate nature, extent and impact of other tax and revenue measures, which are from time to time considered, cannot currently be predicted. No assurance can be given that any future legislation or administrative action, if enacted or implemented, will not adversely affect the market price or marketability of City bonds, or otherwise prevent bondholders from realizing the full current benefit of an investment therein. Purchasers of City bonds should be alert to the potential effect of such measures upon the bonds, the security therefor, and the operations of the City and its Sanitary Sewer System, Water Supply System, and various authorities.

## **Property Taxes**

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

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

For its fiscal year ended June 30, 2014, the City levied 6.1798 mills for operating purposes, 1.6000 mills for refuse collection and disposal, 0.0116 mill for promotion purposes and 0.3805 mill for library capital improvement purposes (see "CITY TAXATION AND LIMITATIONS – State Limitations on Property Taxes" herein). In addition, the electorate may authorize the issuance of general obligation bonds or other obligations which pledge the full faith and credit and unlimited taxing power of the City. See "CITY TAXATION AND LIMITATIONS" and "CITY DEBT" herein.

**State Limitations on Property Taxes**

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

The Headlee Amendment does not limit taxes for the payment of principal of and interest on the bonds or other evidences of indebtedness outstanding at the time the Headlee Amendment became effective or which have been approved by the electorate of the State or such political subdivision. For the fiscal year ended June 30, 2014 the Headlee Amendment had the effect of reducing the City's authorized millages as follows:

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

| <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                  |   |  | 0.0116                           |
| Library (3).....                  | 0.3950                    | 0.3805  | 1.0000   | 0.3805                           |

(1) For the fiscal year ended June 30, 2014, includes operating levies allocated for general, capital reserve and library purposes of 2.8570, 1.2500, and 2.0728 mills respectively.

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

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

Source: City of Grand Rapids

**Property Tax Rates**

As defined under "Property Taxes" herein, a mill is equal to \$1.00 for each of \$1,000 of Taxable Value. The City is currently authorized to levy annually 6.1798 mills for operating purposes or a maximum of \$6.1798 for each \$1,000 of Taxable Value. Excluding taxes levied by other units of government, the City's property tax rates, expressed as a dollar for each \$1,000 of Taxable Value, for the fiscal years ended June 30, 2010 through 2014 are shown below. See "CITY TAXATION AND LIMITATIONS-State Limitations on Property Taxes" herein.

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

| <u>Levy</u><br><u>July 1</u> | <u>Fiscal Year</u><br><u>Ended June 30</u> | <u>Operating (1)</u> | <u>Other (2)</u> | <u>Library (3)</u> | <u>Total</u> |
|------------------------------|--|----------------------|------------------|--------------------|--------------|
| 2009                         | 2010                                       | \$6.1798             | \$1.8106         | \$0.3805           | \$8.3709     |
| 2010                         | 2011                                       | 6.1798               | 1.8108           | 0.3805             | 8.3711       |
| 2011                         | 2012                                       | 6.1798               | 1.8110           | 0.3805             | 8.3713       |
| 2012                         | 2013                                       | 6.1798               | 1.6113           | 0.3805             | 8.1716       |
| 2013                         | 2014                                       | 6.1798               | 1.6116           | 0.3805             | 8.1719       |

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

Source: City of Grand Rapids

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

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

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

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

| <u>Governmental Unit</u>               | <u>2010</u>      | <u>2011</u>      | <u>2012</u>         | <u>2013</u>      | <u>2014</u>      |
|--|------------------|------------------|---------------------|------------------|------------------|
| City of Grand Rapids .....             | \$ 8.3709        | \$ 8.3711        | \$ 8.3713           | \$ 8.1716        | \$ 8.1719        |
| County of Kent.....                    | 5.3940           | 5.3940           | 5.3940 <sup>3</sup> | 5.3940           | 5.3940           |
| State of Michigan.....                 | 6.0000           | 6.0000           | 6.0000              | 6.0000           | 6.0000           |
| Grand Rapids Public Schools (2).....   | 2.4200           | 2.2900           | 2.3600              | 3.6000           | 3.6000           |
| Kent Intermediate School District..... | 4.6903           | 4.6903           | 4.6903              | 4.6903           | 4.6903           |
| Grand Rapids Community College .....   | 1.7865           | 1.7865           | 1.7865              | 1.7865           | 1.7865           |
| Interurban Transit Partnership.....    | <u>1.1200</u>    | <u>1.1200</u>    | <u>1.2900</u>       | <u>1.4100</u>    | <u>1.4700</u>    |
| Total .....                            | <u>\$29.7817</u> | <u>\$29.6519</u> | <u>\$29.8921</u>    | <u>\$31.0524</u> | <u>\$31.1127</u> |

- (1) *Principal Residence Exemption ("PRE")/Homestead Property* means a dwelling or unit in a multiple-unit dwelling subject to ad valorem property taxes that is owned and occupied as a principal residence by the owner of the dwelling or unit. PRE/Homestead includes all unoccupied property classified as agricultural adjacent and contiguous to the home of the owner that is not leased or rented by the owner to another person if the gross receipts of the agricultural or horticultural operations, if any, exceed the household income of the owner. If the gross receipts of the agricultural or horticultural operations do not exceed the household income of the owner, the homestead includes only 5 acres adjacent and contiguous to the home of the owner. PRE/Homestead includes a life care facility registered under the Living Care Disclosure Act, Act 440, Public Acts of Michigan, 1976, as amended. PRE/Homestead also includes property owned by a cooperative housing corporation and occupied as a principal residence by tenant stockholders.
- (2) Debt and sinking fund millage. The Grand Rapids Public Schools is the largest school district within the City. Portions of other school districts overlap the City's boundaries. Of those which do, the total PRE/Homestead local school millage rates for the fiscal year ended June 30, 2014 ranged from \$3.27 to \$10.74 for each \$1,000 of Taxable Value. The total tax rates for property owners in other school districts would change accordingly.

