

ANNUAL REPORT COVER SHEET

CITY OF GRAND RAPIDS, MICHIGAN

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

City's name: City of Grand Rapids, Michigan

Page 1 of 2

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

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

59 pages plus the Comprehensive Annual Financial Report ("CAFR") for the period ending June 30, 2016

Bond Issues to which this Annual Report relates:

CUSIP	Name of Bond Issue	Date of Such Bonds:
386289	\$83,650,000 City of Grand Rapids, Michigan Sanitary Sewer System Improvement & Refunding Revenue Bonds, Series 1998A	July 1, 1998
386244	\$20,000,000 City of Grand Rapids Building Authority Building Authority Bonds, Series 1998	September 1, 1998
386226	\$3,975,000 City of Grand Rapids, Michigan Municipal Purchase Notes, Series 2002A	December 1, 2002
386244	\$7,375,000 City of Grand Rapids Building Authority Building Authority Bonds, Series 2006	November 15, 2006
386226	\$14,740,000 City of Grand Rapids, Michigan Capital Improvement Bonds, Series 2007	May 16, 2007
386316	\$32,900,000 City of Grand Rapids, Michigan Water Supply System Revenue Refunding Bonds, Series 1993 Conversion	April 8, 2008
386289	\$67,260,000 City of Grand Rapids Michigan Sanitary Sewer System Revenue Bonds, Series 2008	August 6, 2008
386445	\$7,870,000 Grand River Floodwalls and Embankments Drainage District Grand River Floodwalls and Embankments Drain Refunding Bonds, Series 2008	September 30, 2008
386244	\$8,980,000 City of Grand Rapids Building Authority Building Authority Bonds, Series 2008	December 23, 2008
386244	\$18,005,000 City of Grand Rapids Building Authority Building Authority Refunding Bonds, Series 2009	March 4, 2009
59455T	\$28,430,000 Michigan Municipal Bond Authority (GR-DDA Series 2009) Local Government Loan Program Revenue Bonds, Series 2009A	March 18, 2009
386316	\$30,000,000 City of Grand Rapids, Michigan Water Supply System Refunding Revenue Bonds, Series 2009	May 6, 2009
386289	\$29,625,000 City of Grand Rapids, Michigan Sanitary Sewer System Revenue Refunding Bonds, Series 2010	January 26, 2010
386244	\$1,770,000 City of Grand Rapids, Michigan Building Authority Bonds, Series 2010A	March 30, 2010
386244	\$2,815,000 City of Grand Rapids, Michigan Building Authority Bonds, Series 2010B	March 30, 2010
386244	\$7,325,000 City of Grand Rapids Building Authority Building Authority Bonds, Series 2010C	September 15, 2010
386316	\$43,025,000 City of Grand Rapids, Michigan Water Supply System Refunding Revenue Bonds, Series 2010	October 4, 2010
386289	\$24,815,000 City of Grand Rapids, Michigan Sanitary Sewer System Revenue Bonds, Series 2010A and 2010B	December 15, 2010
386244	\$14,585,000 City of Grand Rapids Building Authority Building Authority Refunding Bonds, Series 2011	July 28, 2011

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

Page 2 of 2

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


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

59 pages plus the Comprehensive Annual Financial Report ("CAFR") for the period ending June 30, 2016

Bond Issues to which this Annual Report relates:

CUSIP	Name of Bond Issue	Date of Such Bonds
386205	\$2,325,000 City of Grand Rapids, Michigan Brownfield Redevelopment Authority Tax Increment Bonds, Series 2012	June 12, 2012
386289	\$30,000,000 City of Grand Rapids, Michigan Sanitary Sewer System Improvement Revenue Bonds, Series 2012	October 10, 2012
386316	\$3,385,000 City of Grand Rapids, Michigan Water Supply System Revenue Refunding Bonds, Series 2013	March 13, 2013
386289	\$37,830,000 City of Grand Rapids, Michigan Sanitary Sewer System Revenue Refunding Bonds, Series 2013	May 16, 2013
386289	\$55,230,000 City of Grand Rapids, Michigan Sanitary Sewer System Revenue Improvement & Refunding Bonds, Series 2014	October 8, 2014
386445	\$4,550,000 Grand River Floodwalls and Embankments Drainage District Grand River Floodwalls and Embankments Drain Bonds, Series 2014	December 3, 2014
386316	\$25,370,000 City of Grand Rapids, Michigan Water Supply System Revenue Refunding Bonds, Series 2015	February 25, 2015
386226	\$19,580,000 City of Grand Rapids, Michigan Limited Tax General Obligation Refunding Bonds, Series 2016	February 4, 2016
386289	\$48,410,000 City of Grand Rapids, Michigan Sanitary Sewer System Revenue Refunding Bonds, Series 2016	March 3, 2016
386226	\$15,245,000 City of Grand Rapids, Michigan Capital Improvement Bonds, Series 2016	March 31, 2016
386316	\$36,740,000 City of Grand Rapids, Michigan Water Supply System Revenue Improvement & Refunding Bonds, Series 2016	September 22, 2016

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

Signature: 

Name: Scott Buhrer

Title: Deputy City Manager / Chief Financial Officer

Employer: City of Grand Rapids

Address: Fiscal Services-Administration, 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, 2016

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

12/29/2016

TABLE OF CONTENTS

<u>SECTION</u>	<u>BEGINS ON PAGE</u>
Population	1
City Taxation and Limitations	1
Taxable Value	2
State Equalized Value	4
Tax Abatements	6
Personal Property Tax Reform	8
Future Tax Reform Proposals	8
State Limitations for Property Taxes	9
Property Tax Rates	10
Property Tax Collections	12
Real Estate Market Developments	13
Top Ten Largest Valuations	14
City Income Tax	14
Revenues from the State of Michigan	15
City Debt	17
Statutory and Constitutional Debt Provisions	17
Legal Debt Margin	17
Debt Statement	18
Schedule of Bond Maturities	21
Miscellaneous, including Future Financing	22
Employee Benefits and Labor Contracts	22
Vacation and Sick Leave Benefits and Associated Liabilities	22
Other Postemployment Benefits	23
Pension Plans	24
Labor Contracts	26
Economic Profile	27
Profile of Major Area Employers	27
Employment	28
Retail Sales and Estimated Effective Household Buying Income	28
Building Permits	29
Sanitary Sewer System	30
Wastewater Volumes	30
Wastewater Characteristics (30 months)	31
Organization, Management, and Staffing	32
Regulatory Requirements	32
Retail Billings and Collections	33
Ten Largest Retail Customers	33
Rate Setting Methodology	33
Comparative Analysis of Rates	35
Revenue Requirements and Percentage Rate Increases - Historical	36
Connection Fees	36
Statement of Operations - Historical	37
Net Earnings and Bond Coverage - Historical	38
Revenue Requirements and Percentage Rate Increases – Projected	39
Statement of Operations – Projected	40
Water Supply System	41
Annual Water Sales	41
Daily Water Pumpage	41
Retail Billings and Collections	41
Ten Largest Retail Customers	42
Rate Setting Methodology	42
Comparative Analysis of Rates	44
Revenue Requirements and Percentage Rate Increases - Historical	45
Connection Fees	45
Statement of Operations - Historical	46
Net Earnings and Bond Coverage - Historical	46
Revenue Requirements and Percentage Rate Increases – Projected	47
Statement of Operations – Projected	48
Grand Rapids Downtown Development Authority	50
Historical Captured Millage Rates	51
Ad Valorem Assessed Valuations – Historical	52
Economic Diversity Within Development Plan Area #1	54
Ten Highest Assessed Valuations Within Development Plan Area #1	54
Historical and Projected Tax Increment Revenue and Debt Service Coverage	55
Table A - Matrix of Continuing Disclosure Requirements by Debt Issue	57
Comprehensive Annual Financial Report, Year Ended June 30, 2016 – SUBMITTED / UPLOADED SEPARATELY	

CITY OF GRAND RAPIDS, MICHIGAN

City of Grand Rapids Population

The City's 1970, 1980, 1990, 2000 and 2010 census populations are as follows:

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

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

Form of Government

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

CITY TAXATION AND LIMITATIONS

Property Assessments

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

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

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

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

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

Property Valuations

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

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

Taxable Value

Ad Valorem Taxable Value does not include any value of tax-exempt property (e.g., governmental facilities, churches, public schools, etc.) or property granted tax abatement under Act 198, Public Acts of Michigan, 1974, as amended ("Act 198"), Act 147, Public Acts of Michigan, 1992, as amended ("Act 147"), Act 146, Public Acts of Michigan, 2000, as amended ("Act 146"), Act 260, Public Acts of Michigan, 2003, as amended ("Act 260"), and Act 210, Public Acts of Michigan, 2005, as amended ("Act 210"). For its fiscal year ending June 30, 2016, the equivalent effect of the abatements granted under Act 198, Act 146, Act 147, Act 210, and Act 260 is to understate the City's Taxable Value by \$75,650,901 or 1.67%. Including the Equivalent Taxable Value, hereinafter defined, of these properties, the City's total Taxable Value ("Total Taxable Value") has decreased \$140,883,741 or approximately 3.04% between the fiscal years ended June 30, 2012 through 2016 as illustrated in the table below.

**City of Grand Rapids, Michigan
Total Taxable Value
Fiscal Years Ended June 30, 2012 Through 2016**

Assessed Value as of <u>December 31</u>	Year of State Equalization and Tax <u>Levy</u>	City's Fiscal Year Ended <u>June 30</u>	Ad Valorem Taxable <u>Value (1)</u>	Equivalent Taxable Value of Property Granted Tax Abatements Under Act 198, Act 146, Act 147, Act 210, and <u>Act 260 (2)</u>	Total <u>Taxable Value</u>	Percent Increase Over Prior <u>Year</u>
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)
2013	2014	2015	4,364,654,862	35,974,581	4,400,629,443	0.12
2014	2015	2016	4,455,733,728	36,601,317	4,492,335,045	2.08

Per Capita Total Taxable Value for the Fiscal Year Ended June 30, 2016 (3).....\$23,890.32

- (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, 2016, the Taxable Value of property qualified for the benefits of the Zone program totaled \$86,877,832. As of fiscal year ended June 30, 2016, exemptions for most of the City's Zone designated property have been phased out according to the schedule created when the designation was awarded by the State. For the remaining properties in the City's Zone, property and income tax exemptions may be reduced to 0% through 2025, depending on the particular development agreement.
- (2) At the full tax rate. See "CITY TAXATION AND LIMITATIONS – Tax Abatements" herein.
- (3) Based on the City's 2010 Census of 188,040.

Source: City of Grand Rapids

Including the value of property granted tax abatements under Act 198, Act 146, Act 147, Act 210, and Act 260, a breakdown of the City's Total Taxable Value by use and class for the fiscal years ended June 30, 2012 through 2016 is shown below.

City of Grand Rapids, Michigan
Total Taxable Value by Use and Class
Fiscal Years Ended June 30, 2012 Through 2016

<u>Use</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Commercial	\$1,420,557,313	\$1,433,918,687	\$1,399,597,694	\$1,384,618,458	\$1,401,843,547
Industrial	417,007,350	394,068,984	369,821,967	368,227,152	377,385,446
Residential.....	2,720,573,123	2,595,166,280	2,541,424,533	2,557,472,833	2,613,690,552
Utility	<u>75,081,000</u>	<u>81,398,600</u>	<u>84,337,700</u>	<u>90,311,000</u>	<u>99,415,500</u>
	<u>\$4,633,218,786</u>	<u>\$4,504,552,551</u>	<u>\$4,395,181,894</u>	<u>\$4,400,629,443</u>	<u>\$4,492,335,045</u>

<u>Class</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Real Property.....	\$4,182,262,386	\$4,031,823,201	\$3,911,998,644	\$3,922,928,694	\$3,995,423,345
Personal Property	<u>450,956,400</u>	<u>472,729,350</u>	<u>483,183,250</u>	<u>477,700,749</u>	<u>496,911,700</u>
	<u>\$4,633,218,786</u>	<u>\$4,504,552,551</u>	<u>\$4,395,181,894</u>	<u>\$4,400,629,443</u>	<u>\$4,492,335,045</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, 2012 Through 2016

<u>Use</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Commercial	30.66%	31.83%	31.85%	31.46%	31.21%
Industrial	9.00	8.75	8.41	8.37	8.40
Residential.....	58.72	57.61	57.82	58.12	58.18
Utility	<u>1.62</u>	<u>1.81</u>	<u>1.92</u>	<u>2.05</u>	<u>2.21</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>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Real Property.....	90.27%	89.51%	89.01%	89.14%	88.94%
Personal Property	<u>9.73</u>	<u>10.49</u>	<u>10.99</u>	<u>10.86</u>	<u>11.06</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

State Equalized Valuation

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., governmental facilities, churches, public schools, etc.) or property granted tax abatement under Act 198, Act 146 Act 147, Act 210, and Act 260. The effect of the abatements granted under Act 146, Act 147, Act 198, Act 210, and Act 260 is to understate the City's Ad Valorem SEV for its fiscal year ending June 30, 2016 by \$77,464,100 or 1.57%. Including the SEV of these properties, the City's total SEV ("Total SEV") has decreased \$54,832,100 or approximately 1.10% between the fiscal years ended June 30, 2012 through 2016 as illustrated on the following table

**City of Grand Rapids, Michigan
Total State Equalized Valuation
Fiscal Years Ended June 30, 2012 Through 2016**

Assessed Value as of December 31	Year of State Equalization and Tax Levy	City's Fiscal Year Ended June 30	Ad Valorem SEV	Property Granted Tax Abatement Under Act 198, Act 146, Act 147, Act 210, and Act 260 (1)	Total SEV	Percent Increase Over Prior Year
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)
2013	2014	2015	4,617,333,950	72,961,200	4,690,295,150	1.83
2014	2015	2016	4,859,918,600	77,464,100	4,937,382,700	5.27

Per Capita Total SEV for the Fiscal Year Ended June 30, 2016 (2)\$26,257.09

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

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

Source: City of Grand Rapids

Including the value of property granted tax abatement under Act 198, Act 146, Act 147, Act 210, and Act 260 a breakdown of the City's Total SEV by use and class for the fiscal years ended June 30, 2012 through 2016 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, 2012 Through 2016**

Use	Fiscal Year Ended June 30					
	2012	2013	2014	2015	2016	
Commercial.....	\$1,564,206,200	\$1,537,780,700	\$1,468,274,300	\$1,459,738,500	\$1,510,478,900	
Industrial.....	465,192,900	433,613,300	407,470,500	405,499,800	413,250,200	
Residential.....	2,887,734,700	2,697,148,600	2,645,817,500	2,734,745,850	2,914,238,100	
Utility.....	<u>75,081,000</u>	<u>81,398,600</u>	<u>84,337,700</u>	<u>90,311,000</u>	<u>99,415,500</u>	
	<u>\$4,992,214,800</u>	<u>\$4,749,941,200</u>	<u>\$4,605,900,000</u>	<u>\$4,690,295,150</u>	<u>\$4,937,382,700</u>	
Class	2012	2013	2014	2015	2016	
Real Property.....	\$4,523,306,000	\$4,259,185,100	\$4,101,111,400	\$4,191,877,950	\$4,420,494,200	
Personal Property.....	<u>468,908,800</u>	<u>490,756,100</u>	<u>504,788,600</u>	<u>498,417,200</u>	<u>516,888,500</u>	
	<u>\$4,992,214,800</u>	<u>\$4,749,941,200</u>	<u>\$4,605,900,000</u>	<u>\$4,690,295,150</u>	<u>\$4,937,382,700</u>	

Source: City of Grand Rapids

City of Grand Rapids, Michigan
Percent of Total SEV by Use and Class
Fiscal Years Ended June 30, 2012 Through 2016

<u>Use</u>	<u>Fiscal Year Ended June 30</u>				
	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Commercial.....	31.33%	32.38%	31.88%	31.12%	30.59%
Industrial	9.32	9.13	8.85	8.65	8.37
Residential.....	57.85	56.78	57.44	58.31	59.03
Utility	<u>1.50</u>	<u>1.71</u>	<u>1.83</u>	<u>1.92</u>	<u>2.01</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>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Real Property	90.61%	89.67%	89.04%	89.37%	89.53%
Personal Property	<u>9.39</u>	<u>10.33</u>	<u>10.96</u>	<u>10.63</u>	<u>10.47</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 Education Tax as determined by the State Treasurer.

