

CITY OF GRAND RAPIDS, MICHIGAN
CONTINUING DISCLOSURE CERTIFICATE
JUNE 30, 2001

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CITY OF GRAND RAPIDS

Population

The City's 1960, 1970, 1980, 1990 and 2000 census are as follows:

City of Grand Rapids Population

<u>Year of Census</u>	<u>Population</u>	<u>Percent Change</u>
1960	197,193	NA
1970	197,649	.23
1980	181,843	(8.00)
1990	189,126	4.01
2000	197,800	4.59

Source: U.S. Department of Commerce-Bureau of Census and the City of Grand Rapids.

CITY TAXATION AND LIMITATIONS

Property Valuations

The value of taxable property in the City as of December 31 of each year is assessed by the City and then equalized first by the County of Kent (the "County") and second by the State of Michigan (the "State"). The value as equalized by the State becomes the state equalized valuation ("State Equalized Valuation" or "SEV"). Property taxpayers may appeal their assessments to the City Assessor, the City's Board of Review and ultimately to the State Tax Tribunal. The City does not anticipate any material adverse effect on its financial condition as a result of any appeals currently pending.

Since the 1960's, Michigan personal property tax assessments have been based on the use of one or more of several different multiplier tables formulated by the State Tax Commission against taxpayer reported original cost, depending on the assessor's view of the average life of the personal property. The Michigan Department of Treasury approved revisions to the State's personal property tax tables which were effective beginning with the City's fiscal year ended June 30, 2001. The City Assessor has declined to utilize the new personal property multiplier table for assessment of public utilities on the basis that the Treasury Department study contained inaccurate data for this table. Taxable assessment appeals have been filed by the utilities covering years 1997 through 2001 inclusive. The total amount of taxable assessments at appeal in any one year does not exceed the equivalent of \$90,000 in potential General Fund tax loss.

Michigan statutes provide that all ad valorem taxes ("Ad Valorem Taxes") be levied upon Taxable Value, as hereinafter defined, (the "Ad Valorem Tax Roll"). Article IX, Section 3, of the Michigan Constitution limits the proportion of true cash value at which taxable property can be assessed to a percentage not to exceed 50%. The Michigan Legislature has provided that taxable property shall be assessed at 50% of its true cash value. The Michigan Legislature or the electorate may at some future time change the percentage of true cash value at which property is assessed.

On March 15, 1994, the electors of the State approved an amendment to the Michigan Constitution permitting the Michigan Legislature to authorize ad valorem taxes on a non-uniform basis. The legislation implementing this constitutional amendment added a new measure of property value known as "Taxable Value". Since 1995, taxable property has two valuations - SEV and Taxable Value. Property taxes are levied on Taxable Value. Generally, Taxable Value of property is the lesser of (a) the Taxable Value of the property in the immediately preceding year, adjusted for losses, multiplied by the lesser of the net percentage change in the property's SEV, or the inflation rate, or 5% plus additions, or (b) the property's current SEV. Under certain circumstances therefore the Taxable Value of property may be different from the same property's SEV.

This constitutional amendment and the implementing legislation based the Taxable Value of existing property for the year 1995 on the SEV of that property in 1994 and for the years 1996 and thereafter on the Taxable Value of the property in the preceding year. Beginning with the taxes levied in 1995, an increase, if any, in Taxable Value of existing property is limited to the lesser of the percentage net change in SEV from the preceding year to the current year, 5% or the inflation rate. When property is sold or transferred, Taxable Value is adjusted to the SEV, which under existing law is 50% of the current true cash value. The Taxable Value of new construction is equal to current SEV. Taxable Value and SEV of existing property are also adjusted annually for additions and losses.

Ad Valorem Taxable Value does not include any value of tax-exempt property (e.g., governmental facilities, churches, public schools, etc.) or property granted tax abatement under either Act 198 of the Public Acts of Michigan of 1974, as amended ("Act

198") or Act 255 of the Public Acts of Michigan of 1978, as amended ("Act 255"), which expired at the end of the fiscal year ended June 30, 2000. The equivalent effect of the abatements granted under Act 198 is to understate the City's Ad Valorem Taxable Value for its fiscal year ending June 30, 2001 by \$64,286,542 or 1.87%. Including the Equivalent Taxable Value of these properties, as hereinafter defined, the City's total Taxable Value ("Total Taxable Value") has increased \$492,162,392 or approximately 16.34% between the fiscal years ended June 30, 1997 and 2001. See the following table and "City Taxation and Limitations Tax Abatement" herein.

**CITY OF GRAND RAPIDS
TAXABLE VALUE
FISCAL YEARS ENDED JUNE 30, 1997 THROUGH 2001**

Assessed Value as of <u>December 31</u>	Year of State Equalization and <u>Tax Levy</u>	City's Fiscal Year Ended or Ending <u>June 30</u>	Ad Valorem Taxable Value(1)	Equivalent Taxable Value of Property Granted Tax Abatement Under Acts 198 and 255 (2)	Total Taxable Value	% Increase Over Prior Year
1995	1996	1997	\$2,934,617,239	\$77,761,395	\$3,012,378,634	3.11 %
1996	1997	1998	3,054,662,764	77,851,288	3,132,514,052	3.99
1997	1998	1999	3,226,115,077	67,809,329	3,293,924,406	5.15
1998	1999	2000	3,348,802,498	65,347,359	3,414,149,857	3.65
1999	2000	2001	3,440,254,484	64,286,542	3,504,541,026	2.65

Per Capita Total Taxable Value for the Fiscal Year ended June 30, 2001 (3)\$17,717.60

- (1) Includes the value of property located within the City's Renaissance Zone (the "Zone") which was created pursuant to the provisions of Act 376 of the Michigan Public Acts of 1996, as amended ("Act 376"). 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 ending June 30, 2001, the Taxable Value of the property located in the Renaissance Zone totaled \$47,455,297.
- (2) At the full tax rate. See 'CITY TAXATION AND LIMITATIONS – Tax Abatement' herein. The effects of Act 255 expired during the fiscal year ended June 30, 2000.
- (3) Based on the City's 2000 Census of 197,800

Source: City of Grand Rapids

Including the value of property granted tax abatement under Acts 198 and 255, a breakdown of the City's Total Taxable Value by use and class for the fiscal years ended June 30, 1997 through 2001 is shown below.

**CITY OF GRAND RAPIDS
TAXABLE VALUE BY USE AND CLASS
FISCAL YEARS ENDED JUNE 30, 1997 THROUGH 2001**

USE	Fiscal Years Ended June 30				
	1997	1998	1999	2000	2001
Commercial	\$ 837,750,384	\$ 880,421,835	\$ 953,544,342	\$ 1,011,148,933	\$ 1,020,366,457
Utility	61,852,000	63,483,000	59,974,200	67,094,200	64,779,900
Industrial	397,831,460	410,763,682	428,675,506	428,012,868	435,900,628
Residential	1,714,944,790	1,777,845,535	1,851,730,358	1,907,893,856	1,983,494,041
TOTAL	\$ 3,012,378,634	\$ 3,132,514,052	\$ 3,293,924,406	\$ 3,414,149,857	\$ 3,504,541,026

CLASS	Fiscal Years Ended June 30				
	1997	1998	1999	2000	2001
Real Property	\$ 2,565,669,852	\$ 2,665,703,648	\$ 2,799,584,031	\$ 2,889,360,918	\$ 3,004,133,835
Personal Property	446,708,782	466,810,404	494,340,375	524,788,939	500,407,191
TOTAL	\$ 3,012,378,634	\$ 3,132,514,052	\$ 3,293,924,406	\$ 3,414,149,857	\$ 3,504,541,026