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

| <u>Governmental Unit</u>               | <u>2010</u>       | <u>2011</u>      | <u>2012</u>      | <u>2013</u>      | <u>2014</u>       |
|--|-------------------|------------------|------------------|------------------|-------------------|
| City of Grand Rapids .....             | \$ 8.3709         | \$ 8.3711        | \$ 8.3713        | \$ 8.1716        | \$ 8.1719         |
| County of Kent.....                    | 5.3940            | 5.3940           | 5.3940           | 5.3940           | 5.3940            |
| State of Michigan.....                 | 6.0000            | 6.0000           | 6.0000           | 6.0000           | 6.0000            |
| Grand Rapids Public Schools (2).....   | 20.4200           | 20.2900          | 20.3600          | 21.6000          | 21.60000          |
| Kent Intermediate School District..... | 4.6903            | 4.6903           | 4.6903           | 4.6903           | 4.6903            |
| Grand Rapids Community College .....   | 1.7865            | 1.7865           | 1.7865           | 1.7865           | 1.7865            |
| Interurban Transit Partnership.....    | <u>1.1200</u>     | <u>1.1200</u>    | <u>1.2900</u>    | <u>1.4100</u>    | <u>1.4700</u>     |
| Total .....                            | <u>\$ 47.7817</u> | <u>\$47.6519</u> | <u>\$47.8921</u> | <u>\$49.0524</u> | <u>\$ 49.1127</u> |

- (1) *Non-PRE / Non-Homestead Property* is property not included in the definition of *PRE / Homestead Property* (see Note 1 in the preceding table).
- (2) The Grand Rapids Public Schools is the largest school district within the City. Portions of other school districts overlap the City's boundaries. Of those which do, the total Non-PRE/Non-Homestead local school millage rates for the fiscal year ended June 30, 2014 ranged from \$13.00 to \$28.74 for each \$1,000 of Taxable Value.

Source: City of Grand Rapids

## Property Tax Collections

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

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

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

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

The continued purchase of Delinquent Real Property Taxes may be dependent upon the sale of delinquent tax notes by the County for that purpose. There is no assurance that the County will issue such delinquent tax notes or purchase such Delinquent Real Property Taxes in any fiscal year. If Delinquent Real Property Taxes are not purchased by the County, any Delinquent Real Property Taxes collected by the County are remitted to the City within a month following the County's collection those past due taxes. The following table reflects the actual property tax collections for the City's fiscal years ended June 30, 2010 through 2014.

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

| July 1<br>Levy | Fiscal Year<br>Ended June 30 | City<br>Tax Levy (1) | Collections<br>to March 1<br>Following Levy (2) | Percent<br>Collected |
|----------------|------------------------------|----------------------|---|----------------------|
| 2009           | 2010                         | \$39,986,363         | \$37,959,572                                    | 94.9%                |
| 2010           | 2011                         | 38,191,675           | 36,428,727                                      | 95.4                 |
| 2011           | 2012                         | 37,456,094           | 35,576,860                                      | 95.0                 |
| 2012           | 2013                         | 35,786,676           | 34,299,635                                      | 95.8                 |
| 2013           | 2014                         | 35,010,467           | 33,635,522                                      | 96.1                 |

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

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

Source: City of Grand Rapids

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

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

### Real Estate Market Developments

There has been a broad-based decline in the market prices of real estate in the United States since the beginning of calendar year 2006, resulting in a slowing in appreciation and declines in residential and other real property assessed valuations. Declines in the assessed market valuation of any individual residential or non-residential real property results in a reduction in the individual SEV for that property. If the SEV of an individual parcel of real property falls below the Taxable Value for that real property for the same year, the reduced SEV will become the Taxable Value for that real property. All such individual reductions have, in the aggregate, negatively affected the City's total SEV and total Taxable Value. Each mill, then, that the City levies against the reduced Taxable Value produces less property tax receipts than the same mill levied in the prior year. The City is aware of the consequences of this situation and has been adjusting City revenues and expenditures as property tax receipts have fluctuated.

### Taxpayers with Largest Valuations

The taxpayers with the largest valuations in the City, their principal product or service and Total Taxable Value for the fiscal year ended June 30, 2014 are as follows:

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

| <u>Taxpayer</u>              | <u>Principal Product or Service</u> | <u>Total Taxable Value (2)</u> | <u>Percent of Total (3)</u> |
|------------------------------|-------------------------------------|--------------------------------|-----------------------------|
| Consumers Energy Company     | Electric utility                    | \$62,619,018                   | 1.42%                       |
| Keebler Company (4)          | Bakery products                     | 39,929,300                     | 0.91                        |
| Amway Hotel Corporation      | Hotel / real estate                 | 36,873,411                     | 0.84                        |
| HP3 LLC                      | J.W. Marriott Hotel                 | 24,103,500                     | 0.55                        |
| Fifth Third Bank             | Banking / real estate holding       | 23,453,456                     | 0.53                        |
| Centerpointe Partners LLC    | Shopping center / real estate       | 22,164,300                     | 0.50                        |
| Michigan Street Dev LLCt     | Medical office building development | 22,052,404                     | 0.50                        |
| Michigan Consolidated Gas Co | Gas utility                         | 20,221,249                     | 0.46                        |
| Spectrum Health Hospitals    | Hospitals                           | 18,883,839                     | 0.43                        |
| Steelcase, Inc.              | Office systems design / manufacture | 18,115,047                     | 0.41                        |
|                              |                                     | <u>\$288,415,524</u>           | <u>6.55%</u>                |

(1) Property taxpayers and Taxable Value are based on the July 1, 2013 tax bills.

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

(3) Based on \$4,395,181,894 which is the City's Total Taxable Value for the fiscal year ended June 30, 2014. Includes the Taxable Value of property granted tax abatement under Act 198, Act 146 and Act 147 as applicable. See "CITY TAXATION AND LIMITATIONS – Property Valuations" and "CITY TAXATION AND LIMITATIONS – Tax Abatement" herein.

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

Source: City of Grand Rapids



## City Income Tax

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

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

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

| Fiscal Years<br>Ended June 30 | Gross Tax<br>Collections <sup>1</sup> | Less:<br>Refunds | Net Income<br>Tax Collections <sup>1</sup> | % Increase or<br>(Decrease) over<br>Prior Year |
|-------------------------------|---------------------------------------|------------------|--|--|
| 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  |
| 2014 <sup>5</sup>             | 85,828,713                            | 8,254,376        | 77,574,337                                 | 2.79   |

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

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

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

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

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

Source: City of Grand Rapids

## REVENUES FROM THE STATE OF MICHIGAN

The State of Michigan continues to modify the revenue sharing program and the requirements for local units of government to qualify for statutory revenue payments. While the Constitutional portion has remained unchanged, several adaptations of the statutory program have occurred since 2012. The 2012 State fiscal year budget eliminated Michigan sales tax funded statutory revenue sharing for cities, villages and townships and replaced it with a \$215,000,000 new incentive-based revenue sharing program known as the Economic Vitality Incentive Program ("EVIP"), that was distributed to municipalities which complied with three categories of certain "best practices." The categories consisted of transparency and accountability, local unit consolidation and sharing costs of services, and implementing an employee

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

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

The following table sets forth the annual revenue sharing payments and other moneys received for the City’s general operating fund for the fiscal years ended June 30, 2010 through June 30, 2014.