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

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

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

Another property tax abatement program used by the City is authorized under Act 147, which is known as the Neighborhood Enterprise Zone 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 is for the rehabilitation of an existing property and one for new construction. Both types of NEZ property tax abatements apply only to residential properties. The holder of an NEZ Certificate does not pay ad valorem property taxes related to the taxable value of the NEZ residence. Instead, the property owner pays the Neighborhood Enterprise Zone Tax (the "NEZ Tax"), which is equal to one half of the State's average rate of taxation. For FY2016, the NEZ Tax rate is 16.96 mills for a new Principal Residence Exemption ("PRE") facility and 25.885 mills for a new non-PRE facility. The amount of the NEZ Tax on a rehabilitated NEZ residence is determined each year by multiplying the Taxable Value of the residence for the tax year immediately preceding the effective date of the NEZ Certificate by the total ad valorem millage rate. Land value and special assessments are not eligible for the NEZ property tax abatement. The effective date for the tax abatement is dependent upon commencement of construction and when the residence is substantially completed. NEZ Certificates are in effect for up to 12 years. The continuance of a NEZ Certificate is conditional upon being current on payment of all taxes and any other debts owed to the City on an annual basis.

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

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

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 or Obsolete Properties Tax Roll or in an NEZ totaled \$67,663,800 for the fiscal year ending June 30, 2016. The IFT, Obsolete Properties and NEZ Taxes paid on these properties are equivalent to Ad Valorem Taxes paid on \$31,853,193 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 returns to the Ad Valorem Tax Roll as Taxable Value.

Personal Property Tax Exemptions

Act 328, Public Acts of Michigan, 1998, as amended, ("Act 328") allows certain eligible communities to designate specific existing areas as "eligible distressed areas" in which "new personal property" of "eligible businesses" would be exempt from Ad Valorem property taxation. The City is one of the eligible communities. With the approval of the State Tax Commission, the City designated certain areas as eligible distressed areas. Under Act 328, the City has exempted personal property related to sixteen agreements ranging from five years to up to twelve years for the 2015 (FY 2016) assessment roll. To date, it is estimated that personal property assessed value in the amount of \$34,590,300 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 had in 2013, so the replacement revenues generally will not grow in accordance with the addition of manufacturing or other personal property. The entire exemption and revenue replacement plan was approved by electors of the State at the August 5, 2014 state primary election resulting in the above referenced legislation becoming effective.

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-issued 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, its Sanitary Sewer System, its Water supply System, and its 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 capital improvement 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, 2016, the City levied 6.1798 mills for operating purposes, 1.6000 mills for refuse collection and disposal, 0.0112 mill for promotion purposes, 0.3805 mill for library capital improvement purposes and 0.9800 mill for public parks facilities approved by the electorate for a period of seven years beginning with the July 1, 2014 levy (see "CITY TAXATION AND LIMITATIONS – State Limitations on Property Taxes" herein). In addition, the electorate may authorize the issuance of general obligation bonds or other obligations which pledge the full faith and credit and unlimited taxing power of the City. See "CITY TAXATION AND LIMITATIONS" and "CITY DEBT" herein.

State Limitations on Property Taxes

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

The Headlee Amendment does not limit taxes for the payment of principal of and interest on 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, 2016 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, 2016**

<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			0.0112
Library (3)	0.3950	0.3805	1.0000	0.3805
Parks (4)	0.9800	0.9800	1.0000	0.9800

(1) For the fiscal year ended June 30, 2016, 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.

(4) In 2013, the City's electorate amended the City's Charter to increase its operating levy by 0.9800 mills for a period of seven years commencing July 1, 2014 to be allocated and used solely for the City's public parks facilities.

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, 2012 through 2016 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, 2012 Through 2016

Levy <u>July 1</u>	Fiscal Year <u>Ended June 30</u>	<u>Operating (1)</u>	<u>Other (2)</u>	<u>Library (3)</u>	<u>Parks(4)</u>	<u>Total</u>
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
2014	2015	6.1798	1.6115	0.3805	0.9800	9.1518
2015	2016	6.1798	1.6112	0.3805	0.9800	9.1515

- (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.
 - (4) In 2013, the City's electorate amended the City's Charter to increase its operating levy by 0.9800 mills for a period of seven years commencing July 1, 2014 to be allocated and used solely for the City public parks facilities.
- Source: City of Grand Rapids

In addition to the City's property tax rates, businesses and residents of the City must pay property taxes to other units of local government. A State Education Tax of 6.0000 mills (the "SET") is levied by the State on all real property and on commercial and utility personal 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, 2012 through 2016, are as follows:

City of Grand Rapids, Michigan
PRE/Homestead⁽¹⁾ Property Tax Rates per \$1,000 of Taxable Value by Governmental Unit
Fiscal Years Ended June 30, 2012 Through 2016

<u>Governmental Unit</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
City of Grand Rapids ²	\$ 8.3713	\$ 8.1716	\$ 8.1719	\$ 9.1518	\$ 9.1515
County of Kent ³	5.3940	5.3940	5.3940	5.6196	5.6196
State of Michigan	6.0000	6.0000	6.0000	6.0000	6.0000
Grand Rapids Public Schools ⁴	2.3600	3.6000	3.6000	3.6000	3.8000
Kent Intermediate School District	4.6903	4.6903	4.6903	4.6903	4.7903
Grand Rapids Community College.....	1.7865	1.7865	1.7865	1.7865	1.7865
Interurban Transit Partnership	<u>1.2900</u>	<u>1.4100</u>	<u>1.4700</u>	<u>1.4700</u>	<u>1.4700</u>
Total	<u>\$29.8921</u>	<u>\$31.0524</u>	<u>\$31.1127</u>	<u>\$32.3182</u>	<u>\$32.6179</u>

- (1) *Principal Residence Exemption ("PRE")/Homestead Property* means a dwelling or unit in a multiple-unit dwelling subject to ad valorem property taxes that is owned and occupied as the principal residence by the owner of the dwelling or unit. PRE/Homestead includes all unoccupied property classified as agricultural adjacent and contiguous to the home of the owner that is not leased or rented by the owner to another person if the gross receipts of the agricultural or horticultural operations, if any, exceed the household income of the owner. If the gross receipts of the agricultural or horticultural operations do not exceed the household income of the owner, the homestead includes only 5 acres adjacent and contiguous to the home of the owner. PRE/Homestead includes a life care facility registered under the Living Care Disclosure Act, Act 440, Public Acts of Michigan, 1976, as amended. PRE/Homestead also includes property owned by a cooperative housing corporation and occupied as a principal residence by tenant stockholders.
- (2) In November, 2013, the City's electorate amended the City's Charter to increase its operating levy by 0.9800 mills for a period of seven years commencing July 1, 2014 to be allocated and used solely for the City's public parks facilities.
- (3) In August, 2014 the County of Kent electorate approved the renewal of 0.3244 mill for Senior Citizen Services, along with an increase of 0.1756 mill, for a total authorized millage of 0.5000 mill for Senior Citizen Services. In November, 2014 County of Kent voters approved a new Veterans Services millage at the rate of 0.0500 mill. The millage will be assessed for eight years and was first levied on December 1, 2014.
- (4) Debt and sinking fund mills. The Grand Rapids Public Schools is the largest school district within the City. Portions of other school districts overlap the City's boundaries. Of those which do, the total PRE/Homestead millage rates for the fiscal year ended June 30, 2016 ranged from \$32.2379 to \$37.5179 for each \$1,000 of Taxable Value.

City of Grand Rapids, Michigan
Non-PRE/Non-Homestead Property⁽¹⁾ Tax Rates per \$1,000 of Taxable Value by Governmental Unit
Fiscal Years Ended June 30, 2012 Through 2016

<u>Governmental Unit</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
City of Grand Rapids ²	\$ 8.3713	\$ 8.1716	\$ 8.1719	\$ 9.1518	\$ 9.1515
County of Kent ³	5.3940	5.3940	5.3940	5.6196	5.6196
State of Michigan	6.0000	6.0000	6.0000	6.0000	6.0000
Grand Rapids Public Schools ⁴	20.3600	21.6000	21.6000	21.6000	21.8000
Kent Intermediate School District	4.6903	4.6903	4.6903	4.6903	4.7903
Grand Rapids Community College.....	1.7865	1.7865	1.7865	1.7865	1.7865
Interurban Transit Partnership	<u>1.2900</u>	<u>1.4100</u>	<u>1.4700</u>	<u>1.4700</u>	<u>1.4700</u>
Total	<u>\$47.8921</u>	<u>\$49.0524</u>	<u>\$ 49.1127</u>	<u>\$ 50.3182</u>	<u>\$ 50.6179</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) In November, 2013, the City’s electorate amended the City’s Charter to increase its operating levy by 0.9800 mills for a period of seven years commencing July 1, 2014 to be allocated and used solely for the City’s public parks facilities.
- (3) In August, 2014 the County of Kent electorate approved the renewal of 0.3244 mill for Senior Citizen Services, along with an increase of 0.1756 mill, for a total authorized millage of 0.5000 mill for Senior Citizen Services. In November, 2014 County of Kent voters approved a new Veterans Services millage at the rate of 0.0500 mill. The millage will be assessed for eight years and was first levied on December 1, 2014.
- (4) 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, 2016 ranged from \$50.2379 to \$55.5179 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 the Delinquent Real Property Taxes are not purchased by the County, any Delinquent Real Property Taxes collected by the County are remitted to the City within a month following the County's collection those past due taxes. The following table reflects the actual property tax collections for the City's fiscal years ended June 30, 2012 through 2016.

**City of Grand Rapids, Michigan
Property Tax Collections
Fiscal Years Ended June 30, 2012 Through 2016**

<u>July 1 Levy</u>	<u>Fiscal Year Ended June 30</u>	<u>City Tax Levy (1)</u>	<u>Collections to March 1 Following Levy (2)</u>	<u>Percent Collected</u>
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
2014	2015	39,110,022	37,771,211	96.6
2015	2016	40,157,067	38,924,701	96.9

- (1) Excludes taxes on properties granted tax abatement under Act 198, Act 146, Act 147, Act 210 and Act 260. See "CITY TAXATION AND LIMITATIONS - Property Valuations" and "CITY TAXATION AND LIMITATIONS - Tax Abatement" herein.
- (2) Excludes real property taxes turned over to Kent County for collection March 1.
- (3) In November, 2013, City voters amended the City's Charter to increase its operating levy by 0.9800 mills to support the repair and rehabilitation of existing park equipment and facilities; and opening the City's swimming pools for longer seasons. The term of the temporary millage is seven years, commencing with the summer 2014/FY2015 property tax levy. The Parks millage levy resulted in FY2015 revenues in the amount of \$4,221,781 and FY2016 revenues in the amount of \$4,335,755.

Source: City of Grand Rapids

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

Real Estate Market Developments

There have been fluctuations in the market prices of real estate in the United States since the beginning of calendar year 2006, resulting in some cases a slowing in appreciation and declines in residential and other real property assessed valuations. A decline in the assessed market valuation of any individual residential or non-residential real property 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, Total Taxable Value and percent of City's Total Taxable Value for the fiscal year ended June 30, 2016 are as follows:

City of Grand Rapids, Michigan Top Ten Largest Valuations ⁽¹⁾ Fiscal Year Ended June 30, 2016

<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	\$77,222,176	1.72%
Kellogg/Keebler Subsidiary (4)	Bakery products	38,173,828	0.85
Amway Hotel Corporation	Hotels / real estate	38,139,639	0.85
Centerpointe Partners LLC	Shopping center / real estate	31,646,900	0.70
HP3 LLC	J.W. Marriott hotel	24,156,021	0.54
Spectrum Health	Healthcare	22,426,653	0.50
Michigan Consolidated Gas Co	Natural gas utility	20,048,400	0.45
Fifth Third Bank	Banking / real estate holding	18,426,895	0.41
Steelcase, Inc.	Office systems design / manufacturing	18,291,867	0.40
Pridgeon and Clay Inc	Automotive components manufacturing	<u>16,597,222</u>	<u>0.37</u>
		<u>\$305,129,601</u>	<u>6.79%</u>

(1) Property taxpayers and Taxable Value are based on the July 1, 2015 tax bills.

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

(3) Based on \$4,492,335,045 which is the City's Total Taxable Value for the fiscal year ended June 30, 2016.

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

(4) Keebler Company, 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, 2012 Through 2016**

<u>Fiscal Years Ended June 30</u>	<u>Gross Tax Collections ¹</u>	<u>Less: Refunds</u>	<u>Net Income Tax Collections ¹</u>	<u>% Increase or (Decrease) over Prior Year</u>
2012 ²	\$76,085,701	\$7,906,292	\$68,179,409	6.78%
2013 ³	84,433,157	8,961,666	75,471,491	10.70
2014 ⁴	85,828,713	8,254,376	77,574,337	2.79
2015 ⁵	90,913,513	8,943,101	81,970,412	5.67
2016 ⁶	96,581,795	8,407,544	88,174,251	7.57

¹ Including interest and penalties.

² Net collections were \$59,122,192 net of temporary income tax increase effective July 1, 2010.

³ Net collections were \$65,407,835 net of temporary income tax increase effective July 1, 2010.

⁴ Net collections were \$67,303,469 net of temporary income tax increase effective July 1, 2010.

⁵ Net collections were \$71,077,962 net of temporary income tax increase effective July 1, 2010.

⁶ Net collections were \$76,331,950 net of temporary income tax increase effective July 1, 2010.

Source: City of Grand Rapids

REVENUES FROM THE STATE OF MICHIGAN

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

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

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

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

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

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

The City intends on meeting the required obligations by December 1, 2016 which will make the City eligible for 100% of current CVTRS payments.