Source: City of Grand Rapids

**CITY OF GRAND RAPIDS
PERCENT OF TAXABLE VALUE BY USE AND CLASS
FISCAL YEARS ENDED JUNE 30, 1997 THROUGH 2001**

<u>USE</u>	Fiscal Years Ended June 30				
	1997	1998	1999	2000	2001
Commercial	27.81 %	28.11 %	28.95 %	29.62 %	29.11 %
Utility	2.05	2.03	1.82	1.96	1.85
Industrial	13.21	13.11	13.01	12.54	12.44
Residential	56.93	56.75	56.22	55.88	56.60
	<u>100.00 %</u>	<u>100.00 %</u>	<u>100.00 %</u>	<u>100.00 %</u>	<u>100.00 %</u>

<u>CLASS</u>	1997	1998	1999	2000	2001
	Real Property	85.17 %	85.10 %	84.99 %	84.63 %
Personal Property	14.83	14.90	15.01	15.37	14.28
	<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 property 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 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 either Act 198 or Act 255. The equivalent effect of abatements granted under Act 198 is to understate the City's Ad Valorem SEV for its fiscal year ended June 30, 2001 by \$107,887,200 or 2.88%. Including the SEV of these properties, the City's total SEV has increased \$762,810,600 or approximately 24.67% between the fiscal years ended June 30, 1997 through 2001. See the table following and "CITY TAXATION AND LIMITATIONS-Tax Abatement" herein.

**CITY OF GRAND RAPIDS
STATE EQUALIZED VALUATION
FISCAL YEARS ENDED JUNE 30, 1997 THROUGH 2001**

<u>Assessed Value as of December 31</u>	<u>Year of State Equalization and Tax Levy</u>	<u>City's Fiscal Year Ended June 30</u>	<u>Ad Valorem SEV</u>	<u>SEV of Property Granted Tax Abatement Under Acts 198 and 255 (1)</u>	<u>Total SEV</u>	<u>Percent Increase Over Prior Year</u>
1995	1996	1997	\$ 2,982,386,550	\$ 109,844,850	\$3,092,231,400	3.79 %
1996	1997	1998	3,113,318,850	113,439,250	3,226,758,100	4.35
1997	1998	1999	3,352,725,025	104,658,300	3,457,383,325	7.15
1998	1999	2000	3,578,666,420	104,465,900	3,683,132,320	6.53
1999	2000	2001	3,747,154,800	107,887,200	3,855,042,000	4.67

Per Capita Total SEV for the Fiscal Year ended June 30, 2001 (2)\$19,489.60

(1) See 'CITY TAXATION AND LIMITATIONS – Tax Abatement' herein. The effects of Act 255 expired during the fiscal year ended June 30, 2000.

(2) Based on the City's 2000 census of 197,800.

Source: City of Grand Rapids

Including the value of property granted tax abatement under Acts 198 and 255, a breakdown of the City's Total SEV by use and class for the fiscal years ended or ending June 30, 1997 through 2001 is shown below. See "CITY TAXATION AND LIMITATIONS – Tax Abatement" herein.

**CITY OF GRAND RAPIDS
TOTAL SEV BY USE AND CLASS
FISCAL YEARS ENDED JUNE 30, 1997 THROUGH 2001**

<u>USE</u>	Fiscal Years Ended June 30				
	1997	1998	1999	2000	2001
Commercial	\$ 861,573,450	\$ 911,058,550	\$ 978,682,875	\$ 1,053,603,820	\$ 1,070,141,200
Industrial	426,635,850	445,429,150	468,776,250	473,499,700	488,146,800
Residential	1,742,170,100	1,806,787,400	1,949,950,000	2,088,934,600	2,231,974,100
Utility	61,852,000	63,483,000	59,974,200	67,094,200	64,779,900
	<u>\$ 3,092,231,400</u>	<u>\$ 3,226,758,100</u>	<u>\$ 3,457,383,325</u>	<u>\$ 3,683,132,320</u>	<u>\$ 3,855,042,000</u>

<u>CLASS</u>	Fiscal Years Ended June 30				
	1997	1998	1999	2000	2001
Real Property	\$ 2,625,931,600	\$ 2,739,007,800	\$ 2,940,963,900	\$ 3,134,514,200	\$ 3,35,244,100
Personal Property	466,299,800	487,750,300	516,419,425	548,618,120	529,797,900
	<u>\$ 3,092,231,400</u>	<u>\$ 3,226,758,100</u>	<u>\$ 3,457,383,325</u>	<u>\$ 3,683,132,320</u>	<u>\$ 3,855,042,000</u>

Source: City of Grand Rapids

**CITY OF GRAND RAPIDS
PERCENT OF TOTAL SEV BY USE AND CLASS
FISCAL YEARS ENDED JUNE 30, 1997 THROUGH 2001**

<u>USE</u>	Fiscal Years Ended June 30				
	1997	1998	1999	2000	2001
Commercial	27.86%	28.24%	28.31%	28.60%	27.76%
Industrial	13.80	13.80	13.56	12.86	12.66
Residential	56.34	55.99	56.40	56.72	57.90
Utility	2.00	1.97	1.73	1.82	1.68
	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

<u>CLASS</u>	Fiscal Years Ended June 30				
	1997	1998	1999	2000	2001
Real Property	84.92%	84.88%	85.06%	85.10%	86.26%
Personal Property	15.08	15.12	14.94	14.90	13.74
	<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 Abatement

The City's 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 and Act 255 (collectively, the Acts). The Acts were designed to provide a stimulus in the form of significant tax incentives to industry and commercial enterprises to renovate and expand aging facilities and to build new facilities. Except as indicated below, under the provisions of the Acts, a local governmental unit (i.e., a city, village or township) may establish plant rehabilitation districts, industrial development districts, and commercial redevelopment districts and offer industrial and commercial 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 or commercial facilities exemption certificate granted under either of the Acts 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 or commercial facilities tax (the "IFT Tax" and "CFT Tax", respectively). For properties granted tax abatement under Act 198 or Act 255 there exist separate tax rolls referred to as the industrial facilities tax roll (the "IFT Tax Roll") and the commercial facilities tax roll (the "CFT Tax Roll"), respectively. The IFT or CFT 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 though the restoration or replacement substantially increases the value of the facility. For a new facility the IFT or CFT 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 prior to 1994, this millage rate equals 1/2 of all tax rates levied by other than the State and local school district for operating purposes plus 1/2 of the 1993 rate levied by the local school district for operating purposes. For abatements granted after 1994, this millage rate equals 1/2 of all tax rates levied by other than the State and local school district plus none, 1/2 or all of the State tax rate (as determined by the State Treasurer). Act 255 expired as an effective statute of the State on December 31, 1986. Tax abatements granted to commercial facilities under Act 255 prior to December 31, 1986, however, remained in effect through December 31, 1998 and affected Taxable Value through the fiscal year ended June 30, 2000.

The City has established goals, objectives and procedures to provide the opportunity for industrial and commercial development and expansion. Since 1974, the City has approved a number of applications for local property tax relief for industrial and commercial firms. The SEV of properties which have been granted tax abatement under Act 198, removed from the Ad Valorem Tax Roll and placed on the IFT Tax Roll totaled \$107,887,200 for the fiscal year ended June 30, 2001. The IFT Taxes paid on these properties is equivalent to Ad Valorem Taxes paid on \$64,286,542 of Taxable Value at the full tax rate (the "Equivalent Taxable Valuation"). Upon expiration of the industrial or commercial facilities exemption certificates the current equalized valuation of the abated properties will return to the Ad Valorem Tax Roll as Taxable Value.