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

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

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

Source: City of Grand Rapids

## CITY DEBT

### Statutory and Constitutional Debt Provisions

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

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

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

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

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

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

### Legal Debt Margin

Pursuant to the statutory and constitutional debt provisions set forth herein, the following table reflects the amount of additional debt the City may legally incur as of December 2, 2014.

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

(1) 10% of \$4,605,900,000 which is the City's Total SEV for the fiscal year ending June 30, 2014. Includes the SEV of property granted tax abatement under Act 198, Act 146 and Act 147. See "CITY TAXATION AND LIMITATIONS – Property Valuations" and "CITY TAXATION AND LIMITATIONS – Tax Abatement" herein.

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

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

## Debt Statement

The following table reflects a breakdown of the City's direct debt as of December 2, 2014. Direct debt that is shown as self-supporting is paid from sources other than the City's general fund. The City's ability to levy taxes to pay the debt service on the obligations that are designated as "Limited Tax" is subject to applicable charter, statutory and constitutional limitations. See "CITY TAXATION AND LIMITATIONS" herein.

| City Direct Debt                                 | Gross         | Self-Supporting | Net          |
|--|---------------|-----------------|--------------|
| <b>Share of County Issued Bonds:</b>             |               |                 |              |
| Dated December 3, 2014 (Limited Tax)             | \$4,550,000   | \$ -            | \$4,550,000  |
| Dated March 28, 2013 (Limited Tax)               | 359,592       | -               | 359,592      |
| Dated September 30, 2008 (Limited Tax)           | 3,675,000     | -               | 3,675,000    |
| Dated September 30, 2003 (Limited Tax)           | 297,256       | -               | 297,256      |
| Subtotal.....                                    | \$8,881,848   | \$ -            | \$8,881,848  |
| <b>Building Authority Bonds:</b>                 |               |                 |              |
| Dated July 28, 2011 (Limited Tax)                | \$ 12,880,000 | \$ -            | \$12,880,000 |
| Dated September 15, 2010 (Limited Tax, Series C) | 6,410,000     | -               | 6,410,000    |
| Dated March 30, 2010 (Limited Tax, Series A)     | 1,770,000     | -               | 1,770,000    |
| Dated March 30, 2010 (Limited Tax, Series B)     | 2,485,000     | -               | 2,485,000    |
| Dated March 5, 2009 (Limited Tax)                | 11,020,000    | -               | 11,020,000   |
| Dated December 23, 2008                          | 7,960,000     | 7,960,000       | -            |
| Dated November 15, 2006                          | 6,190,000     | 6,190,000       | -            |
| Dated November 18, 2004 (1)                      | 13,420,000    | 13,420,000      | -            |
| Dated June 15, 2002 (1)                          | 13,785,000    | 13,785,000      | -            |
| Dated September 1, 1998 (Limited Tax)            | 7,275,000     | -               | 7,275,000    |
| Subtotal.....                                    | \$83,195,000  | \$41,355,000    | \$41,840,000 |
| <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                          | 3,447,460     | 3,447,460       | -            |
| Subtotal.....                                    | \$34,202,460  | \$34,202,460    | \$ -         |
| <b>Water Revenue Bonds:</b>                      |               |                 |              |
| <b>Senior Lien</b>                               |               |                 |              |
| Dated March 13, 2013                             | \$ 3,085,000  | \$ 3,085,000    | \$ -         |
| Dated October 4, 2010                            | 25,960,000    | 25,960,000      | -            |
| Dated May 6, 2009                                | 27,710,000    | 27,710,000      | -            |
| Dated December 14, 2005                          | 29,370,000    | 29,370,000      | -            |
| Dated March 18, 1993                             | 19,300,000    | 19,300,000      | -            |
| <b>Junior Lien</b>                               |               |                 |              |
| Dated September 17, 2014 (2)                     | 3,545,000     | 3,545,000       | -            |
| Dated December 14, 2012 (3)                      | 643,514       | 643,514         | -            |
| Dated September 18, 2012 (4)                     | 4,242,000     | 4,242,000       | -            |
| Dated September 23, 2011 (5)                     | 3,344,000     | 3,344,000       | -            |
| Dated June 24, 2011 (6)                          | 716,549       | 716,549         | -            |
| Dated April 8, 2011 (7)                          | 769,752       | 769,752         | -            |
| Subtotal.....                                    | \$118,686,015 | \$118,686,015   | \$ -         |

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

**Debt Statement - continued**

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

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

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

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

## Schedule of Remaining Bond Maturities

The following table sets forth the remaining annual maturities of the City's bonded indebtedness by type of issue as of December 2, 2014:

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

<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**

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

The City will assist the State of Michigan if it determines to refund the Grand Rapids Building Authority (the "GRBA") Series 2002A bonds and the GRBA Series 2004A bonds, both of which were issued by the GRBA on behalf of the State of Michigan.

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

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

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

Employees of the City also earn up to one-half day of paid sick leave per month. Employees are paid for up to 90 days of accumulated sick leave at termination or retirement provided they have worked a minimum of 10 continuous years. Employees at time of retirement can also elect to purchase pension service credit with unused sick leave hours.

The City accrues paid vacation and sick leave liabilities as designated fund equity on the Governmental Fund Balance Sheet. For the fiscal year ended June 30, 2014, the amount of \$7,119,402 was so designated for the City's General Fund.



## **Other Postemployment Benefits**

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

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

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

The retiree health care benefit has been modified. All new hires participate in a defined contribution retiree health care plan rather than a defined benefit plan. Currently, nearly 40% of City employees are participating in the defined contribution retiree health care plan. Employees who remain in the defined benefits plan now earn the benefit incrementally over the course of their careers, and employees who retire after June 30, 2010 will “float” with active employees relative to health care plan design and premium sharing.