In FY2017 the City has budgeted total revenue sharing in the General Fund of \$17,519,755. This includes one-half of the statutory revenue sharing amount which totals \$2,644,539. The remaining statutory revenue sharing for FY2017 has been budgeted in the City's Capital Reserve Fund.

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

The following table sets forth the annual revenue sharing payments and other moneys received for the City's general operating fund for the fiscal years ended June 30, 2013 through June 30, 2017.

**City of Grand Rapids, Michigan
General Operating Fund Revenues from the State of Michigan
Fiscal Years Ended June 30, 2012 Through 2016**

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Sales Tax ¹	\$13,466,847	\$13,745,657 ¹	\$14,068,013 ¹	\$14,288,969 ¹	\$17,817,900 ²
Grants and Other	<u>618,875</u>	<u>817,520</u>	<u>647,941</u>	<u>597,846</u>	<u>677,729</u>
Total Revenues from the State of Michigan.....	<u>\$14,085,722</u>	<u>\$14,563,177</u>	<u>\$14,715,954</u>	<u>\$14,886,815</u>	<u>\$18,495,629</u>

¹ For FY2012 through FY2015, amounts in this line result from constitutional revenue sharing only.

² Beginning with FY2016, the City budgeted half of CVTRS statutory revenue sharing payments in the General Fund. Prior to FY2016, statutory revenue sharing payments were deposited into other City funds as follows:

Year	Fund	Total Annual CVTRS
FY2013	Transformation	\$4,896,489
FY2014	Transformation	\$5,132,391
FY2015	½ Transformation, ½ Capital Reserve	\$5,289,078
FY2016	½ General, ½ Capital Reserve	\$5,289,078
FY2017 Budget	½ General, ½ Capital Reserve	\$5,289,078

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.

Grand Rapids Municipal Bond Ratings

The City's financial status is regularly reviewed by municipal bond rating agencies. The City's most recent limited tax general obligation (LTGO) bonds were issued in January, 2016 and were rated Aa2 by Moody's and AA by Standard & Poor's. The most recent sanitary sewer system bonds were issued in February, 2016 and were rating Aa1 by Moody's and AA by Standard & Poor's. The water supply system was rated Aa2 by Moody's and AA by Standard & Poor's for its most recent issue in September, 2016.

Legal Debt Margin

Pursuant to the statutory and constitutional debt provisions set forth herein, the following table reflects the amount of additional debt the City may legally incur as of July 2, 2016.

Debt Limit ⁽¹⁾	\$493,738,270
Debt Outstanding ⁽²⁾	\$550,745,582
Less: Exempt Debt	(376,429,182)
Legal Debt Margin ⁽²⁾	<u>\$174,316,400</u>
	<u>\$319,421,870</u>

(1) 10% of \$4,937,382,700 which is the City's Total SEV for the fiscal year ending June 30, 2016. Includes the SEV of property granted tax abatement under Act 198, Act 146, Act 147, Act 210, and Act 260.

(2) See definitions above.

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

Debt Statement

The following table reflects a breakdown of the City's direct debt as of July 2, 2016. Direct debt that is shown as self-supporting and debt service obligations are 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.

City Direct Debt	Gross	Self-Supporting	Net
Share of County Issued Bonds:			
Dated December 3, 2014 (Limited Tax)	\$4,370,000	\$ -	\$4,370,000
Dated March 28, 2013 (Limited Tax)	217,267	-	217,267
Dated September 30, 2008 (Limited Tax)	2,790,000	-	2,790,000
Subtotal.....	<u>\$7,377,267</u>	<u>\$ -</u>	<u>\$7,377,267</u>
Building Authority Bonds:			
Dated July 28, 2011 (Limited Tax)	\$ 12,270,000	\$ -	\$12,270,000
Dated September 15, 2010 (Limited Tax, Series C)	6,175,000	-	6,175,000
Dated March 30, 2010 (Limited Tax, Series A)	1,770,000	-	1,770,000
Dated March 30, 2010 (Limited Tax, Series B)	2,400,000	-	2,400,000
Dated March 4, 2009 (Limited Tax)	9,310,000	-	9,310,000
Dated December 23, 2008	1,190,000	-	1,190,000
Dated November 15, 2006	185,000	-	185,000
Dated November 18, 2004 (1)	12,760,000	12,760,000	-
Dated June 15, 2002 (1)	13,100,000	13,100,000	-
Dated September 1, 1998 (Limited Tax)	4,000,000	-	4,000,000
Subtotal.....	<u>\$63,160,000</u>	<u>\$25,860,000</u>	<u>\$37,300,000</u>
Tax Increment Authority Bonds:			
Dated June 12, 2012 (Limited Tax)	\$ 2,125,000	\$ 2,125,000	\$ -
Dated March 18, 2009 (Limited Tax)	28,430,000	28,430,000	-
Dated November 15, 1994	1,668,727	1,668,727	-
Subtotal.....	<u>\$32,223,727</u>	<u>\$32,223,727</u>	<u>\$ -</u>
Water Revenue Bonds:			
Senior Lien			
Dated February 25, 2015	\$ 25,370,000	\$ 25,370,000	\$ -
Dated March 13, 2013	2,500,000	2,500,000	-
Dated October 4, 2010	13,545,000	13,545,000	-
Dated May 6, 2009	25,110,000	25,110,000	-
Dated March 18, 1993	13,600,000	13,600,000	-
Junior Lien			
Dated April 11, 2016 (2)	2,830,000	2,830,000	-
Dated April 9, 2015 (3)	10,000,000	10,000,000	-
Dated September 17, 2014 (4)	3,434,407	3,434,407	-
Dated December 14, 2012 (5)	593,514	593,514	-
Dated September 18, 2012 (6)	4,102,200	4,102,200	-
Dated September 23, 2011 (5)	2,421,024	2,421,024	-
Dated June 24, 2011 (5)	651,549	651,549	-
Dated April 8, 2011 (5)	734,752	734,752	-
Subtotal.....	<u>\$104,892,446</u>	<u>\$104,892,446</u>	<u>\$ -</u>

City Direct Debt	Gross	Self-Supporting	Net
Sewer Revenue Bonds:			
Senior Lien			
Dated March 3, 2016	\$ 48,410,000	\$ 48,410,000	\$ -
Dated October 8, 2014	54,510,000	54,510,000	-
Dated May 16, 2013	36,475,000	36,475,000	-
Dated October 10, 2012	27,405,000	27,405,000	-
Dated December 15, 2010 (Series 2010A)	21,330,000	21,330,000	-
Dated December 15, 2010 (Series 2010B)	2,430,000	2,430,000	-
Dated January 26, 2010	29,625,000	29,625,000	-
Dated August 6, 2008	3,130,000	3,130,000	-
Dated July 1, 1998	21,925,000	21,925,000	-
Junior Lien			
Dated April 9, 2013 (7)	2,129,200	2,129,200	-
Dated June 24, 2011 (8)	2,780,000	2,780,000	-
Dated April 8, 2011 (5)	3,879,305	3,879,305	-
Dated September 28, 1995	210,000	210,000	-
Subtotal.....	\$254,238,505	\$254,238,505	\$ -
Installment Purchase Notes:			
Dated November 14, 2014 (Limited Tax)	\$1,601,334	\$ -	\$1,601,334
Dated August 22, 2012 (Limited Tax)	367,800	-	367,800
Dated December 1, 2002 (Limited Tax)	120,000	-	120,000
Subtotal.....	\$2,089,134	\$ -	\$2,089,134
Limited Tax General Obligation Bonds:			
Dated March 31, 2016 (Capital Improvmt Bonds)	\$15,245,000	\$ -	\$15,245,000
Dated February 4, 2016	19,580,000	-	19,580,000
Dated August 26, 2015 (Capital Improvmt Bonds)	15,000,000	-	15,000,000
Dated September 25, 2014 (Capital Improvmt Bonds)	17,000,000	-	17,000,000
Dated October 11, 2013 (Capital Improvmt Bonds)	2,760,000	-	2,760,000
Dated May 16, 2007 (Capital Improvmt Bonds)	1,550,000	-	1,550,000
Subtotal.....	\$71,135,000	\$ -	\$71,135,000
Share of Grand Valley Regional Biosolids Authority Bonds:			
Dated April 1, 2008 (9)	\$ 7,427,883	\$ 7,427,883	\$ -
Dated September 20, 2007 (9)	8,201,621	8,201,621	-
Subtotal.....	\$15,629,504	\$15,629,504	\$ -
Total Direct Debt	\$550,745,582	\$432,844,182	\$ 117,901,401
Total Direct Debt			
Per Capita Net Direct Debt (10)			\$627.00
Percent of Net Direct Debt to Total SEV (11)			2.39%

Debt Statement - continued

<u>Overlapping Debt (12)</u>	<u>Gross</u>	City Share As	
		<u>Percent of Gross</u>	<u>Net</u>
Caledonia Community Schools	\$134,871,116	0.07%	\$ 94,410
Forest Hills Public Schools	156,755,000	1.87%	2,931,319
Godwin Heights Public Schools	18,980,000	6.36%	1,207,128
Grand Rapids Public Schools	187,140,000	100.00%	187,140,000
Grandville Public Schools	61,240,000	0.00%	-
Kenowa Hills Public Schools	40,820,000	0.12%	48,984
Kentwood Public Schools	72,085,000	7.87%	5,673,089
County of Kent	130,080,978	20.97%	27,277,981
Grand Rapids Community College	50,855,000	20.30%	10,323,565
Total Overlapping Debt	<u>\$852,827,094</u>		<u>\$237,696,477</u>
Total City Direct and Overlapping Debt	<u>\$1,403,572,676</u>		<u>\$352,597,878</u>
Per Capita Net Overlapping Debt (10)			\$1,248.12
Percent of Net Overlapping Debt to Total SEV (11)			4.75%
Per Capita Net Direct and Overlapping Debt (10)			\$1,875.12
Percent of Net Direct and Overlapping Debt to Total SEV (11)			7.14%

- (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 \$2,330,000 taking into consideration principal forgiveness.
- (3) Bonds have been issued for which the maximum principal will be \$9,740,750 taking into consideration principal forgiveness.
- (4) Bonds have been issued for which the maximum principal will be \$2,890,593 taking into consideration principal forgiveness.
- (5) Principal outstanding based on total bond proceeds expended for this completed project, less prior years principal payments and principal forgiveness, if any.
- (6) Bonds have been issued for which the maximum principal will be \$3,547,800 taking into consideration principal forgiveness.
- (7) Bonds have been issued for which the maximum principal will be \$1,270,800 taking into consideration principal forgiveness.
- (8) Bonds have been issued for which the maximum principal will be \$3,160,000.
- (9) Estimated based on total debt allocated to the City of Grand Rapids.
- (10) Based on the City's 2010 Census of 188,040.
- (11) Based on \$4,937,382,700 which is the City's Total SEV for the fiscal year ending June 30, 2016. Includes the SEV of property granted tax abatements under Act 198, Act 146, Act 147, Act 210, and Act 260.
- (12) 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.

Sources: 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 July 2, 2016 by type of issue:

FY Ending June 30	County Issued	Building Authority	Tax Increment Authority	Sewer System	Water System	Installment Purchase	Capital Improvement	Biosolids Authority ¹	TOTAL
2017	\$1,197,523	\$6,620,000	\$1,224,572	\$7,720,000	\$10,690,000	\$356,038	\$1,145,000	\$1,056,893	\$30,010,025
2018	1,238,635	6,790,000	1,184,601	7,845,000	11,435,000	240,687	19,850,000	1,083,233	49,667,155
2019	486,109	4,945,000	3,764,554	8,025,000	6,435,000	245,453	2,710,000	1,102,988	27,714,105
2020	480,000	4,745,000	4,640,000	8,385,000	6,730,000	250,342	3,195,000	1,126,036	29,551,378
2021	500,000	4,980,000	4,890,000	8,755,000	3,150,000	255,355	18,060,000	1,152,375	41,742,730
2022	200,000	3,195,000	5,135,000	10,595,000	3,285,000	260,495	3,190,000	1,172,130	27,032,625
2023	205,000	2,950,000	5,390,000	11,115,000	3,435,000	262,565	3,345,000	1,198,471	27,901,036
2024	215,000	3,095,000	4,790,000	11,665,000	3,585,000	218,199	3,510,000	1,224,810	28,303,009
2025	225,000	3,255,000	135,000	12,225,000	3,730,000	-	3,680,000	1,247,858	24,497,858
2026	230,000	3,420,000	135,000	12,830,000	3,895,000	-	3,870,000	1,274,198	25,654,198
2027	235,000	3,595,000	140,000	13,465,000	4,065,000	-	1,910,000	1,303,831	24,713,831
2028	240,000	3,780,000	145,000	14,070,000	4,235,000	-	1,975,000	1,330,170	25,775,170
2029	250,000	3,980,000	155,000	9,995,000	4,125,000	-	1,100,000	1,356,511	20,961,511
2030	255,000	1,365,000	160,000	10,460,000	4,295,000	-	1,140,000	-	17,675,000
2031	265,000	1,425,000	165,000	10,940,000	4,475,000	-	320,000	-	17,590,000
2032	275,000	1,495,000	170,000	11,449,305	4,671,301	-	330,000	-	18,390,606
2033	285,000	580,000	-	11,710,000	4,759,538	-	340,000	-	17,674,538
2034	290,000	605,000	-	13,789,200	4,740,000	-	350,000	-	19,774,200
2035	305,000	625,000	-	11,990,000	4,742,200	-	360,000	-	18,022,200
2036	-	650,000	-	7,375,000	2,429,407	-	375,000	-	10,829,407
2037	-	255,000	-	7,730,000	2,325,000	-	380,000	-	10,690,000
2038	-	260,000	-	8,110,000	1,785,000	-	-	-	10,155,000
2039	-	270,000	-	6,220,000	1,875,000	-	-	-	8,365,000
2040	-	280,000	-	6,495,000	-	-	-	-	6,775,000
2041	-	-	-	6,775,000	-	-	-	-	6,775,000
2042	-	-	-	2,850,000	-	-	-	-	2,850,000
2043	-	-	-	805,000	-	-	-	-	805,000
2044	-	-	-	850,000	-	-	-	-	850,000
	<u>\$7,377,267</u>	<u>\$63,160,000</u>	<u>\$32,223,727</u>	<u>\$254,238,505</u>	<u>\$104,892,446</u>	<u>\$2,457,134</u>	<u>\$71,135,000</u>	<u>\$15,629,504</u>	<u>\$550,745,582</u>

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

Source: The City of Grand Rapids.

Debt History

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

Short Term Borrowing

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

Operating Lease

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

Future Financing

Within the twelve months following June 30, 2016 the City plans to issue several bond issues.

On September 22, 2016, the City issued \$36,740,000 of Water Supply System (“WSS”) Revenue Improvement and Refunding Bonds Series 2016 to provide funds for WSS improvements and to advance refund the January 1, 2020, January 1, 2029, and the January 1, 2030 maturities from the WSS Series 2009 Bonds.