Property Taxes

Michigan statutes provides that all ad valorem taxes be levied upon SEV or Taxable Value. The City's ability to tax is limited by the State Constitution, State statutes and City Charter. Home rule cities, such as the City, are permitted by Act 279 of the Public Acts of Michigan of 1909, as amended ("the "Home Rule Cities Act"), to authorize by their charters a maximum levy of 20 mills for operating purposes. A mill is equal to \$1.00 for each \$1,000 of SEV or Taxable Value. Pursuant to Act 298 of the Public Acts of Michigan of 1917, as amended, home rule cities are also allowed to 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 and millage sufficient to make required contributions for police and fire pension programs pursuant to Act 164 of the Public Acts of Michigan of 1877, and Act 345 of the Public Acts of Michigan of 1937, both as amended, respectively. Act 359 of the Public Acts of Michigan of 1925, as amended, also authorizes home rule cities to levy up to \$50,000 for promotional expenses. The City, by its City Charter, is authorized to levy 6.4100 mills for operating purposes. The City is currently levying 6.3696 mills for operating purposes, 1.3500 mills for refuse collection and disposal, 0.0145 mills for promotion purposes and 0.3925 mills for library capital improvement purposes (see "CITY TAXATION AND LIMITATIONS-State Limitations on Property Taxes" herein). In addition, the electorate may authorize the issuance of general obligation bonds or other obligations which pledge the full faith and credit and unlimited taxing power of the City. See "CITY TAXATION AND LIMITATIONS" and "CITY DEBT" herein. See "CITY TAXATION AND LIMITATIONS" and "CITY DEBT" herein.

State Limitations on Property Taxes

In November 1978, the electorate of the State passed an amendment to the State Constitution (the "Amendment") which placed certain limitations on increases of taxes by the State and political subdivisions from currently authorized levels of taxation. The amendment and the enabling legislation, Act 35 of the Public Acts of Michigan of 1979, may have the effect of reducing the maximum authorized tax rate which could be levied by a local taxing unit. Under the 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 limitation.

The Amendment does not limit taxes for the payment of principal of and interest on bonds, notes or other evidences of indebtedness outstanding at the time the 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, 2001, the Amendment had the effect of reducing the City's authorized millages as follows:

**CITY OF GRAND RAPIDS
MAXIMUM PROPERTY TAX RATES
FISCAL YEAR ENDED JUNE 30, 2001**

<u>Millage Classification</u>	<u>Millage Authorized</u>	<u>Millage Reduction Fraction (1)</u>	<u>Maximum Allowable Millage</u>
Operating	6.4100	0.9937	6.3696
Refuse Collection and Disposal	2.8743	0.9937	2.8562
Promotional	0.0145	1.0000	0.0145
Library Capital Improvements	0.3950 (2)	0.9937	0.3925

- (1) Cumulative
(2) On September 9, 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 capital improvements for the City's public library facilities (see "CITY TAXATION AND LIMITATIONS-Property Tax Rates" herein).

Source: City of Grand Rapids

Personal Property Tax Exemptions and Other Property Tax Proposals

Act 328 of the Public Acts of Michigan of 1998 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 which could, with the approval of the State Tax Commission, designate one or more areas as eligible distressed areas.

Legislation has been introduced in the Michigan Legislature which, if enacted in their present form, would exempt either \$15,000, \$20,000 or \$25,000 or taxable value of personal property from collection. The final forms and thus the ultimate impact of this legislation, if enacted, on the City's finances cannot be determined at this time.

The ultimate nature, extent, and impact of the legislation or administrative action and of other tax and revenue measures which are still under consideration 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 the Bonds, or otherwise prevent bondholders from realizing the full current benefit of an investment therein. Purchasers of the Bonds should be alert to the potential effect of such measures upon the Bonds, the security therefor, and the operations of the City.

Property Tax Rates

As defined under "Property Taxes" herein, a mill is equal to \$1.00 for each of \$1,000 of SEV or Taxable Value. The City is currently authorized to levy 6.3696 mills for operating purposes or a maximum of \$6.3696 for each \$1,000 of SEV or Taxable Value (see "CITY TAXATION AND LIMITATIONS-State Limitation on Property Taxes" herein). Excluding taxes levied by other units of government, the City's property tax rates, expressed as a dollar for each \$1,000 of SEV or Taxable Value, for the fiscal years ended June 30, 1996 through 2000 are shown below. See "CITY TAXATION AND LIMITATIONS-State Limitations on Property Taxes" herein.

**CITY OF GRAND RAPIDS
PROPERTY TAX RATES
FISCAL YEARS ENDED JUNE 30, 1997 THROUGH 2001**

<u>Levy July 1</u>	<u>Fiscal Years Ended June 30</u>	<u>Operating</u>	<u>Other (1)</u>	<u>Library Capital Improvements (2)</u>	<u>Total</u>
1996	1997	\$6.4100	\$1.3174	\$0.0000	\$7.7274
1997	1998	6.4100	1.3169	0.0000	7.7269
1998	1999	6.4100	1.3654	0.3950	8.1704
1999	2000	6.4017	1.3649	0.3945	8.1611
2000	2001	6.3696	1.3645	0.3925	8.1266

- (1) Includes refuse collection and disposal as well as promotional levies. See "CITY TAXATION AND LIMITATIONS - Property Taxes" herein.
(2) In 1997, the City's electorate authorized an annual levy of 0.3950 mills for a period of twenty years beginning July 1, 1998, for the purpose of financing capital improvements for the City's public library facilities.

Source: City of Grand Rapids

In addition to the City's property tax rates, residents of the City must pay property taxes to other units of local government. Beginning in 1994, a State Education Tax of 6.0000 mills is levied by the State on all real and personal property currently subject to property tax. To be eligible for state school aid, a local school district is also required to levy not more than the lesser of *City of Grand Rapids, Michigan*

18.0000 mills or the number of mills levied in 1993 for school operating purposes on non-homestead property. These property taxes are in lieu of those previously levied for local school district operating purposes. Total rates, expressed as a dollar for each \$1,000 of SEV or Taxable Value, for the City's fiscal years ended June 30, 1997 through 2001 are as follows:

**CITY OF GRAND RAPIDS
HOMESTEAD (1) PROPERTY TAX RATES BY GOVERNMENTAL UNIT
FISCAL YEARS ENDED JUNE 30, 1997 THROUGH 2001**

<u>Governmental Unit</u>	Fiscal Years Ended June 30				
	1997	1998	1999	2000	2001
City of Grand Rapids	\$ 7.7274	\$ 7.7269	\$ 8.1704	\$ 8.1611	\$ 8.1266
County of Kent	5.1090	5.1166	5.3664	5.3551	5.3340
State of Michigan	6.0000	6.0000	6.0000	6.0000	6.0000
Grand Rapids Public Schools (2)	1.6000	1.5900	1.2000	1.1600	0.9600
Kent Intermediate School District	3.8803	3.8803	3.8784	3.8625	3.8430
Grand Rapids Community College	1.8285	1.8285	1.8276	1.8201	1.8109
Interurban Transit Partnership	0.0000	0.0000	0.0000	0.0000	0.7500
TOTAL	\$ 26.1452	\$ 26.1423	\$ 26.4428	\$ 26.3588	\$ 26.8245