The most recent actuarial studies were completed as of June 30, 2013. These studies used an assumed rate of return of 5% because plan assets are now held in trusts and invested by the Municipal Employees Retirement System (MERS) of Michigan. The June 30, 2013 valuations recommended annual required contributions for the fiscal year beginning July 1, 2014 (i.e., FY2015) in the amount of \$5,446,879 for general employees, \$5,106,271 for police employees, and \$3,584,586 for fire employees. The total FY2015 annual required contribution, including the deferred contribution Retiree Health Savings Account (“RHSA”) requirement, is \$15,101,986. The combined unfunded actuarial accrued liabilities are \$134,733,470. The fiscal year 2015 Adopted Budget incorporates the annual required contribution as recommended.

For more information regarding the City’s postemployment benefits see Appendix B – Comprehensive Annual Financial Report for the fiscal year ended June 30, 2014, Note 8 – Postemployment Benefits Other than Pensions.

## Pension Plans

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

For the fiscal year ended June 30, 2014, the City was required to make contributions of 20.64% of covered wages to the GRS while GRS member employees contributed 7.96% (weighted average) of their covered wages to the fund. For the fiscal year beginning July 1, 2014, GRS employees contribute 7.93% (weighted average) and the City is contributing 28.25% of covered wages.

Police and fire employees contributed 10.27% to the PFRS and the City contributed 19.07% of covered wages for the fiscal year ended June 30, 2014. Based on the December 31, 2013 valuation, for the fiscal year beginning July 1, 2014, police and fire employees will contribute 10.27% to the PFRS and the City is contributing 16.31% of covered wages.

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

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

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

For additional information regarding “Actuarial Accrued Liability” and “Actuarial Value of Plan Assets” please refer to the Notes to the Financial Statements – Retirement Plans section of the June 30, 2014 Comprehensive Annual Financial Report.

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

| Valuation Date | Actuarial<br>Accrued<br><u>Liabilities</u> | Actuarial<br>Value of<br><u>Plan Assets</u> | Assets as a Percent<br>of Actuarial<br><u>Accrued Liabilities</u> |
|----------------|--|---|---|
| <u>June 30</u> |  |   |   |
| 2010           | \$435,893,490                              | \$366,543,009                               | 84.1%   |
| 2011           | 445,762,361                                | 360,280,315                                 | 80.8  |
| 2012           | 448,864,237                                | 349,486,629                                 | 77.9  |
| 2013           | 455,914,323                                | 353,299,470                                 | 77.5  |
| 2014           | 460,585,801                                | 385,153,710                                 | 83.6 <sup>1</sup>   |

Source: Gabriel, Roeder, Smith and Company

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

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

| Valuation Date<br><u>December 31</u> | Actuarial<br>Accrued<br><u>Liabilities</u> | Actuarial<br>Value of<br><u>Plan Assets</u> | Assets as a Percent<br>of Actuarial<br><u>Accrued Liabilities</u> |
|--------------------------------------|--|---|---|
| 2009                                 | \$348,250,068                              | \$334,247,051                               | 96.0%   |
| 2010                                 | 360,573,351                                | 328,609,947                                 | 91.1  |
| 2011                                 | 365,300,394                                | 321,207,218                                 | 87.9  |
| 2012                                 | 375,797,800                                | 321,323,888                                 | 85.5  |
| 2013                                 | 385,860,392                                | 354,769,666                                 | 91.9 <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, 2013 by Gabriel, Roeder, Smith and Company. The Police and Fire Retirement System contribution requirements are mitigated in the short term by the 5-year smoothing process.

### Labor Contracts

Approximately 94.8% of the City's 1,369 full and permanent part-time employees are currently represented by labor organizations. The following table describes the labor organizations that represent City employees, the number of members and the expiration dates of the present contracts.

| <u>Labor Organizations</u>  | <u>Current<br/>Membership<sup>1</sup></u> | <u>Contract<br/>Expiration Date</u> |
|---|---|-------------------------------------|
| Grand Rapids Police Officers Association<br>(Officers and Sergeants Unit)               | 287                                       | June 30, 2016                       |
| Grand Rapids Police Officers Association – CST Unit                                     | 8   | June 30, 2016                       |
| Grand Rapids Police Officers Association – ECO Unit                                     | 41  | June 30, 2016                       |
| Grand Rapids Command Police Officers Association  | 20  | June 30, 2016                       |
| International Association of Firefighters   | 201                                       | June 30, 2014 <sup>2</sup>          |
| Grand Rapids Employees Independent Union  | 455                                       | June 30, 2016                       |
| Grand Rapids Employees Independent Union<br>(61 <sup>st</sup> District Court Affiliate) | 53  | June 30, 2016                       |
| Grand Rapids Employees Independent Union<br>(Library Supervisor Affiliate)              | 14  | June 30, 2016                       |
| Grand Rapids Employees Independent Union<br>(Library Non-Supervisor Affiliate)          | 60  | June 30, 2016                       |
| Association of Public Administrators  | 135                                       | June 30, 2016                       |
| Association of Public Administrators<br>(61 <sup>st</sup> District Court Chapter)       | 19  | June 30, 2016                       |
| Teamsters – Emergency Communication Supervisors   | 5   | June 30, 2016                       |
| Non-union   | <u>71</u>                                 | N/A                                 |
| <b>Total FTE City Employees</b>   | <b><u>1,369</u></b>                       |                                     |

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

<sup>2</sup>In process of negotiation.

Source: City of Grand Rapids.

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

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

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

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

## Employment

Reflected below are the not seasonally adjusted unemployment statistics for the City and the State for the calendar years 2010 through 2014.

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

(1) Annual average.

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

(3) Data as of October 31, 2014.

Source: Michigan Department of Technology, Management & Budget.

## Retail Sales

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

|                            | <u>City of Grand Rapids</u> |                         | <u>County of Kent</u> |                         |
|----------------------------|-----------------------------|-------------------------|-----------------------|-------------------------|
|                            | <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   |
|---------------------------|--------------------------|---------------|
| 2010                      | 1,747                    | \$214,338,626 |
| 2011                      | 1,843                    | 140,935,725   |
| 2012                      | 2,115                    | 169,780,000   |
| 2013                      | 2,218                    | 308,520,000   |
| 2014                      | 2,278                    | 312,740,000   |

Source: City of Grand Rapids.

## MICHIGAN TRANSPORTATION FUND

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

(a) Not more than \$3,000,000 as may be annually appropriated each fiscal year to the State Trunk Line Fund for subsequent deposit in the Rail Grade Crossing Account.

(b) Not less than \$3,000,000 each year to the Local Bridge Fund established under Act 51 for the purpose of payment of the principal, interest and redemption premium on any notes or bonds issued by the State Transportation Commission under former Section 11b or under subsection (10) of section 10 of Act 51.