On November 15, 2016 the County of Kent Drain Commission issued \$8,445,000 of Grand River Floodwalls and Embankments Drainage District Bonds, Series 2016 on behalf of the City to pay part of the costs of construction flood control facilities along the Grand River in Grand Rapids. These bonds were issued in anticipation of the Kent County Drain Commission’s collection of special assessment installments to be assessed against the City at large. The City is responsible for 100% of the principal of and interest on these Series 2016 Drain Commission bonds.

In early 2017, the City expects to issue as much as \$30 million of limited tax general obligation (“LTGO”) improvements and refunding bonds to provide funds for public facilities improvements and to advance refund certain maturities of the Downtown Development Authority Series 2009 Bonds. These Series 2017 improvement and refunding bonds will be issued under the authorization of Michigan Public Act 34 of 2001, as amended.

Also in early 2017, the City expects to issue an LTGO bond issue in the amount of approximately \$10 million for capital improvements at Lyon Square Plaza and several City-owned cemeteries. These Series 2017 improvement bonds will also be issued under the authorization of Michigan Public Act 34 of 2001, as amended.

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.

EMPLOYEE BENEFITS AND LABOR CONTRACTS

Vacation and Sick Leave Benefits and Associated Liabilities

Employees of the City can earn up to 27 days of paid vacation per year based on various years of service formulas outlined in bargaining unit contracts and non-represented staff benefit plans. Unless an unusual exception is granted by the City Manager, the use, conversion, and carryover of paid vacation time is established by the

current contract for each bargaining unit and can vary from one bargaining unit to another. Terminated or retiring employees are paid for unused vacation days.

Depending on the bargaining unit, employees of the City may also earn from one-half day to one day of paid sick leave per month depending on the particular labor contract. Based on the number of years of service, employees are paid for up to 90 days of accumulated sick leave at termination or retirement provided they have worked a minimum of 10 continuous years. At time of retirement, employees can also elect to purchase pension service credit with unused sick leave hours.

The City accrues paid vacation and sick leave liabilities as assigned fund equity on the Governmental Fund Balance Sheet. For the fiscal year ended June 30, 2016, the amount of \$7,829,830 was so assigned 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 (or the date of Medicare eligibility depending on the labor contract) for its employees who retire prior to age 65, were hired prior to 2001, 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 retiree health care benefit has been modified in recent years. All employees hired since 2001 participate in a defined contribution ("DC") retiree health care plan rather than a defined benefit plan. As of June 30, 2016 and June 30, 2015, 52% and 47%, respectively of City employees are participating in the DC retiree health care plan. Employees who remain in the defined benefit ("DB") plans now earn the benefit incrementally over the course of their careers, and employees who retire after June 30, 2010 will "float" with active employees relative to health care plan design and premium sharing.

The City has four single employer DB OPEB plans to provide other postemployment benefits consisting of health care benefits for eligible retirees and their eligible dependents until the retiree is age 65 (or Medicare eligible, depending on the particular labor contract). Three of the plans are agent plans administered by the Municipal Employees Retirement System of Michigan ("MERS"). The actuary for the three agent plans is Gabriel, Roeder, Smith and Company of Southfield, Michigan. The fourth plan is an unfunded "pay-as-you-go" plan administered by the Grand Rapids Public Library for its retirees. All four DB plans are closed to new entrants.

Current employees not covered by one of the DB OPEB plans are covered by the DC plan created in 2009 and administered by MERS. The plans do not issue separate financial statements and basic financial information regarding assets, liabilities and net position, basis of accounting and funding policy is included in Note 8 of the City's Comprehensive Annual Financial Report.

The most recent actuarial studies were completed as of June 30, 2015. These studies used an assumed investment return rate of 5%, a blend of a short-term and long-term investment return assumptions, because plan assets are held in trusts and invested by the Municipal Employees Retirement System (MERS) of Michigan. The

5% investment rate of return is believed to be appropriate because the plans have been closed to new entrants and, therefore, a shorter time horizon for investing is deemed to be appropriate. The June 30, 2015 valuations recommended annual required defined benefit contributions for the fiscal year beginning July 1, 2016 (i.e., FY2017) in the amount of \$5,071,594 for general employees, \$4,192,648 for police employees, and \$3,036,781 for fire employees.

Contribution levels are determined annually by the City during the annual budget process after considering the expected pay-as-you-go cash outlays from each plan, the annual required contribution (ARC) calculated by the Plan's actuary. No contributions are required from current employees covered by the DB plans, but retirees may have a required premium based on date of retirement and the particular labor contract. The City calculates a blended rate (i.e. a single rate) to charge funds and departments for all employees without regard to whether employees are eligible for the DB or the DC benefits. For the fiscal year beginning July 1, 2016 (i.e. FY2017), the adopted budget incorporated the following blended rates for retiree healthcare benefits: general employees 12.17%; emergency communication operators 7.82% (a component of the general employee agent plan); police employees 18.43%; and fire employees 20.77%.

In September, 2010, the City's Public Library established a fourth Retiree Health Care Plan which removed existing departmental retirees and a small number of active employees from the City's General Plan. The Library Board decided the Library will fund their postemployment benefits on a pay-as-you-go basis. Actuarial reports will be prepared every three years, with the most recent prepared as of June 30, 2013.

The fiscal year 2016 adopted budget incorporated the annual required contributions as recommended by the actuary and blended with the DC participants. The total FY2016 annual required contribution, including the defined contributions to the Retiree Health Savings Account ("RHSA"), was \$15,409,829.

As described more fully in the City's audited financial statements, the combined UAAL for the three agent plans is \$128,343,070 as of June 30, 2015. As of June 30, 2015 the UAAL of the Library plan was estimated to be \$807,530. The FY2016 estimated costs for the pay-as-you-go funding requirements for the Library Plan was \$231,866.

For more information regarding the City's postemployment benefits see Appendix B – FY2015 Comprehensive Annual Financial Report, Notes to the Financial Statements, Note 8 – Postemployment Benefits Other than Pensions, page 71.

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.

The GRS and PFRS 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. Contributions are made by employees and the City based on covered wages. Covered wages for the GRS consist of base wages while for the PFRS covered wages include most pay premiums (i.e. gross wages).

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

valuations. For the GRS, the comparison valuation was as of June 30, 2014 which previously had calculated the annual required contribution at 24.38%. Based on the revised assumptions approved by the pension Board of Trustees, that rate would have been 30.68%. For the PFRS, the comparison valuation was as of December 31, 2014 which previously had calculated the annual required contribution at 14.63%. Based on the revised assumptions approved by the pension Board of Trustees, that rate would have been 22.41%. These revised assumptions will be used by the actuary in the future annual valuation of system liabilities. The City will continue to fund the annual required contributions specified by the annual valuation.

The GRS has been closed to most employees hired after 2011 and all employees hired after June 30, 2014. The employees hired after 2011 (and 2014) are eligible for defined contribution pension benefits funded with 6% contributions from both the City and the employee.

For the fiscal year beginning July 1, 2016, the actuarial valuation results will require that GRS member employees contribute 7.96% (weighted average) and that the City contribute 29.15% of covered wages. However, the annual required contribution amounts computed in the actuarial report will be reduced by blending pensionable wages with current employees participating in the defined contribution pension plan. The blending is done so that departments are charged a consistent rate regardless of the benefits for which their particular employees are eligible. The FY2016 adopted budget incorporates the blended rate of 21.12% for general employees.

For the fiscal year beginning July 1, 2016, the actuarial valuation results will require that PFRS member employees contribute 10.25% (weighted average) and that the City contribute 23.27% of covered wages.

For additional information regarding “Actuarial Accrued Liability” and “Actuarial Value of Plan Assets” please refer to Appendix B - FY2015 Comprehensive Annual Financial Report, Notes to the Financial Statements, Note 7 - Retirement Plans, page 64.

**City of Grand Rapids, Michigan
General Retirement System
Fiscal Years Ended June 30, 2012 Through 2016**

Valuation Date <u>June 30</u>	Actuarial Accrued <u>Liabilities</u>	Actuarial Value of <u>Plan Assets</u>	Assets as a Percent of Actuarial <u>Accrued Liabilities</u>
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
2015	500,205,954	401,743,923	80.3
2016	510,324,266	404,096,873	79.2 ^{1,2}

Source: Gabriel, Roeder, Smith and Company

¹ The General Retirement System actuarial report was prepared as of June 30, 2016 by Gabriel, Roeder, Smith and Company. The General Retirement System contribution requirements are mitigated in the short term by the five-year smoothing process.

² Incorporates the revised actuarial assumptions from the five-year experience study.

**City of Grand Rapids, Michigan
Police and Fire Retirement System
Fiscal Years Ended December 31, 2011 Through 2015**

Valuation Date <u>December 31</u>	Actuarial Accrued <u>Liabilities</u>	Actuarial Value of <u>Plan Assets</u>	Assets as a Percent of Actuarial <u>Accrued Liabilities</u>
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
2014	403,969,869	381,482,221	94.4
2015	461,091,743	386,363,384	83.8 ^{1,2}

Source: Gabriel, Roeder, Smith and Company

¹ The Police and Fire Retirement System actuarial report was prepared as of December 31, 2015 by Gabriel, Roeder, Smith and Company. The Police and Fire Retirement System contribution requirements are mitigated in the short term by the five-year smoothing process.

² Incorporates the revised actuarial assumptions from the five-year experience study.

Labor Contracts

Approximately 94.1% of the City's 1,394 full and permanent part-time employees are currently represented by labor organizations. The following table describes the labor organizations that represent City employees, the number of members and the expiration dates of the present contracts.

<u>Labor Organizations</u>	<u>Current Membership</u> ¹	<u>Contract Expiration Date</u> ²
Grand Rapids Police Officers Association (Officers and Sergeants Unit)	286	June 30, 2019
Grand Rapids Police Officers Association – CST Unit	9	June 30, 2019
Grand Rapids Police Officers Association – ECO Unit	36	June 30, 2019
Grand Rapids Command Police Officers Association	21	June 30, 2019
International Association of Firefighters	197	June 30, 2019
Grand Rapids Employees Independent Union	463	June 30, 2019
Grand Rapids Employees Independent Union (61 st District Court Affiliate)	56	June 30, 2019
Grand Rapids Employees Independent Union (Library Supervisor Affiliate)	11	June 30, 2018
Grand Rapids Employees Independent Union (Library Non-Supervisor Affiliate)	59	June 30, 2018
Association of Public Administrators	151	June 30, 2019
Association of Public Administrators (61 st District Court Chapter)	19	June 30, 2019
Teamsters – Emergency Communication Supervisors	4	June 30, 2019
Non-represented employees	<u>82</u>	N/A
Total FTE City Employees	<u>1,394</u>	

¹Actual number of employees (full-time and FTE) on August 9, 2016.

Source: City of Grand Rapids.

ECONOMIC PROFILE

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

City of Grand Rapids, Michigan Top 20 Major West Michigan Employers

<u>Company</u>	<u>Principal Product or Service</u>	<u>Grand Rapids Area Employees</u>
Spectrum Health	Hospitals, clinics and medical care	22,000
Meijer, Inc.	Retailer - food and general merchandise	10,343
Mercy Health Partners/St. Mary's	Hospital, physicians, clinics and medical care	6,500
Amway Corporation	Chemical/allied products, merchant wholesalers	4,000
Gentex Corporation	Glass product manufacturing	3,900
Perrigo Company	Generic & over the counter pharmaceuticals	3,800
Herman Miller Inc	Office, commercial & health industry furniture	3,621
Steelcase Inc.	Office, commercial & health industry furniture	3,500
Grand Valley State University	Education	3,306
Magna International Inc	Glass product manufacturing for automobile industry	2,950
Lacks Enterprises, Inc.	Plastic trim parts-automotive, telecom, electronics	2,900
Grand Rapids Public Schools	Elementary and secondary schools	2,800
Farmers Insurance Group	Direct property and casualty insurance carrier	2,700
SpartanNash	Supermarkets, general line merchant wholesalers	2,585
Gordon Food Service	Retail and merchant wholesaler food/supplies	2,544
Metro Health Hospital	Hospital and medical care	2,400
Alcoa Howmet Corp	Precision superalloy, titanium & aluminum castings	2,350
Fifth Third Bank	Banking and financial services	2,278
Priority Health	Direct health and medical insurance carriers	2,250
Ventra	Motor vehicle plastic parts and metal stamping	2,100

Source: 2015 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 2012 through 2016.

City of Grand Rapids:	<u>2012⁽¹⁾</u>	<u>2013⁽¹⁾</u>	<u>2014⁽¹⁾</u>	<u>2015⁽¹⁾</u>	<u>2016⁽³⁾</u>
Employed	87,218	89,770	93,152	96,299	98,835
Unemployed	<u>8,651</u>	<u>8,162</u>	<u>6,438</u>	<u>4,816</u>	<u>4,378</u>
Labor Force	<u>95,869</u>	<u>97,932</u>	<u>99,590</u>	<u>101,115</u>	<u>103,213</u>
Unemployed as % of Labor Force ⁽²⁾	9.0%	8.3%	6.5%	4.8%	4.2%
State of Michigan:	<u>2012⁽¹⁾</u>	<u>2013⁽¹⁾</u>	<u>2014⁽¹⁾</u>	<u>2015⁽¹⁾</u>	<u>2016⁽³⁾</u>
Employed	4,244,000	4,306,000	4,402,000	4,493,000	4,635,000
Unemployed	<u>427,000</u>	<u>422,000</u>	<u>348,000</u>	<u>258,000</u>	<u>225,000</u>
Labor Force	<u>4,671,000</u>	<u>4,728,000</u>	<u>4,750,000</u>	<u>4,751,000</u>	<u>4,860,000</u>
Unemployed as % of Labor Force ⁽²⁾	9.1%	8.9%	7.3%	5.4%	4.6%

(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, 2016.

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
Total	\$2,311,167	100.00 %	\$131,501,490	100.00 %	\$3,724,992,030	100.00 %

* Dollar amount in thousands

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

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

	% of Households in E.H.B.I. Range		
	City of Grand Rapids	State of Michigan	United States
Under \$19,999.....	26.1 %	20.6 %	21.5 %
20,000-34,999.....	27.0	22.7	22.5
35,000-49,999.....	20.2	19.1	19.3
50,000 and over.....	26.7	37.6	36.7
	100.0 %	100.0 %	100.0 %
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
2011	1,843	\$140,935,725
2012	2,115	169,780,000
2013	2,218	308,520,000
2014	2,278	312,740,000
2015	2,550	245,640,000
2016	2,662	459,850,000

Source: City of Grand Rapids.