**CITY OF GRAND RAPIDS
NON-HOMESTEAD (1) PROPERTY TAX RATES BY GOVERNMENTAL UNIT
FISCAL YEARS ENDED JUNE 30, 1997 THROUGH 2001**

<u>Governmental Unit</u>	Fiscal Years Ended June 30				
	1997	1998	1999	2000	2001
City of Grand Rapids	\$ 7.7274	\$ 7.7269	\$ 8.1704	\$ 8.1611	\$ 8.1266
County of Kent	5.1090	5.1166	5.3664	5.3551	5.3340
State of Michigan	6.0000	6.0000	6.0000	6.0000	6.0000
Grand Rapids Public Schools (3)	19.6000	19.5900	19.2000	19.1600	18.9096
Kent Intermediate School District	3.8803	3.8803	3.8784	3.8625	3.8430
Grand Rapids Community College	1.8285	1.8285	1.8276	1.8201	1.8109
Interurban Transit Partnership	0.0000	0.0000	0.0000	0.0000	0.7500
TOTAL	\$ 44.1452	\$ 44.1423	\$ 44.4428	\$ 44.3588	\$ 44.7741

- (1) *Homestead Property* means a dwelling or unit in a multiple-unit dwelling subject to ad valorem property taxes that is owned and occupied as a principal residence by the owner of the dwelling or unit. 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. Homestead includes a life care facility registered under the Living Care Disclosure Act, Act 440 of the Public Acts of Michigan of 1976, as amended. Homestead also includes property owned by a cooperative housing corporation and occupied as a principal residence by tenant stockholders. *Non-homestead Property* is property not included in the above definition.
- (2) Debt millage only. Portions of other school district overlap the City's boundaries. Of those which do, the total Homestead local school millage rates for the fiscal year ended June 30, 2001 ranged from \$3.1500 to \$6.7383 for each \$1,000 of Taxable Value. The total tax rates for property owners in other school districts would change accordingly.
- (3) 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-Homestead millage rates for the fiscal year ending June 30, 2001 ranged from \$21.1500 to \$24.7383 for each \$1,000 of Taxable Value. The total tax rates for property owners in other school districts would change accordingly.

Source: City of Grand Rapids

Property Tax Collections

The City's fiscal year begins on July 1. Real and personal property taxes are due 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 such unpaid taxes.

Kent County (the "County") is responsible for the collection of real property taxes of the City which are delinquent as of March 1 of each fiscal year (the "Delinquent Real Property Taxes"). In recent years, the County has purchased from the City all Delinquent Real Property Taxes from a delinquent tax payment fund established by the County. In return, the City has assigned to the County all amounts payable to the City from the taxpayers with respect to such Delinquent Real Property Taxes. If such Delinquent Real Property Taxes remain uncollected after three years from the date on which such taxes become delinquent, the County may sell the underlying real property at its annual tax sale to satisfy the tax lien thereon or may charge the respective amount of such taxes back to the City. Historically, the County has elected to charge the Delinquent Real Property Taxes which have remained uncollected for over three years back to the City. Annual charge backs are negligible, if any.

Act 123 of the Public Acts of Michigan of 1999 shortens the amount of time property owners have to pay their delinquent taxes before losing their property. Property owners with taxes that are two years delinquent will be foreclosed on and the property will be sold at public auction. For example, property owners who fail to pay their 2001 delinquent property taxes will lose their property in March 2004.

The purchase by the County from the City of the Delinquent Real Property Taxes as set forth above may be dependent upon the sale by the County of delinquent tax notes for that purpose, and there can be no assurance that the County will issue such delinquent tax notes or purchase such Delinquent Real Property Taxes in any fiscal year. Delinquent Real Property Taxes for the City's fiscal years through and including June 30, 2000 have been purchased by the County from its delinquent tax payment fund. As a result of the County's purchase of Delinquent Real Property Taxes, the City's annual tax receipts have historically approached 100%.

Delinquent Real Property Taxes collected by the County in any fiscal year in which the County does not purchase from the City such Delinquent Real Property Taxes would be paid to the City as and when collected by the County on a monthly basis following such collection.

Personal property taxes uncollected as of the end of the fiscal year have historically accounted for less than 2% of the City's tax levy. Suit may be brought to collect personal property taxes, and personal property may be seized and sold to satisfy the claim for unpaid taxes thereon.

The following table reflects the actual property tax collections for the City's fiscal years ended on June 30, 1997 through 2001.

CITY OF GRAND RAPIDS PROPERTY TAX COLLECTIONS FISCAL YEARS ENDED JUNE 30, 1997 THROUGH 2001

<u>July 1 Levy</u>	<u>Fiscal Years Ended June 30</u>	<u>City Tax Levy (1)</u>	<u>Collections to March 1 Following Levy</u>	<u>Percent Collected</u>
1996	1997	\$22,676,851	\$21,420,375	94.5 %
1997	1998	23,369,731	22,067,106	94.4
1998	1999	26,075,981	24,834,129	95.2
1999	2000	27,003,274	25,719,737	95.2
2000	2001	27,571,850	26,212,291	95.1

(1) Excludes taxes on properties granted tax abatement under Acts 198 and 255. See "CITY TAXATION AND LIMITATIONS-Property Valuations" and "CITY TAXATION AND LIMITATIONS-Tax Abatement" herein.

Source: City of Grand Rapids

Pursuant to Act 197 of the Public Acts of Michigan of 1975, as amended, and Act 281 of the Public Acts of Michigan of 1986, as amended, the City has established authorities which capture tax increment pursuant to these acts. The City's general operating levies reflected in the preceding table and in its audited financial statements are net of such capture.

Profiles of the Ten Largest Taxpayers

The top ten taxpayers in the City, their principal product or service, and Total Taxable Value for the fiscal year ended June 30, 2001 are as follows:

**CITY OF GRAND RAPIDS
TEN LARGEST TAXPAYERS
FISCAL YEAR ENDED JUNE 30, 2001**

<u>Taxpayer</u>	<u>Principal Product or Service</u>	<u>Total Taxable Value(1)</u>	<u>Percent of Total(2)</u>
Steelcase, Inc.	Furniture Manufacturer	\$99,771,697	2.85%
Alticor, Incorporated	Hotel/Real Estate	52,566,906	1.50
Consumers Energy	Electric Company	38,667,014	1.10
Visser Brothers	Commercial Retail	32,552,517	0.93
MichCon	Gas Utility	29,125,368	0.83
New York Life Insurance Company	Real Estate	20,423,900	0.58
Old Kent Bank (3)	Bank/Office Building	17,810,877	0.51
Keebler Company	Bakery Products	16,431,415	0.47
Meijer, Inc.	Retailer	15,486,018	0.44
Waters Corporation	Real Estate	14,438,271	0.41
		\$337,273,983	9.62%

- (1) Includes the Taxable Value of property granted tax abatement under Act 198. See "CITY TAXATION AND LIMITATIONS-Tax Abatement" herein.
- (2) Based on \$3,504,541,026 which is the City's Total Taxable Value for the fiscal year ending June 30, 2001, which includes the Taxable Value of property granted tax abatement under Act 198. See "CITY TAXATION AND LIMITATIONS-Property Valuations" and "CITY TAXATION AND LIMITATIONS-Tax Abatement" herein.
- (3) Joined Fifth Third Bancorp in September 2001.