(c) Revenue from 3 cents of the tax levied under section 8(1)(a) of 2000 PA 403, MCL 207.1008, MCL 207.102, to the State Trunk Line Fund, county road commissions, and cities and villages in the percentages provided in subdivision (i).

(d) One half of the revenue from 1 cent of the tax levied under section 8(1)(a) of 2000 PA 403, MCL 207.1008, to the State Trunk Line Fund for repair of state bridges under Section 11 of Act 51; and the other one-half of the revenue from 1 cent of such taxes to the Local Bridge Fund for distribution to cities, villages and county road commissions.

(e) \$43,000,000.00 to the State Trunk Line Fund for debt service costs on state of Michigan projects.

(f) 10% to the Comprehensive Transportation Fund.

(g) \$5,000,000 to the Local Bridge Fund.

(h) \$36,775,000 to the State Trunk Line Fund for subsequent deposit in the Transportation Economic Development Fund, and with first priority for allocation to debt service on bonds issued to fund Transportation Economic Development Fund Projects. In addition, \$3,500,000 is appropriated from the Michigan Transportation Fund to the State Trunk Line Fund for subsequent deposit in the Transportation Economic Development Fund to be used for economic development road projects in any of the targeted industries described in section 9(1)(a) of 1987 PA 231, MCL 247.909.

(i) Not less than \$33,000,000 as may be annually appropriated each fiscal year to the Local Program Fund created in Section 11e of Act 51.

(j) The balance of the Michigan Transportation Fund as follows, after deduction of the amounts appropriated in subparagraphs (a) through (i):

(i) 39.1% to the State Trunk Line Fund for the purposes described in Section 11 of Act 51.

(ii) 39.1% to the county road commissions of the State.

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

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

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

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

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

|                                       | Fiscal Years Ended June 30 |              |              |              |              |
|---------------------------------------|----------------------------|--------------|--------------|--------------|--------------|
|                                       | 2010                       | 2011         | 2012         | 2013         | 2014         |
| Accrued Revenue (1).....              | \$12,592,453               | \$12,789,890 | \$13,094,196 | \$13,210,493 | \$14,450,641 |
| Maximum Annual Debt Service (2).....  | 1,352,188                  | 1,352,188    | 1,352,188    | 1,352,188    | 1,352,188    |
| Historical Debt Service Coverage..... | 9.31x                      | 9.46x        | 9.68x        | 9.77x        | 10.68x       |

(1) The City usually receives accrued revenue within two months of posting.

(2) The Series 2003 bonds were partially defeased in the fiscal year ended June 30, 2008.

Source: City of Grand Rapids

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

## SANITARY SEWER SYSTEM

### Wastewater Volumes

Five years of annual tributary flows to the Wastewater Treatment Plant (“WWTP”) are shown in the following table.

| Fiscal Year<br>June 30 | Total Sales <sup>(1)</sup><br>in Million<br>Gallons ("MG") | Additional<br>Inflow and<br>Infiltration in<br>MG to the<br>WWTP <sup>(2)</sup> | Total<br>WWTP<br>Influent<br>in MG | Treated<br>Average<br>Daily<br>Influent<br>in MG | Known<br>Bypass<br>in MG | Total Annual<br>Billing in<br>Million<br>Dollars |
|------------------------|--|---|------------------------------------|--|--------------------------|--|
| 2010                   | 8,561  | 7,081   | 15,642                             | 42.9   | 38.447                   | \$47.7   |
| 2011                   | 8,240  | 7,082   | 15,322                             | 42.0   | 50.055                   | 47.7   |
| 2012                   | 8,256  | 6,665   | 14,921                             | 40.9   | 0.343                    | 48.8   |
| 2013                   | 8,041  | 7,060   | 15,100                             | 41.4   | 0.000                    | 46.0   |
| 2014                   | 7,906  | 7,157   | 15,062                             | 41.4   | 0.000                    | 46.0   |

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

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

Source: City of Grand Rapids



## Wastewater Characteristics

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

**City of Grand Rapids, Michigan**  
**Waste Water Treatment Plant Effluent - 30 Month History Through June 30, 2014**

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

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

Source: City of Grand Rapids Waste Water Treatment Plant

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

### **Organization, Management and Staffing**

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

The ESD administers the SSS through five divisions - Operations, Maintenance, Environmental Assessment, Sewer Maintenance, and the Utilities Engineering, Distribution and Collection Division ("UEDCD"). The Maintenance Division is responsible for all mechanical/electrical/facilities maintenance as well as pipeline cleaning in the collection system. The Operations Division maintains the remote pumping stations, meter stations, regulator stations and operates the WWTP. The Environmental Assessment Division provides laboratory services, industrial monitoring and surveillance, and special field investigations. Sewer Maintenance provides assessments and cleaning of the sanitary sewerage system. The UEDCD provides utility engineering, process engineering and collection system repair services for the ESD.

The fiscal year 2014 budget for these divisions authorized a total of 104.353 employees. The City believes the ESD is adequately staffed to operate and maintain the collection and treatment system in accordance with its NPDES permit.

### **Regulatory Requirements**

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

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

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

## Billings and Collections

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

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

| <u>Fiscal Year<br/>Ended June 30</u> | <u>Total<br/>Billings</u> | <u>Paid<br/>0-30 Days</u> | <u>Paid<br/>31-90 Days</u> | <u>Paid Over 90<br/>Days</u> | <u>Total<br/>Collected (1)</u> |
|--------------------------------------|---------------------------|---------------------------|----------------------------|------------------------------|--------------------------------|
| 2010                                 | \$43,648,813              | \$31,090,490              | \$8,390,263                | \$2,861,221                  | \$42,341,974                   |
| 2011                                 | 46,745,078                | 33,905,788                | 8,979,319                  | 3,233,027                    | 46,118,134                     |
| 2012                                 | 46,020,543                | 33,807,022                | 8,316,821                  | 2,837,316                    | 44,961,159                     |
| 2013                                 | 45,699,138                | 34,417,073                | 8,102,202                  | 2,903,318                    | 45,422,593                     |
| 2014                                 | 44,439,080                | 34,626,808                | 7,753,279                  | 1,742,147                    | 44,122,233                     |