SANITARY SEWER SYSTEM

Wastewater Volumes

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

Fiscal Year <u>June 30</u>	Total Sales ⁽¹⁾ in Million <u>Gallons ("MG")</u>	Additional Inflow and Infiltration in MG to the <u>WRRF⁽²⁾</u>	Total WRRF Influent <u>in MG</u>	Treated Average Daily Influent <u>in MG</u>	Known Bypass <u>in MG</u>	Total Annual Billing in Million <u>Dollars</u>
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
2015	7,815	6,912	14,753	40.5	0.000	48.4
2016	8,043	6,776	14,819	40.6	0.000	49.7

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

Source: City of Grand Rapids

Wastewater Characteristics

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

City of Grand Rapids, Michigan
Water Resource Recovery Facility Effluent - 30 Month History Through June 30, 2016

Month	Carbonaceous BOD*		Suspended Solids*		Total Phosphorous*		Ammonia*	
	Allowed	Actual	Allowed	Actual	Allowed	Actual	Allowed	Actual
June-16	16	3.3	29	3.8	1	0.4	8.5	1.2
May-16	16	2.7	29	3.6	1	0.5	18	1.1
April-16	23	2.9	29	3.9	1	0.6	18	1.2
March-16	23	2.8	29	3.6	1	0.6	18	2.1
February-16	23	3.9	29	4.1	1	0.4	18	1.9
January-16	23	3.8	29	4.8	1	0.4	18	1.8
December-15	23	3.7	29	3.7	1	0.4	18	1.2
November-15	23	3.5	29	3.5	1	0.7	18	0.8
October-15	23	3.2	29	3.2	1	0.3	18	0.6
September-15	16	2.6	29	2.6	1	0.4	8.5	0.6
August-15	16	3.3	29	3.3	1	0.3	8.5	2.3
July-15	16	3.1	29	3.3	1	0.5	8.5	1.6
June-15	16	2.8	29	3.2	1	1.0	8.5	0.4
May-15	16	3.5	29	3.4	1	0.5	18	0.6
April-15	23	4.0	29	5.0	1	0.7	18	0.7
March-15	23	3.5	29	3.9	1	0.3	18	0.6
February-15	23	3.8	29	4.0	1	0.4	18	0.9
January-15	23	3.5	29	3.7	1	0.2	18	0.8
December-14	23	3.1	29	3.0	1	0.3	18	0.6
November-14	23	4.6	29	5.4	1	0.4	18	3.4
October-14	23	3.4	29	4.5	1	0.3	18	5.0
September-14	16	3.1	29	4.1	1	0.3	8.5	3.1
August-14	16	3.0	29	4.1	1	0.3	8.5	3.1
July-14	16	3.5	29	4.2	1	0.8	8.5	2.3
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

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

Source: City of Grand Rapids Water Resource Recovery Facility

If effluent discharge levels exceed levels allowed under the permit issued to the City, the City reports that fact to the Michigan Department of 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 Public Works 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. 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 WRRF. The Environmental Assessment Division provides laboratory services, industrial monitoring and surveillance, and special field investigations. Sewer Maintenance provides assessments and cleaning of the sanitary sewerage system. Utilities Engineering provides utility engineering support for process engineering and collection system repair services for the ESD.

The fiscal year 2017 budget for these divisions authorized a total of 118.2 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 WRRF, has a water quality standard for partial body contact, recreational use, and the ability to support warm water fish and supply agricultural and industrial water needs. The City's current NPDES permit was issued on November 1, 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, 2012 through 2016.

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

<u>Fiscal Year Ended June 30</u>	<u>Total Billings</u>	<u>Paid 0-30 Days</u>	<u>Paid 31-90 Days</u>	<u>Paid Over 90 Days</u>	<u>Total Collected (1)</u>
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
2015	45,742,261	35,608,886	7,820,370	1,658,718	45,087,973
2016	47,854,769	37,358,507	7,639,566	1,576,896	46,574,969

(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, 2016, 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, 2016

<u>Customer</u>	<u>Volume of Usage (Sewer Gallons)</u>	<u>Dollar Amount Billed Per Year</u>	<u>Percent of Total Billings</u>
Veolia Energy	112,942,764	\$495,796	1.04%
Spectrum Health System	85,900,320	411,968	0.86
Lacks Trim Systems	102,240,380	334,418	0.70
Kent Quality Foods	52,389,920	231,829	0.48
Calvin College	45,511,312	225,678	0.47
Allied Finishing, Inc.	65,333,312	211,200	0.44
Saint Mary's Hospital	42,509,588	204,719	0.43
Grand Rapids Public Schools	20,288,004	183,974	0.38
Kent County DPW	37,639,360	173,547	0.36
Founders Brewing Company	38,341,732	170,129	0.36

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 SSS and did not adequately reflect the variations in usage rates and operating and capital costs of providing service to the various suburban customer communities.

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

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

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

The annual rate analysis background material is assembled during the period from August through November of each year. The base period financial information consists of the actual revenues and expenses of the fiscal year ended on the most recent June 30th. Revenue requirements of the SSS are comprised of operating and maintenance expense, depreciation expense, a “return” on the net book value of fixed assets constructed and acquired utilizing the retained earnings of the SSS, and certain debt service costs. Integrated connection fees are an offset to revenue requirements. The revenue requirement components are adjusted to reflect current unit cost data available during the pendency of the rate study. Rates are then calculated that will generate revenues equal to the net revenue requirement. New rates and charges are reported to the City Commission and customer communities on or about November 15th each year with implementation on the following January 1st. The most recent rates were adopted and approved by the City Commission on December 13, 2016 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 SSS’s revenues. The monthly readiness-to-serve charge is based upon meter size.

The following table “Sanitary Sewer System Rate Studies – Comparative Analysis of Rates 1978 to 2016”, demonstrates the rate study methodology’s various objectives in four major ways: (1) the methodology has recognized variations among the various communities; (2) the methodology has produced adequate revenues over the period; (3) the methodology has resulted in a wide variety of rate adjustment; and (4) the methodology operates in an open and transparent manner with information available to customer communities and users.

**City of Grand Rapids Sanitary Sewer System Rate Studies
Comparative Analysis of Rates 1978 to 2016
Readiness-to-Serve Charge
(Monthly) Service Charge**

Effective	Commodity Charge (\$/HCF) (3)	Readiness-to Serve-(Monthly)		Billing Volume (HCF) (4)	Revenue Requirement
		3/4" Meter	6" Meter & Greater		
City of Grand Rapids					
Retail-No Expiration Date					
January 1, 1978	\$ 0.25	\$ 1.73	\$ 89.93	9,631,541	\$ 3,760,140
January 1, 2016	3.22	15.93	791.46	6,512,930	34,046,420
City of Kentwood					
Retail-expiring December 31, 2043					
January 1, 1978	\$ 0.25	\$ 1.84	\$ 116.50	303,302	\$ 110,135
January 1, 2016	2.46	7.33	241.06	1,382,048	3,947,167
City of Walker					
Retail-expiring December 31, 2043					
January 1, 1978	\$ 0.36	\$ 4.09	\$ 249.79	339,729	\$ 228,829
January 1, 2016	2.67	29.84	1,681.70	821,693	4,724,547
Cascade Charter Township					
Retail-expiring December 31, 2043					
January 1, 1978	\$ 0.38	\$ 4.01	\$ 254.75	68,492	\$ 64,685
January 1, 2016	2.62	31.95	1,816.74	414,380	2,195,909
Grand Rapids Charter Township					
Retail-expiring December 31, 2043					
January 1, 1978	\$ 0.36	\$ 5.87	\$ 362.45	122,955	\$ 120,106
January 1, 2016	2.33	27.31	1,519.78	389,277	2,365,706
Tallmadge Township					
Retail-expiring December 31, 2043					
January 1, 1995	\$ 1.47	\$ 10.06	\$ 534.85	9,857	\$ 17,070
January 1, 2016	10.72	34.07	1,952.42	19,142	306,697
Wright Township					
Retail-expiring December 31, 2043					
January 1, 2004	\$ 47.37**	\$ --	\$ --	23,618	\$ 192,899
January 1, 2016	48.70**	--	--	13,465	252,509
City of East Grand Rapids					
Wholesale-expiring December 31, 2043					
January 1, 1978	\$172.62*	\$ --	\$2,018.00 ⁽²⁾	1,235,707	\$ 183,765
January 1, 2016	1,649.00*	--	1,306.00 ⁽²⁾	456,164	578,303
Ada Township					
Wholesale-expiring December 31, 2043					
January 1, 1978	\$171.22*	\$ --	\$1,399.00 ⁽²⁾	151,961	\$ 36,253
January 1, 2016	2,005.00*	--	42,300.00 ⁽²⁾	446,449	1,177,120
Gaines Township⁽¹⁾					
Wholesale-expiring June 6, 2028					
January 1, 1993	\$672.00*	\$ --	\$ 122.00 ⁽²⁾	15,858	\$ 9,431
January 1, 2016	1,447.00*	--	1,093.00 ⁽²⁾	149,076	174,452
Caledonia Charter Township					
Wholesale-expiring December 31, 2043					
March 12, 2014	\$15,478.00*	\$ --	\$ 285.00 ⁽²⁾	4,881	\$ 59,920
January 1, 2016	3,541.00*	--	523.00 ⁽²⁾	74,000	99,197
Total all Entities					
January 1, 1978 and other initial years				11,907,901	\$ 4,783,233
January 1, 2016				10,678,624	49,868,027

Source: City of Grand Rapids

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

(1) Operating under the 1978 Agreement.

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

(3) HCF: Hundred Cubic Feet

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

Revenue Requirements

The rate setting methodology when applied in the annual rate studies for the years 2011 through 2015 has yielded the revenue requirements and percentage rate increases/(decreases) set forth in the table below for the calendar years commencing January 1, 2012 through January 1, 2016.

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

Rate Study Year Effective Date	2011 1/1/12	2012 1/1/13	2013 1/1/14	2014 1/1/15	2015 1/1/16
Operation & Maintenance	\$25,291,179	\$23,774,088	\$24,726,721	\$24,952,347	\$26,057,855
Depreciation	5,629,182	5,839,562	6,089,569	6,666,173	6,444,256
Return on Investment	11,006,552	11,232,274	11,379,865	12,451,600	12,295,457
Less: Revenue Credits	(367,427)	(405,902)	(149,492)	(583,855)	(687,034)
CSO Project Debt Service	11,085,005	10,958,348	9,420,985	9,186,830	8,637,610
Less: Integrated Connection Fee Credit	(2,190,184)	(2,655,683)	(2,387,738)	(2,589,846)	(2,657,604)
Less: Circuit Breaker Program	(371,766)	(559,006)	(133,698)	(121,206)	(330,718)
Plus: Capital Investment Reimbursement	-	-	-	-	108,205
Total Revenue Requirements	<u>\$50,082,541</u>	<u>\$48,183,681</u>	<u>\$48,946,212</u>	<u>\$49,962,043</u>	<u>\$49,868,027</u>
Gross Rate Increases (Decreases) Necessary to Meet Total Revenue Requirement (1)	2.89%	(2.46%)	2.46%	2.81%	0.30%

(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 System for periods through December 31, 2008. The fees have been adjusted annually thereafter, most recently on December 13, 2016 when the Grand Rapids City Commission approved a resolution establishing the fees effective January 1, 2017. 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				
	01/01/13	01/01/14	01/01/15	01/01/16	01/01/17
¾" or less	\$2,830	\$2,873	\$2,922	\$2,928	\$2,928
1"	4,730	4,798	4,880	4,890	4,890
1-1/2"	9,420	9,567	9,730	9,750	9,750
2"	15,080	15,313	15,574	15,606	15,606
3"	33,030	33,528	34,100	34,170	34,170
4"	59,430	60,333	61,362	61,488	61,488
6" & over	132,080	134,083	136,370	136,650	136,650

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, 2012 through 2016 as set forth in the table below.

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

Fiscal Years Ended June 30,

	2012	2013	2014	2015	2016
REVENUES					
Service Charges- Retail	\$46,728,993	\$44,035,641	\$44,237,652	\$46,438,473	\$47,638,738
Service Charges-Wholesale	2,042,873	1,934,373	1,781,578	1,930,465	2,054,466
Sewage Surcharge	2,048,421	1,605,632	1,751,793	1,728,329	2,122,789
Connection Fees/Front Foot Fees	629,933	826,015	944,624	1,049,540	1,238,936
Prelim/Design/Constr Engineering Fees	990	-	-	-	-
Industrial Pretreatment Permit Fee	48,814	61,136	55,853	50,687	51,197
Interest on Investments	169,940	180,844	229,542	314,716	398,387
Miscellaneous (1)	750,210	815,115	948,543	795,151	964,692
Total Gross Revenues	52,420,174	49,458,756	49,949,585	52,307,361	54,469,205
OPERATING EXPENSES					
Wastewater Treatment	14,658,195	16,024,125	14,820,463	15,212,786	15,879,533
Sanitary Sewer Repair & Maintenance	4,875,701	5,021,812	4,980,319	5,259,767	4,857,588
Customer Services	2,179,715	2,034,689	2,080,644	1,899,516	2,633,192
Administration	1,643,768	1,064,087	1,756,670	1,733,172	4,262,046
Industrial Pretreatment	627,924	639,323	589,063	696,325	618,945
Depreciation	12,892,913	13,300,710	13,644,126	14,060,726	14,440,267
Total Gross Expenses	36,878,216	38,084,746	37,871,285	38,862,292	42,691,571
Additions - Depreciation	12,892,913	13,300,710	13,644,126	14,060,726	14,440,267
NET EARNINGS (2)	\$28,434,871	\$24,674,720	\$25,722,426	\$27,505,795	\$26,217,901

(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, 2012 through 2016. 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,				
	2012	2013	2014	2015	2016
Net Earnings of the SSS	\$28,434,871	\$24,674,720	\$25,722,426	\$27,505,795	\$26,217,901
Total Net Senior Debt Service ⁽¹⁾	16,494,970	16,774,503	18,936,778	18,196,530	19,183,039
Coverage-Senior Debt	1.72	1.47	1.40	1.51	1.37
Debt Service on Junior Lien Bonds ⁽²⁾	3,737,713	3,902,242	3,973,612	2,345,969	1,111,688
Coverage Ratio - All Debt	1.41	1.19	1.15	1.34	1.29
Total Available After Debt Service	\$8,202,188	\$3,997,975	\$3,312,036	\$6,963,296	\$5,923,174

⁽¹⁾ Net of the Build America Bonds 35% interest expense subsidy in the amount of \$2,448,919.16 pertaining to the SSS Series 2010A bonds.

⁽²⁾ 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, 2017 through January 1, 2021.

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

Rate Study Year Date Effective	2016 1/1/17	2017 1/1/18	2018 1/1/19	2019 1/1/20	2020 1/1/21
Operation & Maintenance ⁽²⁾	\$27,801,770	\$26,609,074	\$27,708,029	\$28,591,915	\$29,220,937
Depreciation Expense ⁽³⁾	5,766,267	6,688,656	6,620,739	6,557,658	5,655,169
Return on System Investment ⁽⁴⁾	11,836,377	12,073,105	12,314,567	12,560,858	12,812,075
Less: Revenue Credits ⁽⁵⁾	(459,879)	(176,890)	(179,185)	(180,522)	(183,001)
CSO Project Debt Service ⁽⁴⁾	9,007,175	8,010,980	8,005,765	7,976,734	8,192,832
Less: Integrated System Credits ⁽⁵⁾	(3,169,115)	(2,729,886)	(2,766,853)	(2,804,383)	(2,842,486)
Less: Circuit Breaker ⁽⁵⁾	(614,492)	(609,964)	(617,796)	(625,260)	(632,812)
Plus: Capital Investment Reimbursement	108,025	108,205	108,205	-	-
Total Revenue Requirements	<u>\$50,276,308</u>	<u>\$49,973,280</u>	<u>\$51,193,471</u>	<u>\$52,077,000</u>	<u>\$52,222,714</u>
Percentage Gross Rate Increase (Decrease) From Prior Year Necessary to Meet Total Revenue Requirements ⁽⁶⁾	0.26%	(0.60%)	1.82%	4.21%	2.01%

(1) Revenue requirements per the 2016 Rate Study.