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 residence of the taxpayer and on all income of City residents. Income taxed includes corporation 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 1/2 of 1%. In 1995, the City's electorate authorized an increase in the income tax from 1% to 1.3% for residents and from 0.5% to 0.65% for non-residents effective January 1, 1996. Prior to the tax year beginning January 1, 2001, a \$750 dependency exemption was allowed on individual returns with other exemptions for alimony, Keogh and IRA plans, unreimbursed business expenses and disability income. The dependency exemption was increased to \$1,000 per dependent effective January 1, 2001. In 1995, the City's electorate also voted to amend the City Charter to annually dedicate an appropriation of not less than 32% of the City's general operating fund 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. Set forth below is a five-year history of income tax collections.

**CITY OF GRAND RAPIDS
INCOME TAX COLLECTIONS
FISCAL YEARS ENDED JUNE 30, 1997 THROUGH 2001**

Fiscal Years Ended June 30	Gross Tax Collections	Less Refunds	Net Income Tax Collections	% Increase or (Decrease) over Prior Year
1997	\$ 51,741,307	\$ 5,301,195	\$ 46,440,112	28.8%
1998	55,874,418	6,253,326	49,621,092	6.8
1999	59,238,129	6,347,914	52,890,215	6.6
2000 ⁽¹⁾	67,507,650	11,246,408	56,261,242	6.4
2001	63,484,006	7,899,878	55,584,128	(1.2)

(1) In the fiscal year ended June 30, 2000, the City converted income tax record keeping from cash basis to a modified accrual basis. This change created a one-time additional increase in income tax collections of 3.6% over the prior year.

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 Act"). The table appearing at the end of this section shows State revenue sharing distributions received by the City during the City's past five fiscal years.

The State's fiscal year begins October 1 of each year and ends September 30 of the following calendar year. Before the State's 1996-97 fiscal year, the State shared revenues received from personal income tax, intangibles tax, sales tax and single business tax collections with counties, cities, townships and villages. In 1996, the State legislature began reform of both the formula for distribution of State revenue sharing and the designated sources of revenue to be shared. At that time, the State expressly designated the revenues of the sales tax as the sole source for revenue sharing.

At the end of calendar year 1998, the Legislature again amended the Revenue Sharing Act to accomplish the following:

- To freeze payments to the City of Detroit for 8.5 years at \$333,900,000.
- To create a three-part formula for distribution to all other cities, villages and townships.
- To re-adjust the percent share of statutory distributions from 24.5% for counties and 75.5% to cities, villages and townships, to 25.06% for counties and 74.94% to cities, villages and townships.
- To limit the annual increase in distributions to any one city, village or township to 8% of the previous year's distribution.
- To provide for a 10 year phase-in of the new formulas, beginning in the State's fiscal year ending September 30, 1999.
- To create an artificial sunset of the statute by including language that revenue sharing after June 30, 2007 will be distributed "as provided by law".

The sales tax revenues come from a 6% State levy on retail sales (other than sales of items such as food and drugs). The State Constitution limits the rate of sales tax to 6%, and dedicates 100% of the revenue of sales tax imposed at a rate of 2% to the State School Aid Fund. The State Constitution further mandates that 15% of the total revenues collected from sales taxes levied at the remaining 4% be distributed to townships, cities and villages. The Revenue Sharing Act distributes an additional 21.3% of those revenues. The State's ability to make revenue sharing payments to the City in the amounts and at the times specified in the Revenue Sharing Act is subject to the State's overall financial condition and its ability to finance any temporary cash flow deficiencies.

Under the revised formula for distribution of revenue sharing moneys, the City will receive a payment based on a combination of three equally weighted components:

- Taxable Value per capita
- Unit type (i.e., city, village or township) and population
- Yield equalization (to protect all recipients of revenue sharing moneys against unequal Taxable Value per capita)

The City's receipts could therefore vary depending on the population of the City and the City's Taxable Value per capita compared to the population and Taxable Value per capita in the State as a whole.

In addition to payments of revenue sharing moneys, the State pays the City to support judges' salaries, as well as other miscellaneous state grants.

Revenue sharing payments and other monies paid to municipalities (other than the portion which is mandated by the State Constitution) are subject to annual appropriation by the State Legislature, and may be reduced or delayed by Executive Order during any fiscal year in which the Governor, with the approval of the Legislature's appropriation committees, determines that actual revenues will be less than the revenue estimates on which appropriations were based.

The following table sets forth the annual revenue sharing payments and other monies received by the City for the fiscal years ended June 30, 1997 through 2001.

**CITY OF GRAND RAPIDS
REVENUES FROM THE STATE OF MICHIGAN
FISCAL YEARS ENDED JUNE 30, 1997 THROUGH 2001**

	Fiscal Years Ended June 30				
	1997	1998	1999	2000	2001
Sales Tax	\$18,769,603	\$21,124,621	\$22,329,947	\$24,699,593	\$27,100,790
Income Tax	338,315	0	0	0	0
Single Business Tax	1,184,433	1,048,094	1,048,094	0	0
Judicial Salary Reimbursement	258,976	272,827	272,954	273,998	274,569
Grants and Other	579,780	728,239	479,794	423,259	405,019
Total Revenues	\$21,131,107	\$23,173,781	\$24,130,789	\$25,396,850	\$27,780,378

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 Cities 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 have been permitted by the Home Rule Cities 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 of Michigan or a court of competent jurisdiction, and obligations incurred for water supply, sewage, drainage, refuse disposal or resource recovery projects necessary to protect the public health by abating pollution.

Legal Debt Margin

Pursuant to the statutory and constitutional debt provisions set forth herein, the following table reflects the amount of additional debt the City may legally incur as of June 30, 2000.

Debt Limit (1).....		\$385,504,200
Debt Outstanding	\$430,175,543	
Less: Exempt Debt (2)	325,985,041	<u>104,190,502</u>
Legal Debt Margin		<u>\$281,313,698</u>

- (1) 10% of \$3,855,042,000 which is the City's Total SEV for the fiscal year ending June 30, 2001. Includes the SEV of property granted tax abatement under Act 198. See "CITY TAXATION AND LIMITATIONS – Property Valuations", "CITY TAXATION AND LIMITATIONS – Tax Abatement" herein.
- (2) See "CITY DEBT-Statutory and Constitutional Debt Provisions" herein.

Source: City of Grand Rapids.

Debt Statement

The following table reflects a breakdown of the City's direct and overlapping debt as of June 30, 2001. Direct debt which is shown as self-supporting is paid from sources other than the City's General Fund.

To the extent necessary, the City may levy taxes on all taxable property within its boundaries without limitation as to rate or amount to pay the principal of and interest due on the obligations in the following table which are designated as "Unlimited Tax". However, the City's ability to levy taxes to pay the debt service on the obligations, which are designated as "Limited Tax", is subject to applicable charter, statutory and constitutional limitations. See "CITY TAXATION AND LIMITATION" herein.