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

Source: City of Grand Rapids

## Ten Largest Retail Customers

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

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

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

Source: City of Grand Rapids

## Rate Setting Methodology

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

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

and resulted in new rates effective January 1, 1978. Agreements with each of the retail and wholesale governmental customer communities serviced by the SSS were amended in 1978 to incorporate the current rate setting methodology and establish the annual revenue requirement. In 1998 and 2006 the agreements were further amended for the rate setting methodology changes. In 2006, fees were no longer applied as credits (offsets) to revenue requirements. Instead, penalty fees were used to fund the Individual Circuit Breaker (“ICB”) and City and Customer Community Circuit Breaker (“CCCCB”). The ICB is a program aimed at addressing retail users requiring assistance in payment of their water/sewer bills. The CCCCCB is a mechanism, if sufficient funding is available, to limit retail service area revenue requirement changes to a level in line with the overall systems’ initial proposed changes. In 2010, the agreements were amended further, changing the rate setting methodology to use a three-year average of billed flow and reducing the rate of return on fixed assets to the Bond Buyer Index for 20-year Municipal Bonds plus 4.50% per annum (formerly plus 6.00%). The City has conducted annual rate studies each year since 1978 and has adjusted rates accordingly.

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

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

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

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

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

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

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

See notes on following page

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

Source: City of Grand Rapids

## Revenue Requirements

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

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

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

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

Source: City of Grand Rapids

## Connection Fees

On June 27, 2000, the Grand Rapids City Commission enacted Ordinance No. 2000-32 establishing a schedule of integrated connection base fee increases for initial connection to the System for periods through December 31, 2008. On December 17, 2013, the Grand Rapids City Commission enacted Ordinance No. 2013-87 establishing the fees effective January 1, 2014. These integrated connection fees apply to all users of the System except users in Gaines Township. The receipts from these fees are shown in the table "SANITARY SEWER SYSTEM – Results of Operations."

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

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

Source: City of Grand Rapids

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

**Results of Operations**

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

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

Fiscal Years Ended June 30,

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

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

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

Source: City of Grand Rapids

## Net Earnings and Bond Coverage

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

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

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

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

<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 \$1,501,359 pertaining to the SSS Series 2010A bonds.

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

Source: City of Grand Rapids



## Projected Revenue Requirements and Results of Operations

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

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

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

(1) Revenue requirements per 2014 Rate Study.

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

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

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

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

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

Source: City of Grand Rapids

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

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

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

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

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

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

## WATER SUPPLY SYSTEM

### Annual Sales

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

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

| Fiscal Year<br>Ended June 30 | Total Sales in<br>Billion Gallons | Total Pumpage in<br>Billion Gallons | Total Annual Billings<br>in Millions of Dollars |
|------------------------------|-----------------------------------|-------------------------------------|---|
| 2010                         | 11.211*                           | 12.480                              | \$39.331  |
| 2011                         | 10.945*                           | 12.488                              | 39.122  |
| 2012                         | 11.329                            | 13.176                              | 40.735  |
| 2013                         | 12.323                            | 13.438                              | 41.159  |
| 2014                         | 11.297                            | 12.997                              | 37.366  |

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

Source: City of Grand Rapids

The following table summarizes the historical daily volume pumpage.

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

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

Source: City of Grand Rapids

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

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

| Fiscal Year<br>Ended<br>June 30 | Total Billed | Paid<br>0-30 Days | Paid<br>31-90 Days | Paid Over<br>90 Days | Total<br>Collected <sup>(1)</sup> |
|---------------------------------|--------------|-------------------|--------------------|----------------------|-----------------------------------|
| 2010                            | \$35,161,645 | \$25,545,281      | \$7,700,477        | \$3,268,516          | \$36,514,274                      |
| 2011                            | 36,569,728   | 27,063,366        | 8,099,650          | 3,544,322            | 38,707,338                        |
| 2012                            | 36,073,451   | 27,278,403        | 6,919,616          | 2,426,146            | 36,624,165                        |
| 2013                            | 38,909,427   | 30,309,853        | 7,231,250          | 2,459,824            | 40,000,927                        |
| 2014                            | 34,165,870   | 27,754,510        | 6,176,600          | 1,732,148            | 35,663,258                        |

<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 WSS for the one year period ended on June 30, 2014 and their respective volumes of usage and the amounts billed.

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

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

Source: City of Grand Rapids

## Rate Setting Methodology

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

To remedy this and to establish a procedure for implementing annual rate adjustments, the City, in consultation with the customer communities with which it had retail and wholesale water service agreements, adopted a method of adjusting rates annually. The first such annual rate study took eighteen months to complete and resulted in new rates effective January 1, 1978. Agreements with each of the retail and wholesale governmental customer communities serviced by the WSS were amended in 1978 to incorporate the current rate setting methodology and establish the annual revenue requirement. In 1998 and 2006 the agreements were further amended for the rate setting methodology changes. In 2006, fees were no longer applied as credits (offsets) to revenue requirements. Instead, penalty fees were used to fund the Individual Circuit Breaker ("ICB") and City and Customer Community Circuit Breaker ("CCCCB"). The ICB is a program aimed at addressing retail users requiring assistance in payment of their water/sewer bills. The CCCCCB is a mechanism, if sufficient funding is available, to limit retail service area revenue requirement changes to a level in line with the overall systems' initial proposed changes. In 2010, the agreements were amended further, changing the rate setting methodology to use a three-year average of billed flow and reducing the rate of return on fixed assets to the Bond Buyer Index for 20-year Municipal Bonds plus 4.50% per annum (formerly plus 6.00%). The City has conducted annual rate studies each year since 1978 and has adjusted rates accordingly.

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

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

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

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

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

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

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

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

(1) Rates effective January 1, 2014.

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

(3) HCF: Hundred Cubic Feet.

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

Source: City of Grand Rapids

## Revenue Requirements

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

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

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

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

Source: City of Grand Rapids

## Connection Fees

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

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

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

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

Source: City of Grand Rapids

## Results of Operations

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

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

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

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

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

Source: City of Grand Rapids

### NET EARNINGS AND BOND COVERAGE

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



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

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

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

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

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

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

Source: City of Grand Rapids

**Projected Revenue Requirements**

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

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

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

(1) Revenue requirements per the 2014 Rate Study.

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

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

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

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

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

Source: City of Grand Rapids

**Projected Results of Operations**

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

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

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

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

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

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

Source: City of Grand Rapids

## **GRAND RAPIDS DOWNTOWN DEVELOPMENT AUTHORITY**

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

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

The Authority captures property tax increment revenues from two sources, local tax increments and school tax increments. Local tax increment (“LTI”) revenues are millages assessed by the City of Grand Rapids, the County of Kent, the Inter-urban Transit Partnership and the Grand Rapids Community College. School tax increment (“STI”) revenues are related to the State Education Tax millage, the Grand Rapids Public Schools operating, sinking fund, and debt millages, and the Kent Intermediate School District millages.