(2) Projections for 2017 Rate Study and thereafter are increased proportionate to the City's FY2017-2021 Fiscal Plan.

(3) Projections for 2017 Rate Study and thereafter are based on the City's fixed asset system projections based on assets in service on June 30, 2016.

(4) Projections for 2017 Rate Study and thereafter are based on the 2016 Rate Study.

(5) Projections for 2017 Rate Study and thereafter are based on the City's FY2017-2021 Fiscal Plan.

(6) These percentages represent the required changes in gross revenues of the System if the three-year average billed volume remains the same as in the 2016 Rate Study, but, because of changes in billed volume and other factors, such as capital improvement projects servicing specific customer communities, the actual percentage change in rates for the individual customer communities will vary from these figures.

Source: City of Grand Rapids

The City projects that the rates in effect for the year commencing January 1, 2017 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, 2017 through June 30, 2021 as set forth in the table below.

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

	Fiscal Years Ending June 30,				
	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
REVENUES:					
Retail Service Charges	\$48,025,309	\$48,985,815	\$49,965,432	\$50,964,842	\$51,982,624
Wholesale Service Charges	2,284,877	2,330,575	2,377,186	2,424,730	2,473,224
Sewer Surcharges	1,763,068	1,780,699	1,798,506	1,816,491	1,834,656
Connection / Front Foot Fees	1,096,993	1,117,631	1,138,668	1,160,114	1,181,976
Industrial Pretreatment Permit Fees	51,702	52,735	53,789	55,963	57,082
Interest on Investments	296,554	367,467	396,654	433,990	482,943
Miscellaneous	<u>765,303</u>	<u>752,717</u>	<u>759,212</u>	<u>765,792</u>	<u>772,456</u>
Total Revenues	<u>\$54,283,806</u>	<u>\$55,387,639</u>	<u>\$56,489,447</u>	<u>\$57,621,922</u>	<u>\$58,784,961</u>
OPERATING EXPENSES:					
Water Resource Recovery Facility	\$18,306,106	\$19,061,331	\$19,668,753	\$20,101,749	\$20,615,829
Sanitary Sewer Repair & Maintenance	5,333,432	5,553,465	5,730,435	5,856,588	6,006,363
Customer Services	2,201,742	2,292,576	2,365,633	2,417,711	2,479,541
Administration	561,454	584,617	603,247	616,527	632,294
Industrial Pretreatment	637,513	663,814	684,967	700,047	717,949
Depreciation (2)	<u>14,593,982</u>	<u>14,445,793</u>	<u>14,308,158</u>	<u>14,162,048</u>	<u>14,017,358</u>
Total Expenses	\$41,634,229	\$42,601,596	\$43,361,193	\$43,854,670	\$44,469,334
Additions: Depreciation	<u>14,593,982</u>	<u>14,445,793</u>	<u>14,308,158</u>	<u>14,162,048</u>	<u>14,017,358</u>
NET EARNINGS (3)	<u>\$27,243,559</u>	<u>\$27,231,836</u>	<u>\$27,436,412</u>	<u>\$27,929,300</u>	<u>\$28,332,985</u>

(1) Projections are taken from the City's FY2017-2021 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, 2016.
(3) Pursuant to the bond ordinance definition of Net Earnings.

WATER SUPPLY SYSTEM

Annual Sales

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

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

Fiscal Year Ended June 30	Total Sales in Billion Gallons	Total Pumpage in Billion Gallons	Total Annual Billings in Millions of Dollars
2012	11.329	13.176	\$40.735
2013	12.323	13.438	41.159
2014	11.297	12.997	37.366
2015	10.975	12.362	36.652
2016	11.285	12.684	38.468

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				
	2012	2013	2014	2015	2016
Average Day Pumpage	36.0	36.7	35.6	33.8	34.6
Maximum Day Pumpage	70.2	80.2	63.7	63.0	62.7

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, 2012 through June 30, 2016.

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

Fiscal Year Ended June 30	Total Billed	Paid 0-30 Days	Paid 31-90 Days	Paid Over 90 Days	Total Collected ⁽¹⁾
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
2015	33,244,643	26,565,122	5,855,898	1,599,928	34,020,948
2016	34,740,002	28,206,150	5,605,702	1,463,549	35,275,401

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

Source: City of Grand Rapids

Ten Largest Retail Customers

The following table sets forth the ten largest retail customers of the WSS for the one year period ended on June 30, 2016 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, 2016**

<u>Customer</u>	<u>Volume of Usage (Water Gallons)</u>	<u>Dollar Amount Billed Per Year</u>	<u>Percent of Total Billings</u>
Veolia Energy	112,942,764	\$273,763	0.79%
Spectrum Health System	91,674,132	240,021	0.69%
Lacks Trim Systems	103,642,880	228,837	0.66%
Coca Cola Enterprises	81,493,104	196,815	0.57%
Allied Finishing, Inc.	65,527,792	138,829	0.40%
Kent Quality Foods	52,389,920	126,926	0.37%
Grand Rapids Public Schools	28,311,052	124,511	0.36%
Calvin College	45,582,372	123,934	0.36%
Roskam Baking Co.	54,662,344	123,142	0.35%
Saint Mary's Hospital	43,606,156	115,021	0.33%

Source: City of Grand Rapids

Rate Setting Methodology

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

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

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

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

The annual rate analysis background material is assembled during the period from August through November of each year. The base period financial information consists of the actual revenues and expenses of the fiscal year ended on the most recent June 30th. Revenue requirements of the WSS are comprised of operating and maintenance expense, depreciation expense, a “return” on the net book value of fixed assets constructed and acquired utilizing the retained earnings of the WSS, and certain debt service costs. Integrated connection fees are an offset to revenue requirements. The revenue requirement components are adjusted to reflect current unit cost data available during the pendency of the rate study. Rates are then calculated that will generate revenues equal to the net revenue requirement. New rates and charges are reported to the City Commission and customer communities on or about November 15th each year with implementation on the following January 1st. The most recent rates were adopted and approved by the City Commission on December 13, 2016 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 2016”, 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 2016⁽¹⁾**

<u>Effective</u>	<u>Commodity Charge (\$/HCF)⁽³⁾</u>	<u>Readiness-to-Serve (Monthly)</u>		<u>Billing Volume (HCF)⁽⁴⁾</u>	<u>Revenue Requirements</u>
		<u>3/4" Meter</u>	<u>6" & Over</u>		
City of Grand Rapids					
Retail-No Expiration Date					
January 1, 1978	\$ 0.24	\$ 2.48	\$ 94.46	11,628,762	\$ 5,226,903
January 1, 2016	1.81	9.89	412.46	8,466,828	23,992,297
City of Kentwood					
Retail-expiring December 31, 2043					
January 1, 1978	\$ 0.48	\$ 3.63	\$ 206.49	307,080	\$ 243,459
January 1, 2016	1.56	14.63	715.82	1,761,513	4,244,923
City of Walker					
Retail-expiring December 31, 2043					
January 1, 1978	\$ 0.48	\$ 2.79	\$ 133.20	414,437	\$ 294,613
January 1, 2016	1.61	12.43	575.02	1,210,877	3,211,570
Grand Rapids Charter Township					
Retail-expiring December 31, 2043					
January 1, 1978	\$ 0.48	\$ 2.99	\$ 144.11	95,466	\$ 82,603
January 1, 2016	1.71	14.80	726.70	693,737	2,110,402
City of East Grand Rapids					
Wholesale-expiring December 31, 2043					
January 1, 1978	\$ 0.24	\$----	\$1,163.00	650,641	\$ 170,752
January 1, 2016	1.03	----	15,936.00	611,516	821,088
Ada Township ⁽²⁾					
Wholesale-expiring December 31, 2043					
January 1, 1982	\$ 0.37	\$----	\$1,111.00	22,878	\$ 21,792
January 1, 2016	1.17	----	31,083.00	617,394	1,095,349
Tallmadge Charter Township ⁽²⁾					
Retail-expiring December 31, 2043					
January 1, 1995	\$ 2.58	\$ 10.93	\$ 535.75	9,759	\$ 27,891
January 1, 2016	3.53	7.01	228.14	28,103	152,906
Cascade Charter Township					
Retail-expiring December 31, 2043					
January 1, 1978	\$ 0.48	\$ 3.38	\$ 179.15	135,393	\$ 149,357
January 1, 2016	2.18	20.71	1,104.94	856,037	3,158,596
Ottawa County ⁽²⁾					
Wholesale-expiring November 1, 2029					
January 1, 1979	\$ 0.27	\$----	\$ 60.00	100,365	\$ 27,315
January 1, 2016	1.16	----	N/A	1,203,815	1,391,308
Total all Entities					
January 1, 1978 and other initial years				13,364,781	\$ 6,244,685
January 1, 2016				15,449,820	40,178,439

(1) Rates effective January 1, 2016.

(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 customer 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 2011 through 2015 has yielded the revenue requirements and percentage increases/(decreases) set forth in the table below for the calendar years commencing January 1, 2012 through January 1, 2016.

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

Rate Study Year Date Effective	2011 1/1/12	2012 1/1/13	2013 1/1/14	2014 1/1/15	2015 1/1/16
Operation & Maintenance	\$24,086,019	\$22,636,057	\$22,106,315	\$22,398,988	\$23,939,647
Depreciation	6,291,958	6,447,054	6,574,063	7,094,701	6,366,310
Return on Investment	12,619,094	11,883,647	12,057,673	12,692,064	12,255,736
Less: Revenue Credits	(363,461)	(918,194)	(1,120,101)	(1,061,826)	(980,715)
Less: Integrated Connection Fee Credit	(548,364)	(676,539)	(803,059)	(864,349)	(941,160)
Less: Circuit Breaker Program	(282,842)	(124,583)	(168,143)	(203,593)	(461,376)
Total Revenue Requirements	\$41,802,404	\$39,247,442	\$38,646,748	\$40,055,985	\$40,178,442
Gross Rate Increases/(Decreases) Necessary to Meet Total Revenue Requirements (1)	5.15%	(4.41%)	(4.30%)	2.50%	1.00%

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

Source: City of Grand Rapids

Connection Fees

On June 27, 2000, the Grand Rapids City Commission enacted Ordinance No. 2000-32 establishing a schedule of integrated connection base fee increases for initial connection to the WSS for periods through December 31, 2008. The fees have been adjusted annually thereafter, most recently on December 13, 2016 when the Grand Rapids City Commission approved a resolution establishing the fees effective January 1, 2017. 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				
	01/01/12	01/01/13	01/01/14	01/01/15	01/01/16
¾" or less	\$2,780	\$2,830	\$2,873	\$2,922	\$2,928
1"	4,640	4,730	4,798	4,880	4,890
1-1/2"	9,260	9,420	9,567	9,730	9,750
2"	14,820	15,080	15,313	15,574	15,606
3"	32,440	33,030	33,528	34,170	34,170
4"	58,380	59,430	60,333	61,488	61,488
6" & over	129,740	132,080	134,083	136,650	136,650

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, 2012 through June 30, 2016 as set forth below.

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

	Fiscal Years Ended June 30,				
	2012	2013	2014	2015	2016
REVENUES					
Retail Service Charges	\$37,216,954	\$37,487,612	\$33,935,923	\$33,350,599	\$34,713,082
Wholesale Service Charges	3,579,770	3,732,852	3,565,337	3,461,458	3,764,695
Connection & Front Foot Fees	733,700	950,335	956,129	1,158,332	1,473,203
Engineering Fees	990	-	-	-	-
Sewage Disposal Fund–Customer Svc.	2,179,715	2,034,682	2,080,651	1,899,516	1,931,449
Other Operating Revenues (1)	1,860,824	2,057,503	2,091,036	2,164,006	2,017,433
Interest on Investments	164,768	192,493	228,314	219,509	164,860
Miscellaneous (Non-Operating)	747,701	581,765	787,378	691,654	826,672
Total Revenues	<u>\$46,484,422</u>	<u>\$47,037,242</u>	<u>\$43,644,768</u>	<u>\$42,945,074</u>	<u>\$44,891,394</u>
OPERATING EXPENSES					
Administration	\$2,445,569	\$2,705,421	\$3,128,590	\$2,297,130	\$3,586,653
Customer Services	5,697,716	5,212,374	5,297,889	4,906,917	4,968,219
Engineering	1,050,412	1,018,319	1,127,987	1,081,195	1,095,563
Distribution System	3,507,320	3,600,695	3,570,772	2,843,010	2,340,520
Repair & Maintenance	5,767,082	5,748,493	5,476,067	6,164,383	7,172,078
Filtration Plant	6,823,168	6,645,564	6,328,534	6,296,533	6,388,436
Depreciation	7,534,387	7,732,587	8,376,548	8,286,863	8,425,252
Total Expenses	<u>\$32,825,654</u>	<u>\$32,663,453</u>	<u>\$33,306,387</u>	<u>\$31,876,031</u>	<u>\$33,976,721</u>
ADDITIONS - DEPRECIATION	<u>7,534,387</u>	<u>7,732,587</u>	<u>8,376,548</u>	<u>8,286,863</u>	<u>8,425,252</u>
NET EARNINGS (2)	<u>\$21,193,155</u>	<u>\$22,106,376</u>	<u>\$18,714,929</u>	<u>\$19,355,906</u>	<u>\$19,339,925</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,

2012 through 2016. 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 June 30,				
	2012	2013	2014	2015	2016
Net Earnings of the System	\$21,193,155	\$22,106,376	\$18,714,929	\$19,355,906	\$19,339,924
Total Net Senior Debt Service	14,892,528	15,069,828	15,442,333	15,539,397	13,610,609
Coverage-Senior Debt	1.42	1.47	1.21	1.25	1.42
Junior Lien Bonds Debt Service (1)	-	134,625	362,179	564,875	1,519,757
Coverage Ratio-All Debt	1.42	1.45	1.18	1.20	1.28
Total Available After Debt Service	\$6,300,627	\$6,901,923	\$2,910,417	\$3,251,634	\$4,209,558

(1) 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, 2017 through January 1, 2021.