City Direct Debt	Gross	Self-Supporting	Net
Share of County Issued Bonds:			
Dated July 1, 2000 (Limited Tax)	\$ 3,750,000	\$ -	\$ 3,750,000
Dated October 1, 1997 (Limited Tax)	7,905,000	-	7,905,000
Dated July 1, 1995 (Limited Tax)	3,058,460	-	3,058,460
Dated December 1, 1993 (Limited Tax)	2,078,042	-	2,078,042
Subtotal	16,791,502	-	16,791,502
Share of Joint Building Authority Bonds:			
Dated July 6, 2000 (Limited Tax)	4,655,000	4,655,000	-
Dated December 1, 1993 (Limited Tax)	2,590,000	2,590,000	-
Subtotal	7,245,000	7,245,000	-
Building Authority Bonds:			
Dated November 2, 2000 (Limited Tax)	25,500,000	-	25,500,000
Dated July 1, 1999 (Limited Tax)	1,870,000	-	1,870,000
Dated September 1, 1998 (Limited Tax)	18,590,000	-	18,590,000
Dated August 1, 1997 (Limited Tax)	1,995,000	-	1,995,000
Dated March 1, 1996 (Limited Tax)	6,155,000	6,155,000	-
Dated August 1, 1993 (Limited Tax)	11,445,000	11,445,000	-
Subtotal	65,555,000	17,600,000	47,955,000
Downtown Development Authority Bonds:			
Dated November 15, 1994	50,715,720	50,715,720	-
Dated September 1, 1989 (Limited Tax)	1,600,000	1,600,000	-
Subtotal	52,315,720	52,315,720	-

City Direct Debt (continued)	Gross	Self-Supporting	Net
Sewer Revenue Bonds:			
Senior Lien			
Dated July 1, 1998	\$ 83,585,000	\$ 83,585,000	\$ -
Dated July 1, 1992	2,705,000	2,705,000	-
Junior Lien			
Dated September 28, 1995 (Limited Tax)	2,875,000	2,875,000	-
Dated June 29, 1995 (Limited Tax)	3,164,321	3,164,321	-
Dated September 29, 1994 (Limited Tax)	5,370,000	5,370,000	-
Dated June 28, 1994 (Limited Tax)	8,710,000	8,710,000	-
Dated September 30, 1993 (Limited Tax)	6,650,000	6,650,000	-
Dated June 29, 1993 (Limited Tax)	7,245,000	7,245,000	-
Dated September 24, 1992	1,180,000	1,180,000	-
Dated June 25, 1992	9,905,000	9,905,000	-
Dated December 20, 1991	850,000	850,000	-
Subtotal	132,239,321	132,239,321	-
Water Revenue Bonds:			
Dated November 1, 2000	88,930,000	88,930,000	-
Dated March 18, 1993	43,600,000	43,600,000	-
Subtotal	132,530,000	132,530,000	-
Michigan Transportation Fund Bonds:			
Dated December 1, 1999 (Limited Tax)	10,500,000	10,500,000	-
Subtotal	10,500,000	10,500,000	-
Installment Purchase Notes:			
Dated March 1, 2001 (Limited tax)	4,785,000	-	4,785,000
Dated March 1, 2000 (Limited tax)	2,300,000	-	2,300,000
Dated March 1, 1999 (Limited tax)	1,510,000	-	1,510,000
Dated February 1, 1998 (Limited tax)	1,280,000	-	1,280,000
Dated February 14, 1997 (Limited tax)	1,009,000	-	1,009,000
Dated December 1, 1995 (Limited tax)	2,115,000	-	2,115,000
Subtotal	12,999,000	-	12,999,000
Total City Direct Debt	\$ 430,175,543	\$ 352,430,041	\$77,745,502
Per Capita Net City Direct Debt (1).....			\$393.05
Percent of Net Direct Debt to SEV (2)			2.02%

Overlapping Debt (3)	Gross	City Share As Percent of Gross	Net
Kent County	\$ 89,185,000	24.62%	\$ 21,957,347
Grand Rapids Public Schools	21,240,000	100.00	21,240,000
Grand Rapids Community College	61,990,000	24.01	14,883,799
Kentwood Public Schools	50,770,000	11.85	6,016,245
Forest Hills Public Schools	196,886,000	1.13	2,224,812
Godwin Heights Public Schools	15,715,000	13.13	2,063,380
Caledonia Community Schools	104,099,000	0.13	135,329
Grandville Public Schools	55,310,000	0.21	116,151
Total Overlapping Debt	\$ 595,195,000		\$ 68,637,063
Total City Direct and Overlapping Debt.....	<u>\$1,025,370,543</u>		<u>\$146,382,565</u>

Debt Statement (continued)

City of Grand Rapids, Michigan

Continuing Disclosure Certificate as of June 30, 2001

Per Capita Net City Direct Debt (1).....	\$347.00
Percent of Net Direct Debt to SEV (2)	1.78%
Per Capita Net Overlapping Debt (1).....	\$740.05
Percent of Net Overlapping Debt to Total Assessed Valuation (2)	3.80%

(1) Based on the City's 2000 Census of 197,800.

(2) Based on \$3,855,042,000 which is the City's Total SEV based on value at December 31, 2000, including the SEV of property granted tax abatement under Act 198. See "CITY TAX AND LIMITATIONS-Property Valuations" and "CITY TAX AND LIMITATIONS-Tax Abatement" herein.

(3) Overlapping debt is the portion of another taxing unit's debt for which property taxpayers of the City are liable in addition to debt issued by the City.

Source: City of Grand Rapids.

Schedule of Bond Maturities

The following table sets forth the annual maturities of the City's bonded indebtedness by type of issue as of June 30, 2001.

Fiscal Year Ending June 30	Building Authority Bonds	Joint Building Authority Bonds	Downtown Development Authority Bonds	Sewer Revenue Bonds	Water Revenue Bonds	Michigan Transportation Fund Bonds	Installment Purchase Obligations	County Issued Bonds
2002	\$2,880,000	\$150,000	\$1,640,000	\$4,557,040	\$4,210,000	\$540,000	\$2,989,000	\$632,722
2003	3,065,000	575,000	1,830,000	4,701,888	5,040,000	565,000	3,188,000	669,915
2004	3,205,000	590,000	2,040,000	4,841,888	5,215,000	590,000	2,029,000	702,108
2005	2,910,000	630,000	2,260,000	4,981,812	5,505,000	620,000	1,730,000	748,423
2006	3,095,000	655,000	2,485,000	5,126,736	5,800,000	645,000	1,125,000	785,616
2007	3,295,000	690,000	2,740,000	5,256,660	6,085,000	680,000	1,170,000	826,933
2008	3,500,000	730,000	3,015,000	5,366,584	6,370,000	710,000	770,000	882,284
2009	3,715,000	770,000	1,215,300	5,521,433	6,700,000	750,000	-	937,634
2010	3,965,000	820,000	1,150,875	5,711,433	7,125,000	785,000	-	983,950
2011	3,030,000	880,000	1,104,281	5,881,357	7,485,000	830,000	-	1,048,336
2012	3,230,000	240,000	1,049,788	5,951,281	7,890,000	870,000	-	1,103,688
2013	3,450,000	250,000	998,969	6,071,129	8,410,000	920,000	-	1,177,196
2014	3,265,000	265,000	929,047	6,141,776	8,835,000	970,000	-	1,246,670
2015	3,495,000	-	921,247	4,605,094	9,385,000	1,025,000	-	1,097,444
2016	3,745,000	-	857,487	3,413,209	9,855,000	-	-	1,168,583
2017	4,070,000	-	789,572	3,405,000	10,425,000	-	-	925,000
2018	4,355,000	-	734,601	3,375,000	10,995,000	-	-	980,000
2019	2,395,000	-	3,294,554	3,565,000	3,500,000	-	-	275,000
2020	2,375,000	-	4,210,000	3,760,000	3,700,000	-	-	290,000
2021	2,515,000	-	4,500,000	3,910,000	-	-	-	310,000
2022	-	-	4,810,000	4,120,000	-	-	-	-
2023	-	-	5,140,000	4,730,000	-	-	-	-
2024	-	-	4,600,000	4,955,000	-	-	-	-
2025	-	-	-	5,190,000	-	-	-	-
2026	-	-	-	5,440,000	-	-	-	-
2027	-	-	-	5,695,000	-	-	-	-
2028	-	-	-	5,985,000	-	-	-	-
	<u>\$65,555,000</u>	<u>\$7,245,000</u>	<u>\$52,315,721</u>	<u>\$132,239,321</u>	<u>\$132,530,000</u>	<u>\$10,500,000</u>	<u>\$12,999,000</u>	<u>\$16,791,502</u>

Source: 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 for installment purchase obligations identified above under "CITY DEBT – Debt Statement" and 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.