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

State law restricts the Authority’s use of STI revenues for payment of debt service and other eligible obligations (together, “eligible obligations”) in existence prior to January 1, 1995 and also for refunding of any of those pre-1995 eligible obligations. The Authority’s debt service for obligations issued after January 1, 1995 and for all of the Authority’s development projects are funded with either LTI or non-tax increment revenues. The Authority’s non-tax increment revenues result primarily from interest on investments and parking revenues generated by parking facilities located on property owned by the Authority.

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

| Roll Year | Fiscal Year | Local Tax Mills         | Education/"School Tax" Mills |                         | NON-PRE COMBINED MILLAGES |
|-----------|-------------|-------------------------|------------------------------|-------------------------|---------------------------|
|           |             |                         | PRE/Homestead                | Non-PRE/Non-Hmstd       |                           |
| 1985      | 1986        | 13.92803                | n/a                          | 36.0500 <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>2</sup>      |
| 2003      | 2004        | 15.8348                 | 9.5903 <sup>8</sup>          | 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>3</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 <sup>6</sup>    | 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                   |
| 2013      | 2014        | 16.8224                 | 14.2903                      | 32.2903                 | 49.1127                   |

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. For Roll Year 2013, the rate changed from 1.41000 to 1.4700 mills.
- <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. For Roll Year 2013, the rate remained 2.6000 mills.
- <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. For Roll Year 2013, the rate remained 1.6000 mills.
- <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**

| <b>Roll Year</b>  | <b>Fiscal Year</b>  | <b>Total Assessed Valuation</b> | <b>Less: Initial Year Valuation</b> | <b>Captured Assessed Valuation</b> | <b>% Change Over Prior Year <sup>8</sup></b> |
|-------------------|---------------------|---------------------------------|-------------------------------------|------------------------------------|--|
| 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>2,4</sup> | 203,909,131                     | 33,635,270                          | 170,273,861                        | 40%  |
| 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 <sup>5</sup>   | 273,164,380                     | 87,406,488                          | 185,757,892                        | 4%   |
| 2003              | 2004 <sup>6</sup>   | 271,789,814                     | 86,868,580                          | 184,921,234                        | 0%   |
| 2004              | 2005 <sup>7</sup>   | 282,356,639                     | 87,284,880                          | 195,071,759                        | 5%   |
| 2005              | 2006                | 293,062,670                     | 87,284,880                          | 205,777,790                        | 5%   |
| 2006              | 2007                | 310,564,573                     | 87,284,880                          | 223,279,693                        | 9%   |
| 2007              | 2008                | 333,804,984                     | 87,284,880                          | 246,520,104                        | 10%  |
| 2008              | 2009                | 422,163,545                     | 147,752,451 <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                     | 163,558,491 <sup>10</sup>           | 297,575,684                        | (5%)   |
| 2012              | 2013                | 449,963,527                     | 163,558,491 <sup>10</sup>           | 286,405,036                        | (4%)   |
| 2013 <sup>3</sup> | 2014                | 446,699,251                     | 163,558,491 <sup>10</sup>           | 280,593,564                        | (2%)   |
| 2014 <sup>3</sup> | 2015                | 454,291,745                     | 163,634,789 <sup>10</sup>           | 290,656,956                        | 3%   |

- <sup>1</sup> Initial values were corrected based on research related to the State’s audit of the GR-DDA’s Forms 2604 for roll years 1994 through 2000.
- <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 appeals decisions affecting roll years 1996 through 2000. Roll year 2001 includes the \$13,326,791 decrease for the Amway Grand Plaza & Plaza Towers real property assessments as do years after 2001.
- <sup>3</sup> Total 2013 assessed valuation as of April 22, 2014. Valuations may still be affected by Board of Review, Michigan Tax Tribunal, and/or State Tax Commission decisions issued after April, 2014. Roll year 2014 data based on March Board of Review values.
- <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 added to capture boundaries. Ad valorem initial value for District G was \$23,487,549 and District H was \$30,283,669.
- <sup>6</sup> Initial values for Districts G and H adjusted per order changes. District G real property initial value decreased by \$368,208. District H personal property initial value decreased by \$169,700.
- <sup>7</sup> City Assessor adjusted District H parcel list & initial values when it was discovered the parcel list for the new SmartZone LDFA, which overlaps all of DDA District H, omitted parcels, included wrong parcels, and mathematical errors. DDA initial value net increase was \$416,300.
- <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 Sub-Districts I, J, and K which added 976 parcels to the Authority’s boundaries.
- <sup>10</sup> On April 21, 2011, the State Tax Commission changed the treatment of abatement based initial values by requiring them to be moved from the abatement roll to the ad valorem roll when the abatements expire. This reversed their 1997 decision which required abatement based initial values to remain in the category in which the value was located when the district/sub-district was created.

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

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

| <b>CLASS <sup>1</sup></b>       | <b>2013 / FY2014</b>  |
|---------------------------------|-----------------------|
| Real Property                   | \$ 410,732,600        |
| Personal Property               | 47,320,900            |
| <b>TOTAL ASSESSED VALUATION</b> | <b>\$ 458,053,500</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  
DOWNTOWN DEVELOPMENT AUTHORITY  
DEVELOPMENT PLAN AREA #1**