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

Rate Study Year Date Effective	2016 1/1/2017	2017 1/1/2018	2018 1/1/2019	2019 1/1/2020	2020 1/1/2021
Operation and Maintenance (2)	\$25,249,451	\$26,171,056	\$26,267,889	\$27,182,012	\$27,714,779
Depreciation Expense (3)	6,464,577	6,665,987	6,617,975	6,480,788	6,308,368
Return on System Investment (4)	11,643,593	11,876,465	12,113,994	12,356,274	12,603,400
Less: Revenue Credits (5)	(708,238)	(683,552)	(683,563)	(683,609)	(687,661)
Less: Integrated System Credits (5)	(1,081,378)	(930,000)	(950,000)	(970,000)	(990,000)
Less: Circuit Breaker (5)	(380,488)	(443,830)	(447,328)	(450,517)	(453,719)
Total Revenue Requirements	\$41,187,517	\$42,656,126	\$42,918,967	\$43,914,948	\$44,495,167
Gross Rate Increase / (Decrease) From Prior Year Necessary to Meet Total Revenue Requirements (6)	3.63%	3.57%	0.62%	2.32%	1.32%

(1) Revenue requirements per the 2016 Rate Study.

(2) Projections for the 2017 Rate Study and thereafter are increased proportionately per the City's FY2017-2021 Fiscal Plan.

(3) Projections for the 2017 Rate Study and thereafter are based on the City's fixed asset system projections and on assets in service on June 30, 2016.

(4) Projections for the 2017 Rate Study and thereafter are based on the 2016 Rate Study.

(5) Projections for the 2017 Rate Study and thereafter are based on the City's FY2017-2021 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 2016 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, 2016, 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, 2017 through June 30, 2021, as set forth in the following table.

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

	Fiscal Years Ended June 30,				
<u>Revenues</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Retail Service Charges	\$34,961,696	\$35,486,475	\$36,019,111	\$36,558,721	\$37,107,426
Wholesale Service Charges	3,549,981	3,603,231	3,657,279	3,712,138	3,767,820
Connection & Front Foot Fees	976,000	997,000	1,018,000	1,039,000	1,039,000
Sewage System Customer Svcs	2,201,742	2,169,675	2,159,857	2,087,992	2,132,638
Other Operating Revenues	1,887,552	1,900,510	1,912,720	1,929,064	1,943,470
Interest on Investments	214,733	266,080	287,213	314,249	349,695
Miscellaneous (Non-Operating)	685,036	692,481	657,433	667,161	675,968
Total Revenues	<u>\$44,476,740</u>	<u>\$45,115,452</u>	<u>\$45,711,613</u>	<u>\$46,308,325</u>	<u>\$47,016,017</u>
<u>Operating Expenses</u>					
Administration	\$1,528,578	\$1,614,253	\$1,680,904	\$1,725,036	\$1,592,964
Customer Services	5,985,936	6,032,187	6,320,985	6,355,939	6,465,436
Engineering	1,143,587	1,173,775	1,209,650	1,231,773	1,250,793
Distribution System	2,598,703	2,593,113	2,666,064	2,731,200	2,800,215
Repair and Maintenance	7,385,881	7,630,860	7,871,235	8,074,356	8,252,001
Filtration Plant	7,841,217	7,537,227	7,757,136	7,925,620	8,085,237
Depreciation (2)	8,676,945	8,614,449	8,435,875	8,221,665	8,185,118
Total Expenses	<u>\$35,160,847</u>	<u>\$35,195,864</u>	<u>\$35,941,849</u>	<u>\$36,265,589</u>	<u>\$36,631,764</u>
Additions:					
Depreciation	8,676,945	8,614,449	8,435,875	8,221,665	8,185,118
Net Earnings (3)	<u>\$17,992,838</u>	<u>\$18,534,037</u>	<u>\$18,205,639</u>	<u>\$18,264,401</u>	<u>\$18,569,371</u>

- (1) Projections are taken from the City's FY2017-2021 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, 2016.
(3) Pursuant to Master Bond Ordinance definition of Net Earnings.

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

Under the provisions of Act 197, 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 L DFA 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.

In mid-December, 2016 the Grand Rapids City Commission approved a resolution authorizing the DDA to expand its current boundaries to include five new sub-districts, to be known as Sub-District L, Sub-District M, Sub-District N, Sub-District O, and Sub-District P. The proposed expansion is now subject to a sixty-day waiting period during which time the four local units may choose to opt out of the tax increments capture for one or more of the five new sub-districts. The first year of property tax increment revenue capture for these five sub-districts will be Roll Year 2017 / FY2018.

**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 TOTAL MILLAGES
			PRE/ Homestead	Non-PRE/ Non-Hmstd	
1985	1986	13.92803	n/a	36.0500 ¹	49.9780
1986	1987	13.9274	n/a	36.3500 ¹	50.2774
1987	1988	13.9141	n/a	39.3430 ¹	53.2571
1988	1989	14.1887	n/a	41.0843 ¹	55.2730
1989	1990	14.1188	n/a	45.3480 ¹	59.4668
1990	1991	15.6093	n/a	44.7512 ¹	60.3605
1991	1992	17.5174	n/a	42.9337 ¹	60.4511
1992	1993	17.3771	n/a	43.5945 ¹	60.9716
1993	1994	16.6170	32.6311	42.2069 ¹	58.8239
1994	1995	16.8867	11.4812	29.4812	46.3679
1995	1996	15.6625	11.4603	29.4603	45.1228
1996	1997	14.6649	11.4803	29.4803	44.1452
1997	1998	14.6720	11.4703	29.4703	44.1423
1998	1999	15.3644	11.0784	29.0784	44.4428
1999	2000	15.3363	11.0225	29.0225	44.3588
2000	2001	16.0215 ⁴	10.8030	28.7526	44.7741
2001	2002	15.9302	10.8099	28.6680	44.5982
2002	2003	15.9006	10.7992	28.7992	44.6998 ²
2003	2004	15.8348	9.5903 ⁸	27.5057 ⁸	43.3405
2004	2005	16.2022 ^{4, 6}	13.2133	31.0391 ^{5, 9}	47.2413
2005	2006	16.1728	12.7553	30.5811 ³	46.7539
2006	2007	16.2522 ⁷	12.4603	30.2861	46.5383
2007	2008	16.3718 ⁶	13.3903	31.3903	47.7621
2008	2009	16.5415 ⁴	13.3903	31.3903	47.9318
2009	2010	16.6714 ⁶	13.1103	31.1103	47.7817
2010	2011	16.6716	12.9803	30.9803	47.6519
2011	2012	16.8418 ⁴	13.0403	31.0503	47.8921
2012	2013	16.7621 ⁶	14.2903 ¹⁰	32.2903	49.0524
2013	2014	16.8224	14.2903	32.2903	49.1127
2014	2015	18.0279 ^{7, 11}	14.2903	32.2903	50.3182
2015	2016	18.0276	14.5903	32.5903	50.6179

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

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

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

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

⁴ The Interurban Transit Partnership was formed in January, 2000 when voters approved the creation of a multi-jurisdictional entity with a four year millage. Voters have renewed existing millages every four years and approved millage rate increases beginning in the 2004, 2008, and 2011 roll years. For Roll Year 2013, the rate changed from 1.41000 to 1.4700 mills.

⁵ Voters approved an increase in the GRPS debt millage (from 0.8000 to 2.6800 mills) for multiple school building replacement/rehabilitation projects beginning 2004/FY2005. For Roll Year 2013, the rate remained 2.6000 mills.

⁶ City's refuse collection millage was increased by 0.2000 mills beginning in 2004/FY2005, by another 0.1200 mills beginning in 2007/FY2008, and by another 0.1300 mills beginning in 2009/FY2010. The millage was decreased by 0.2000 mill in 2012/FY2013. For Roll Year 2013, the rate remained 1.6000 mills.

⁷ Voters renewed the Kent County senior citizen support millage, approved a 0.0800 mill increase beginning in 2006/FY2007, and approved an additional 0.1756 mill increase beginning in 2014/FY2015.

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

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

¹⁰ Voters approved 1.0000 mill for creation of a Grand Rapids Public Schools sinking fund for capital repairs.

¹¹ Voters approved 0.9800 mill for 7 years in support of City parks and 0.0500 mill for County of Kent veterans' services for 8 years.

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

Roll Year	Fiscal Year	Total Assessed Valuation	Less: Initial Year Valuation	Captured Assessed Valuation	% Change Over Prior Year ⁸
1985	1986	\$48,104,150	\$28,469,700	\$19,634,450	30.0%
1986	1987	49,637,950	27,052,600	22,585,350	15.0%
1987	1988	54,715,100	27,159,000	27,556,100	22.0%
1988	1989	60,866,600	27,159,000	33,707,600	22.3%
1989	1990	65,179,750	27,159,000	38,020,750	12.8%
1990	1991	69,095,100	27,159,000	41,936,100	10.3%
1991	1992	76,272,300	27,279,000	48,993,300	16.8%
1992	1993	87,425,017	28,301,500	59,123,517	20.7%
1993	1994	97,865,000	27,812,600	70,052,400	18.5%
1994	1995 ¹	126,404,100	31,895,300	94,508,800	34.9%
1995	1996 ¹	139,023,867	31,895,300	107,128,567	13.4%
1996	1997 ²	143,989,934	31,895,300	112,094,634	4.6%
1997	1998 ²	153,710,185	31,895,300	121,814,885	8.7%
1998	1999 ^{2,4}	203,909,131	33,635,270	170,273,861	39.8%
1999	2000 ²	213,321,189	33,635,270	179,685,919	5.5%
2000	2001 ²	211,827,610	33,635,270	178,192,340	-0.08%
2001	2002	213,084,653	33,635,270	179,449,383	0.7%
2002	2003 ⁵	273,164,380	87,406,488	185,757,892	3.5%
2003	2004 ⁶	271,789,814	86,868,580	184,921,234	-0.5%
2004	2005 ⁷	282,356,639	87,284,880	195,071,759	5.5%
2005	2006	293,062,670	87,284,880	205,777,790	5.5%
2006	2007	310,564,573	87,284,880	223,279,693	8.5%
2007	2008	333,804,984	87,284,880	246,520,104	10.4%
2008	2009	422,163,545	147,752,451 ⁹	274,411,094	11.3%
2009	2010	484,626,596	160,352,382	324,274,214	18.2%
2010	2011	473,138,937	160,352,382	312,786,555	(3.5%)
2011	2012	461,134,175	163,558,491 ¹⁰	297,575,684	(4.9%)
2012	2013	449,963,527	163,558,491	286,405,036	(3.8%)
2013	2014	446,699,251	163,558,491	283,140,760	(1.1%)
2014	2015	454,495,745	163,634,989	290,860,756	2.7%
2015	2016 ³	478,056,949	163,634,989	314,421,960	8.1%
2016	2017 ³	497,708,518	163,634,989	334,073,529	6.2%

Downtown Development Authority Historical / Projected Tax Increment Revenue and Debt Service Coverage

Notes for the Table on Prior Page

Note 1: Initial values were corrected based on research related to the State's audit of the GR-DDA's Forms 2604 for roll years 1994 through 2000.

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

Note 3: Total 2015 assessed valuation as of April, 2016. Valuations may still be affected by Board of Review, Michigan Tax Tribunal, and/or State Tax Commission decisions issued after April, 2016. Roll year 2016 data based on March Board of Review values.

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

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

Note 6: Initial values for Districts G and H adjusted per order changes. District G real property initial value decreased by \$368,208. District H personal property initial value decreased by \$169,700.

Note 7: City Assessor adjusted District H parcel list & initial values when it was discovered the 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.

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

Note 9: The Authority expanded to include Sub-Districts I, J, and K which added 976 parcels to the Authority's boundaries.

Note 10: Effective April 21, 2011, the State Tax Commission changed the treatment of abatement-based initial values by requiring them to be moved from the abatement roll to the ad valorem roll when the abatements expire. This reversed their 1997 decision which required abatement-based initial values to remain in the category in which the value was located when the district/sub-district was created.

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

<u>USE ¹</u>	<u>2015 / FY2016</u>
Commercial	\$ 410,958,500
Industrial	17,414,100
Residential	80,689,100
Utility	-
TOTAL ASSESSED VALUATION	<u>\$ 509,061,700</u>

<u>CLASS ¹</u>	<u>2015 / FY2016</u>
Real Property	\$ 453,267,000
Personal Property	55,794,700
TOTAL ASSESSED VALUATION	<u>\$ 509,061,700</u>

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**

<u>Property Owner</u>	<u>Roll Year 2015 / Fiscal Year 2016</u>				<u>% of DDA</u>
	<u>Real</u>	<u>Personal</u>	<u>IFT</u>	<u>TOTAL</u>	<u>Assessed Valuation</u>
Amway Hotel Corporation - hotels	\$ 40,258,600	\$ 6,691,000	\$ -	\$ 46,949,600	9.22%
HP3 LLC - J.W. Marriott Hotel	21,628,600	3,091,700	-	24,720,300	4.86%
Fifth Third Bank - offices and retail	17,361,400	-	-	17,361,400	3.41%
Hertz Grand Rapids One LLC - offices and retail	15,225,900	99,500	-	15,325,400	3.01%
Deep Creek Holdings LLC - offices and retail	10,258,800	62,200	-	10,321,000	2.03%
Franklin Monroe LLC - offices and retail	8,718,900	41,000	-	8,759,900	1.72%
Dutch Icon on Bond LLC - apartments	7,355,400	8,300	-	7,363,700	1.45%
CWD 250 Monroe LLC - offices and retail	6,989,200	-	-	6,989,200	1.37%
CWD 171 Monroe LLC - offices and retail	6,945,700	-	-	6,945,700	1.36%
Health Park Central LLC - offices and retail	6,877,400	-	-	6,877,400	1.35%
TOTAL 2015 / FY2016	<u>\$ 141,619,900</u>	<u>\$ 9,993,700</u>	<u>\$ -</u>	<u>\$ 151,613,600</u>	<u>29.78%</u>