Capital Lease

In 1998, the Kent County Building Authority sold \$65,650,000 of bonds to finance the construction of a new courthouse. The City entered into a 28 year capital lease with Kent County to utilize approximately 31.11% of the facility to house the 61st District Court and related City facilities.

Future Financing

The Grand Rapids Building Authority expects to issue \$30,000,000 to finance the acquisition and renovation of 137,000 square feet of office space for the purpose of sub-leasing same to the State of Michigan. The Grand Rapids Building Authority also expects to issue approximately \$3.5 million to finance, in part, the construction of the second phase of an archival research and storage facility.

Vacation and Sick Leave Benefits and Associated Liabilities

Employees of the City earn up to 25 days of paid vacation per year based on various years of service formulas. Unless an exception is granted by the City Manager or by way of a given labor contract, paid vacation must be used within 14 months from the time it is earned or it is forfeited. Terminated or retiring employees are paid for unused vacation days. Employees of the City also earn up to 1 day of paid sick leave per month. Employees are paid for up to 90 days of accumulated sick leave at termination or retirement provided they have worked a minimum of ten continuous years. The City accrues paid vacation and sick leave liabilities. As of June 30, 2001, accrued vacation and sick leave liabilities for the City's general fund totaled \$7,171,854.

Pension Plans

The City has two pension plans which cover substantially all City employees. The plans, known as the City of Grand Rapids General Pension System and the City of Grand Rapids Police and Fire Retirement System, are administered by local pension Boards, members of which are appointed by the Mayor and/or elected by members of the respective System. General Pension System employees contribute 3.18% (weighted average) of their wages to the pension fund and members of the Police and Fire Pension System contribute 6.92% (weighted average) of their wages to the pension fund. The City is required to make annual contributions to the General Pension System based on a percentage of covered wages. The Police and Fire Retirement System is fully funded and, therefore, the City is not required to make contributions at this time. The City's policy is to fund pension costs accrued. The actuary for the pension systems is Gabriel, Roeder, Smith and Company of Detroit, Michigan.

**CITY OF GRAND RAPIDS
GENERAL PENSION SYSTEM
FISCAL YEARS ENDED JUNE 30, 1997 THROUGH 2001**

Valuation Date June 30	Actuarial Accrued Liabilities	Available for Benefits	Assets as a Percent of Actuarial Accrued Liabilities
1997	\$ 217,750,801	\$ 220,859,041	101.4%
1998	231,946,020	243,994,040	105.2
1999	245,445,754	269,088,767	109.6
2000	257,094,254	286,055,331	111.3
2001	271,828,447	290,531,573	106.9

**CITY OF GRAND RAPIDS
POLICE AND FIRE PENSION SYSTEM
FISCAL YEARS ENDED JUNE 30, 1997 THROUGH 2001**

Valuation Date June 30	Actuarial Accrued Liabilities	Available for Benefits	Assets as a Percent of Actuarial Accrued Liabilities
1997	\$ 208,649,541	\$ 255,391,009	122.4%
1998	219,216,206	283,573,424	129.4
1999	226,814,077	302,315,206	133.2
2000	238,351,701	310,502,184	130.3
2001	247,620,718	305,328,814	123.3

Source: City of Grand Rapids

Labor Contracts

Approximately 94% of the City's 1,913 full and permanent part-time employees are currently represented by labor organizations. The following table illustrates the various labor organizations which represent City employees, the number of members and the expiration dates of the present contracts.

<u>Labor Organizations</u>	<u>2001 Estimated Membership</u>	<u>Contract Expiration Date</u>
Police Officers Labor Council (Officers & Sergeants Unit)	343	June 30, 2001*
Police Officers Labor Council (CST Unit)	12	June 30, 2001*
Police Officers Labor Council (ECO Unit)	27	December 31, 2001
Fraternal Order of Police, Lodge #97 (Command Officers)	24	June 30, 2001*
International Association of Firefighters	256	June 30, 2001*
Grand Rapids Employees Independent Union	774	December 31, 2001
Grand Rapids Employees Independent Union (61st District Court Affiliate)	62	December 31, 2001
Grand Rapids Employees Independent Union (Library Supervisor Affiliate)	13	December 31, 2002
Grand Rapids Employees Independent Union (Library Non-Supervisor Affiliate)	73	December 31, 2002
Grand Rapids Employees Independent Union (Museum Affiliate)	15	Initial Contract Under Negotiation
Association of Public Administrators	164	December 31, 2001
Association of Public Administrators (61st District Court Chapter)	26	December 31, 2001
Non-Union	<u>124</u>	N/A
Total FTE Authorized City Employees	<u>1,913</u>	

*In process of negotiation.

Source: City of Grand Rapids.

Profile of Major Employers

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

Company	Principal Product or Service	Approximate Number of Employees
Meijer, Inc	Retailer	12,000
Spectrum Health	Hospitals	12,000
Steelcase, Inc	Office equipment and furniture	8,866
Grand Rapids Public Schools	Education	5,500
Gordon Food Service	Wholesale food services	5,000
Alticor, Inc.	Home care, nutritional and houseware products	4,300
U.S. Postal Service	Postal service	3,600
Spartan Stores, Inc	Supermarkets and wholesale grocer	3,500
D & W Food Centers Inc	Supermarkets	2,500
General Motors Corporation	Automotive components	2,450
St. Mary's Health Services	Hospital	2,400
Siemens Dematic	Material handling systems	2,371
Fifth Third Bancorp	Banking / real estate	2,300
County of Kent	County government	2,000
Metropolitan Hospital	Hospital	2,000
Wolverine World Wide	Footwear	1,932
City of Grand Rapids	City government	1,913
Delphi Automotive Systems	Automotive components	1,726
Lacks Industries	Automotive components	1,673
Lear Corp	Automotive components	1,543
Bosch Kentwood	Automotive components	1,502
Burger King Restaurants	Restaurants	1,500
Foremost Insurance Corp	Specialty residential insurance	1,500
Metron Integrated Systems	Health care services	1,500
Forest Hills Public Schools	Education	1,450
Grand Valley State University	Education	1,383
Meridian Automotive Systems	Metal stampings	1,329
Hope Network	Health and welfare	1,325
Huntington National Bank	Banking / other financial services	1,300
Knoll Group	Office equipment and furniture	1,067
Benteler Automotive Corp.	Automotive components	1,017
Smiths Aerospace	Instruments and navigation systems	1,005
ADAC Plastics Inc	Injection molding	1,000
United Parcel Service	Parcel delivery	1,000

Source: The Right Place Program and Seidman Business Services, Grand Valley State University. Prepared October 2001.

Employment

Reflected below are the unadjusted yearly average unemployment statistics for the City and the State for the calendar year 1997 through 2000 and the year to date average for June 30, 2001.