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

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

| Roll<br>Year | FYE<br>June 30 | Historical / Projected<br>Tax Increment Revenues <sup>1</sup> |                                 |              | Debt Service <sup>2</sup>    |  |                           |                       | Total<br>Debt<br>Coverage |
|--------------|----------------|---|---------------------------------|--------------|------------------------------|--|---------------------------|-----------------------|---------------------------|
|              |                | Local<br>Mills  | Education<br>Mills <sup>3</sup> | TOTAL        | Series 1989 &<br>Series 1993 | Series 1994 &<br>Series 2009<br>Refunding <sup>4</sup> | Debt Issued<br>After 1994 | TOTAL                 |                           |
|              |                |   |                                 |              |                              |  |                           |                       |                           |
| 1994         | 1995           | \$ 1,913,230  | \$ 3,103,396                    | \$ 5,016,626 | \$ 1,365,540                 | \$ 2,550,155   | \$ -                      | \$ 3,915,695          | 1.28                      |
| 1995         | 1996           | 2,044,235   | 3,318,229                       | 5,362,464    | 1,308,242                    | 2,919,861  | -                         | 4,228,103             | 1.27                      |
| 1996         | 1997           | 2,170,754   | 3,525,653                       | 5,696,407    | 1,293,427                    | 2,919,861  | 590,912                   | 4,804,200             | 1.19                      |
| 1997         | 1998           | 2,216,317   | 3,599,704                       | 5,816,021    | 699,854                      | 3,319,861  | 601,877                   | 4,621,592             | 1.26                      |
| 1998         | 1999           | 2,613,801   | 4,675,598                       | 7,289,399    | 679,363                      | 3,652,861  | 620,680                   | 4,952,904             | 1.47                      |
| 1999         | 2000           | 2,764,977   | 5,055,938                       | 7,820,915    | 706,664                      | 3,825,393  | 617,819                   | 5,149,876             | 1.52                      |
| 2000         | 2001           | 2,847,682   | 4,919,263                       | 7,766,945    | 722,478                      | 3,939,133  | 624,359                   | 5,285,970             | 1.47                      |
| 2001         | 2002           | 2,843,000   | 4,942,551                       | 7,785,551    | 722,692                      | 4,022,158  | 620,377                   | 5,365,227             | 1.45                      |
| 2002         | 2003           | 2,801,568   | 5,134,973                       | 7,936,541    | 739,994                      | 4,089,758  | 722,325                   | 5,552,077             | 1.43                      |
| 2003         | 2004           | 2,820,761   | 4,752,047                       | 7,572,808    | 724,628                      | 4,197,223  | 276,128                   | 5,197,979             | 1.46                      |
| 2004         | 2005           | 3,041,221   | 5,672,387                       | 8,713,608    | 731,786                      | 4,281,163  | 508,514                   | 5,521,463             | 1.58                      |
| 2005         | 2006           | 3,057,532   | 5,687,263                       | 8,744,795    | 267,879                      | 4,836,818  | 535,183                   | 5,639,880             | 1.55                      |
| 2006         | 2007           | 3,250,069   | 5,921,033                       | 9,171,102    | 269,236                      | 4,932,778  | 531,480                   | 5,733,494             | 1.60                      |
| 2007         | 2008           | 3,681,000   | 6,871,108                       | 10,552,108   | 269,875                      | 5,029,678  | 532,660                   | 5,832,213             | 1.81                      |
| 2008         | 2009           | 4,241,818   | 7,552,304                       | 11,794,122   | 269,875                      | 4,974,380  | 546,689                   | 5,790,944             | 2.04                      |
| 2009         | 2010           | 4,743,608   | 8,399,795                       | 13,143,403   | 269,375                      | 5,071,843  | 529,129                   | 5,870,347             | 2.24                      |
| 2010         | 2011           | 4,527,679   | 7,765,877                       | 12,293,556   | 268,375                      | 4,994,525  | 528,768                   | 5,791,668             | 2.12                      |
| 2011         | 2012           | 4,373,708   | 7,365,197                       | 11,738,905   | 271,750                      | 5,094,525  | 1,453,092                 | 6,819,367             | 1.72                      |
| 2012         | 2013           | 4,178,913   | 6,780,973                       | 10,959,886   | 269,500                      | 5,204,525  | 1,760,526 <sup>5</sup>    | 7,234,551             | 1.51                      |
| 2013         | 2014           | 4,236,321   | 7,350,094                       | 11,586,415   | 271,625                      | 5,199,525  | 1,154,681                 | 6,625,831             | 1.75                      |
| 2014         | 2015           | 4,522,690   | 7,329,127                       | 11,851,817   | -                            | 5,479,525  | 1,406,713                 | 6,886,238             | 1.72                      |
| 2015         | 2016           | 4,384,009   | 7,203,253                       | 11,587,262   | -                            | 5,479,525  | 1,421,475                 | 6,901,000             | 1.68                      |
| 2016         | 2017           | 4,299,489   | 7,034,156                       | 11,333,645   | -                            | 5,809,525  | 1,427,288                 | 7,236,813             | 1.57                      |
| 2017         | 2018           | 4,321,236   | 7,089,576                       | 11,410,812   | -                            | 5,811,325  | 1,427,838                 | 7,239,163             | 1.58                      |
| 2018         | 2019           | 4,343,093   | 7,125,174                       | 11,468,267   | -                            | 5,811,663  | 714,863                   | 6,526,525             | 1.76                      |
| 2019         | 2020           | 4,344,808   | 7,130,800                       | 11,475,608   | -                            | 5,811,163  | 714,794                   | 6,525,956             | 1.76                      |
| 2020         | 2021           | 4,368,257   | 7,172,108                       | 11,540,364   | -                            | 5,807,013  | 712,600                   | 6,519,613             | 1.77                      |
| 2021         | 2022           | 4,391,939   | 7,213,829                       | 11,605,768   | -                            | 5,808,263  | 390,100                   | 6,198,363             | 1.87                      |
| 2022         | 2023           | 4,415,859   | 7,255,967                       | 11,671,826   | -                            | 5,807,513  | 393,400                   | 6,200,913             | 1.88                      |
| 2023         | 2024           | 4,440,017   | 7,298,527                       | 11,738,544   | -                            | 4,916,275  | 391,200                   | 5,307,475             | 2.21                      |
| 2024         | 2025           | 4,464,417   | -                               | 4,464,417    | -                            | -  | -                         | -                     | n/a                       |
|              |                |   |                                 |              | <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 FY2015-25 are estimates and have been reduced by estimated reductions for property assessment appeals.

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

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

Note 4: Excludes capitalized interest

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



**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 8, 2008**  
**December 22, 2014**

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

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

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

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**TABLE A - Page 2 of 3 pages**  
**CITY OF GRAND RAPIDS, MICHIGAN**  
**CONTINUING DISCLOSURE STATEMENT**  
**MATRIX OF FINANCIAL DISCLOSURES - ISSUES DATED AUGUST 6, 2008 - DECEMBER 15, 2010**  
**December 22, 2014**

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

**TABLE A - Page 3 of 3 pages**  
**CITY OF GRAND RAPIDS, MICHIGAN**  
**CONTINUING DISCLOSURE STATEMENT**  
**MATRIX OF FINANCIAL DISCLOSURES - ISSUES DATED JULY 28, 2011 - DECEMBER 3, 2014**  
**December 22, 2014**

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

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