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

Roll Year	FYE June 30	Historical/Projected Tax Increment Revenues ¹			Debt Service ²				Total Debt Coverage
		Local Mills	Education Mills ³	TOTAL	Series 1989 & Series 1993	Series 1994 & Series 2009 Rfdg	Debt Issued After 1994	TOTAL	
1994	1995	\$ 1,913,230	\$ 3,103,396	\$ 5,016,626	\$ 1,365,540	\$ 2,550,155	\$ -	\$ 3,915,695	1.28
1995	1996	2,044,235	3,318,229	5,362,464	1,308,242	2,919,861	-	4,228,103	1.27
1996	1997	2,170,754	3,525,653	5,696,407	1,293,427	2,919,861	590,912	4,804,200	1.19
1997	1998	2,216,317	3,599,704	5,816,021	699,854	3,319,861	601,877	4,621,592	1.26
1998	1999	2,613,801	4,675,598	7,289,399	679,363	3,652,861	620,680	4,952,904	1.47
1999	2000	2,764,977	5,055,938	7,820,915	706,664	3,825,393	617,819	5,149,876	1.52
2000	2001	2,847,682	4,919,263	7,766,945	722,478	3,939,133	624,359	5,285,970	1.47
2001	2002	2,843,000	4,942,551	7,785,551	722,692	4,022,158	620,377	5,365,227	1.45
2002	2003	2,801,568	5,134,973	7,936,541	739,994	4,089,758	722,325	5,552,077	1.43
2003	2004	2,820,761	4,752,047	7,572,808	724,628	4,197,223	276,128	5,197,979	1.46
2004	2005	3,041,221	5,672,387	8,713,608	731,786	4,281,163	508,514	5,521,463	1.58
2005	2006	3,057,532	5,687,263	8,744,795	267,879	4,836,818	535,183	5,639,880	1.55
2006	2007	3,250,069	5,921,033	9,171,102	269,236	4,932,778	531,480	5,733,494	1.60
2007	2008	3,681,000	6,871,108	10,552,108	269,875	5,029,678	532,660	5,832,213	1.81
2008	2009	4,241,818	7,552,304	11,794,122	269,875	4,974,380	546,689	5,790,944	2.04
2009	2010	4,743,608	8,399,795	13,143,403	269,375	5,071,843	529,129	5,870,347	2.24
2010	2011	4,527,679	7,765,877	12,293,556	268,375	4,994,525	528,768	5,791,668	2.12
2011	2012	4,373,708	7,365,197	11,738,905	271,750	5,094,525	525,655	5,891,930	1.99
2012	2013	4,178,913	6,780,973	10,959,886	269,500	5,204,525	823,226 ⁴	6,297,251	1.74
2013	2014	4,236,321	7,350,094	11,586,415	271,625	5,199,525	208,600	5,679,750	2.04
2014	2015	4,712,336	7,508,989	12,221,325	-	5,479,525	458,601	5,938,126	2.06
2015	2016	4,930,670	7,972,845	12,903,515	-	5,479,525	459,291	5,938,816	2.17
2016	2017	5,487,471	9,516,666	15,004,137	-	5,809,525	454,737	6,264,262	2.40
2017	2018	5,515,283	9,628,721	15,144,004	-	5,811,325	453,387	6,264,712	2.42
2018	2019	5,543,235	9,677,114	15,220,349	-	5,811,663	415,007	6,226,669	2.44
2019	2020	5,571,326	9,725,750	15,297,076	-	5,811,163	416,808	6,227,971	2.46
2020	2021	5,599,558	9,774,629	15,374,187	-	5,807,013	412,210	6,219,223	2.47
2021	2022	5,605,554	9,822,375	15,427,929	-	5,808,263	390,100	6,198,363	2.49
2022	2023	5,611,609	9,870,599	15,482,208	-	5,807,513	393,400	6,200,913	2.50
2023	2024	5,617,725	9,919,305	15,537,030	-	4,916,275	391,200	5,307,475	2.93
2024	2025	5,623,902	-	5,623,902	-	-	75,000	75,000	74.99
2025	2026	5,630,141	-	5,630,141	-	-	75,000	75,000	75.07
2026	2027	5,636,443	-	5,636,443	-	-	75,000	75,000	75.15
2027	2028	5,642,807	-	5,642,807	-	-	75,000	75,000	75.24
2028	2029	5,649,235	-	5,649,235	-	-	75,000	75,000	75.32
2029	2030	5,655,728	-	5,655,728	-	-	75,000	75,000	75.41
2030	2031	5,662,285	-	5,662,285	-	-	75,000	75,000	75.50
2031	2032	5,668,908	-	5,668,908	-	-	75,000	75,000	75.59
		\$ 163,732,411	\$ 205,810,376	\$ 369,542,788	\$ 12,122,158	\$ 141,597,812	\$ 14,789,121	\$ 168,509,090	

Downtown Development Authority Historical / Projected Tax Increment Revenue and Debt Service Coverage

Notes for the Table on Prior Page

Note 1: FY2017-2032 estimated revenues do not include revenues from the proposed five new sub-districts; aka Sub-Districts L, M, N, O, and P. Forecasted revenues have been reduced by estimated losses for property assessment appeals.

Note 2: DDA-supported debt issued prior to 1995, and issues which refund these pre-1995 debt, are "eligible obligations" for which school tax related revenues may be captured 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 from which it was captured.

Note 4: Beginning with FY2013, the DDA agreed to pay the first \$75,000 of annual Brownfield Redevelopment Authority Series 2012A 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 - MARCH 4, 2009
December 21, 2016

	CUSIP	386289	386244	386226	386289	386244	386226	386316	386289	386445	386244	386244
Internal Issue #	#48	#50	#65	#73	#76	#78	#81	#82	County	#83	#84	
Amount of Issue	\$ 83,650,000	\$ 20,000,000	\$ 3,975,000	\$ 51,525,000	\$ 7,375,000	\$ 14,740,000	\$ 32,900,000	\$ 67,260,000	\$ 7,870,000	\$ 8,980,000	\$ 18,005,000	
Type	SSS-Revenue	GRBA	MPN-GOLT	SSS-Revenue	GRBA-GOLT	CIB-GOLT	WSS-Rev Refnd	SSS-Revenue	Drain - FW	GRBA-GOLT	GRBA-GOLT	
Date of Issue	07/01/1998	09/01/1998	12/01/2002	10/27/2005	11/15/2006	05/16/2007	04/08/2008	08/06/2008	09/18/2008	12/23/2008	03/04/2009	
Final Maturity (including terms)	01/01/2028	04/01/2018	06/01/2017	01/01/2035	10/01/2036	09/01/2027	01/01/2020	01/01/2038	11/01/2020	10/01/2029	08/01/2020	
Dissemination Agent	City	GRBA	City	City	City	City	City	City	City	City	City	
- Population	X	X	X	X	X	X	X	-	-	X	X	
- Taxable Value	X	X	X	X	X	X	X	X	X	X	X	
- TV - by Use and Class (\$ / %)	X	X	X	X	X	X	X	-	-	X	X	
- State Equalized Value	X	X	X	X	X	X	X	X	X	X	X	
- SEV - by Use and Class (\$ / %)	X	X	X	X	-	-	X	-	-	X	X	
- Ten Largest Valuations by TV	-	X	X	X	X	X	X	X	X	X	X	
- State and Local Tax Limitations	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	XXX	XXX	X	X	
- Property Tax Collections	X	X	X	X	X	X	X	X	X	X	X	
- Status of Labor Contracts	X	X	X	X	X	X	X	X	X	X	X	
- Statement of Legal Debt Margin	X	X	X	X	X	X	X	X	X	X	X	
- Debt Statement	X	X	X	X	X	X	X	X	X	X	X	
- Schedule of Bond Maturities	X	-	-	X	-	-	X	X	X	X	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	XX	XX	X	X	
- Other Postemployt Benefits (OPEB)	-	-	-	-	-	-	X	X	X	X	X	
- Employment	X	-	-	-	-	-	-	-	-	-	-	
- General Fund Revs from Michigan	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	-	-	-	-	
- Stmt of Operations-Historical & Projected	X	-	-	-	-	-	X	XX	-	-	-	
- Debt Service & Coverage Ratio	X	-	-	-	-	-	X	-	-	-	-	
- Economic Profile - Industrial	X	-	-	-	-	-	-	-	-	-	-	
- Economic Profile - Commercial	X	-	-	-	-	-	-	-	-	-	-	
- GR Regional Retail Sales	X	-	-	-	-	-	-	-	-	-	-	
- Effective Hshold Buying Income	X	-	-	-	-	-	-	-	-	-	-	
- Annual Water Sales - Gals/Pumpage/\$	-	-	-	-	-	-	X	-	-	-	-	
- Daily Water Pumpage	-	-	-	-	-	-	X	-	-	-	-	
- Revenue Requirements & % Rate	-	-	-	-	-	-	XX	XX	-	-	-	
- Adjustments - Historical & Projected	-	-	-	-	-	-	-	-	-	-	-	
- Integrated Connection Base Fee Sched	-	-	-	-	-	-	X	-	-	-	-	
- Wastewater Volumes	-	-	-	X	-	-	-	X	-	-	-	
- W W T P Effluent Table	-	-	-	X	-	-	-	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.

bondcdc063016.xls:jmw 11/22/2016

TABLE A - Page 2 of 3 pages
CITY OF GRAND RAPIDS, MICHIGAN
CONTINUING DISCLOSURE STATEMENT
MATRIX OF FINANCIAL DISCLOSURES - ISSUES DATED MARCH 18, 2009 - JUNE 12, 2012
December 21, 2016

CUSIP	59455T	386316	386289	368244	368244	368244	386316	386289	386244	386205
Internal Issue #	#85	#86	#88	#89 Series A	#89 Series B	#90	#91	#92	#97	#99
Amount of Issue	\$ 28,430,000	\$ 30,000,000	\$ 29,625,000	\$ 1,770,000	\$ 2,815,000	\$ 7,325,000	\$ 43,025,000	\$ 24,815,000	\$ 14,585,000	\$ 2,325,000
Type	MBA-LGLP	WSS-Revenue	SSS-Rev Refdg	GRBA-GOLT	GRBA-GOLT	GRBA-GOLT	WSS-Rev Refd	SSS Revenue	GRBA-GOLT	BRA-TIF/GOLT
Date of Issue	03/18/2009	05/06/2009	01/26/2010	03/30/2010	03/30/2010	09/15/2010	10/04/2010	12/15/2010	07/28/2011	06/12/2012
Final Maturity (including terms)	05/01/2024	01/01/2039	01/01/2028	10/01/2039	10/01/2032	10/01/2035	01/01/2018	01/01/2025	10/01/2031	06/01/2032
Dissemination Agent	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
- 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
- SEV - by Use and Class (\$ / %)	X	-	X	X	X	X	-	X	X	X
- Ten Largest Valuations by TV	X	X	X	-	-	-	X	X	-	-
- Maximum Property Tax Rates	X	X	X	-	-	-	X	-	-	-
- Property Tax Rates - Grand Rapids and Homestead / Non-Homestead	X	X	X	-	-	-	X	X	-	-
- Property Tax Collections	X	X	X	X	X	X	X	X	X	X
- Status of Labor Contracts	X	X	X	X	X	X	X	X	X	X
- Statement of Legal Debt Margin	X	X	X	X	X	X	X	X	X	X
- Debt Statement	X	X	X	X	X	X	X	X	X	X
- Schedule of Bond Maturities	X	X	X	-	-	-	X	X	-	-
- Income Tax Collections	X	X	X	X	X	X	X	X	X	X
- Retirement Plans - General and Police & Fire	X	X	X	-	-	-	X	X	-	-
- Other Postemploymt Benefits (OPEB)	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	-	-
- 10 Largest Retail Customers	-	X	X	-	-	-	X	X	-	-
- Results of Ops-Historical & Projected	-	X	X	-	-	-	X	X	-	-
- Debt Srvc/Coverage Ratio-Historical	-	X	X	-	-	-	X	X	-	-
- Annual Water Sales - Gals/Pumpage/\$	-	X	-	-	-	-	X	-	-	-
- Daily Water Pumpage	-	-	-	-	-	-	-	-	-	-
- Comparative Analysis of Rates WSS Revenue Requirements & % Rate	-	X	-	-	-	-	X	-	-	-
- Adjustments - Historical & Projected	-	X	X	-	-	-	X	X	-	-
- Integrated Connection Base Fee Sched	-	-	X	-	-	-	-	X	-	-
- Wastewater Volumes	-	-	X	-	-	-	-	X	-	-
- W W T P Effluent Table	-	-	-	-	-	-	-	-	-	-
- 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 OCTOBER 10, 2012 - SEPTEMBER 22, 2016
December 21, 2016

CUSIP	386289	386316	386289	386289	386445	386316	386226	386289	386226	386316
Internal Issue #	#102	#104	#106	#111	County	#113	#116	#117	#118	#120
Amount of Issue	\$ 30,000,000	\$ 3,385,000	\$37,830,000	\$ 55,230,000	\$ 4,550,000	\$25,370,000	\$ 19,580,000	\$ 48,410,000	\$ 15,245,000	\$ 36,740,000
Type	SSS Revenue	WSS Rev Refd	SSS Rev Refd	SSS Rev Impr/Refd	Drain - FW	WSS-Rev Refd	LTGO-Rfdg	SSS Rev Refd	CIB-GOLT	WSS Rev Impr/Refd
Date of Issue	10/10/2012	03/13/2013	05/16/2013	10/8/2014	12/03/2014	2/25/2015	2/4/2016	3/3/2016	3/31/2016	9/22/2016
Final Maturity (inc term bonds)	01/01/2042	01/01/2028	01/01/2034	01/01/2044	11/01/2034	01/01/2035	10/01/2036	01/01/2038	04/01/2026	01/01/2046
Dissemination Agent	City	City	City	City	City	City	City	City	City	City
- Population	X	X	X	X	X	X	X	X	X	X
- Total Taxable Value	X	X	X	X	X	X	X	X	X	X
- TV - by Use and Class (\$ / %)	X	X	X	X	X	XX	XX	XX	XX	XX
- Total State Equalized Valuation	X	X	X	X	X	X	X	X	X	X
- SEV - by Use and Class (\$ / %)	X	X	X	X	X	XX	XX	XX	XX	XX
- Ten Largest Valuations by TV	X	X	X	X	X	X	X	X	X	X
- Maximum Property Tax Rates	-	-	-	-	-	-	-	-	-	-
- Property Tax Rates - Grand Rapids and Homestead / Non-Homestead	XXX	XXX	XXX	XXX	XXX	XXX	XX__	XXX	XXX	XXX
- Property Tax Collections	X	X	X	X	X	X	X	X	X	X
- Status of Labor Contracts	X	X	X	X	X	X	X	X	X	X
- Statement of Legal Debt Margin	X	X	X	X	X	X	X	X	X	X
- Debt Statement	X	X	X	X	X	X	X	X	X	X
- Schedule of Remaining Bond Maturities	X	X	X	X	-	X	X	X	X	X
- Income Tax Collections	X	X	X	X	X	X	X	X	X	X
- Retirement Systems - General and Police & Fire	XX	XX	XX	XX	XX	XX	XX	XX	XX	XX
- Other Postemployment Benefits (OPEB)	X	X	X	X	X	X	X	X	X	X
- General Fund Revs from Michigan	X	X	X	X	X	X	-	X	-	X
- Retail Billings & Collections	X	X	X	X	-	X	-	X	-	X
- 10 Largest Retail Customers	X	X	X	X	-	X	-	X	-	X
- Revenue Requirements & % Rate Adjustments - Historical & Projected	XX	XX	XX	XX	-	Historical only	-	__XXX	-	X
- Results of Ops - Historical & Projected	XX	XX	XX	XX	-	XX	-	XX	-	XX
- Debt Svc & Coverage Ratio - Historical	X	X	X	X	-	X	-	XX	-	X__
- Annual Water Sales - Gals/Pumpage/\$	-	X	-	-	-	X	-	-	-	X
- Daily Water Pumpage	-	-	-	-	-	-	-	-	-	-
- Comparative Analysis of Rates - WSS	-	-	-	-	-	-	-	-	-	-
- Integrated Connection Base Fee Sched	X	X	X	X	-	X	-	X	-	X
- Wastewater Volumes	X	-	X	X	-	-	-	X	-	-
- W W T P Effluent Table	-	-	-	-	-	-	-	-	-	-

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