City of Grand Rapids:	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001 (1)</u>
Employed	105,075	107,500	110,600	113,125	113,050
Unemployed	<u>5,000</u>	<u>4,625</u>	<u>5,100</u>	<u>5,150</u>	<u>7,150</u>
Labor Force	<u>110,075</u>	<u>112,125</u>	<u>115,700</u>	<u>118,275</u>	<u>120,200</u>
Unemployed as % of Labor Force	4.5%	4.1%	4.4%	4.4%	5.9%
State of Michigan:	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001 (1)</u>
Employed	4,775,900	4,835,000	4,893,900	5,016,000	4,964,000
Unemployed	<u>209,800</u>	<u>194,200</u>	<u>188,500</u>	<u>185,000</u>	<u>259,000</u>
Labor Force	<u>4,985,700</u>	<u>5,029,200</u>	<u>5,082,400</u>	<u>5,201,000</u>	<u>5,223,000</u>
Unemployed as % of Labor Force	4.2%	3.9%	3.7%	3.6%	5.0%

(1) Average through June 2001.

Source: Michigan Department of Career Development – Employment Service Agency

Estimated 2001 Retail Sales

The following table reflects the 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 2000.

	<u>City of Grand Rapids</u>		<u>State of Michigan</u>		<u>United States</u>	
	<u>Retail Sales *</u>	<u>% of Total</u>	<u>Retail Sales *</u>	<u>% of Total</u>	<u>Retail Sales *</u>	<u>% of Total</u>
Automotive	\$ 752,351	28.32 %	\$ 38,446,222	28.40 %	\$ 961,940,188	26.29 %
Food	149,902	5.64	14,390,078	10.63	493,963,089	13.50
General Merchandise	484,388	18.23	20,819,869	15.38	441,892,044	12.08
Restaurant	192,415	7.24	11,305,187	8.35	333,791,641	9.12
Furniture-Appliances	227,256	8.56	6,491,401	4.79	193,373,087	5.29
Other	850,069	32.01	43,937,319	32.45	1,233,788,573	33.72
Total	<u>\$ 2,656,381</u>	<u>100.00 %</u>	<u>\$135,390,076</u>	<u>100.00 %</u>	<u>\$ 3,658,748,622</u>	<u>100.00 %</u>

* Dollar amount in thousands

Source: Survey of Buying Power, "Sales and Marketing Management Magazine," September 2001.

2001 Estimated Effective Household Buying Income ("E.H.B.I.")

	<u>% of Households in E.H.B.I. Range</u>		
	<u>City of Grand Rapids</u>	<u>State of Michigan</u>	<u>United States</u>
Under \$19,999.....	24.3 %	24.6 %	24.3 %
20,000-34,999.....	20.5	19.5	20.7
35,000-49,999.....	17.1	16.8	16.8
50,000 and over.....	<u>38.1</u>	<u>39.1</u>	<u>38.2</u>
	<u>100.00 %</u>	<u>100.00 %</u>	<u>100.00 %</u>
Median Household Effective Buying Income	\$39,180	\$40,057	\$39,129
Average Household Effective Buying Income	45,601	48,185	49,252
Per Capita Effective Buying Income	16,721	18,091	18,426

Source: Survey of Buying Power, "Sales and Marketing Management Magazine," September 2001.

Building Permits

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

<u>Fiscal Year Ended June 30</u>	<u>Number of Permits Issued</u>	<u>Total Value</u>
1997	1,238	\$111,387,277
1998	1,201	159,691,297
1999	1,299	184,433,020
2000	1,401	238,701,142
2001	1,478	203,735,973

SANITARY SEWER SYSTEM

The following table sets forth the history of billings and collections for the System for the fiscal years ended June 30, 1997 through 2001.

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

<u>Fiscal Year Ended June 30</u>	<u>Total Billings</u>	<u>Paid 0-30 Days</u>	<u>Paid 31-90 Days</u>	<u>Paid Over 90 Days</u>	<u>Total Collected (1)</u>
1997	\$23,642,177	\$17,442,628	\$4,502,289	\$1,371,529	\$23,316,446
1998	24,918,645	18,661,569	4,493,175	1,432,272	24,587,086
1999	24,949,719	19,017,718	4,512,201	1,485,255	25,015,174
2000	25,197,868	18,297,325	4,650,628	1,313,926	24,261,879
2001	27,697,969	20,918,310	5,328,258	1,226,755	27,473,323

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

Source: City of Grand Rapids

10 Largest Retail Customers of the Sanitary Sewer System

The following table sets forth the ten largest retail customers of the system for the one-year period ended on June 30, 2001, their respective volumes of usage and the amounts billed.

**CITY OF GRAND RAPIDS
SANITARY SEWER SYSTEM
TEN LARGEST RETAIL CUSTOMERS**

<u>Customer</u>	<u>Annual Billings</u>	<u>Volume (In Gallons)</u>
Steelcase Inc.	\$454,892	193,297,412
Ogden Martin Systems	448,765	179,960,572
IBP Foods, Incorporated	286,459	115,823,312
Spectrum Health	271,936	105,301,196
Keeler Brass Company	245,744	99,414,436
Kent County Zoo	209,750	83,244,920
Paulstra CRC Corporation	169,636	68,444,244
St. Mary's Hospital	149,100	57,581,788
Calvin College	144,235	54,977,252
Amway Grand Plaza	132,701	51,121,312

Source: City of Grand Rapids.

Sanitary Sewer System Revenue Requirements and Results of Operations

The rate setting methodology when applied in the annual rate studies for the years 1996 through 2000 has yielded the revenue requirements and percentage rate increases/(decreases) set forth in the table below for the calendar years commencing January 1, 1998 through January 1, 2002.

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

Rate Study Year Date Effective	1997 1/1/98	1998 1/1/99	1999 1/1/00	2000 1/1/01	2001 1/1/02
Operation & Maintenance	\$15,823,755	\$14,841,300	\$18,847,325	\$19,393,536	\$18,858,667
Depreciation	1,213,186	1,227,520	1,747,857	2,052,672	1,938,966
Return on Investment	3,373,719	3,128,131	3,165,282	3,847,958	3,558,939
Less Revenue Credits	(104,495)	(176,410)	(248,543)	(196,394)	(222,282)
CSO Project Debt Service	7,130,253	6,845,612	6,872,714	7,224,965	7,223,174
Integrated Connection Fee Credit	-	-	-	(158,326)	(529,512)
Total Revenue Requirements	<u>\$27,436,418</u>	<u>\$25,866,153</u>	<u>\$30,384,635</u>	<u>\$32,164,411</u>	<u>\$30,827,952</u>
Percentage Gross Rate Increases (Decreases)					
Necessary to Meet Total Revenue Requirement ⁽¹⁾	3.29%	(9.07)%	19.83%	2.46%	(1.20)%

⁽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.

The rate increases (decreases) under the rate setting methodology have produced the results of operations from the System for the fiscal years ended June 30, 1997 through 2001 as are set forth in the table below.

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

Fiscal Years Ended June 30,

	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>
REVENUES					
Service Charges - Retail	\$23,677,671	\$25,537,656	\$24,409,248	\$25,756,902	\$28,049,577
Service Charges - Wholesale	2,166,508	2,309,058	2,005,012	2,436,746	2,545,978
Sewer Service Surcharge	515,694	480,670	342,361	698,337	498,611
Connection Fees	-	-	-	158,326	529,512
Industrial Pretreatment Permit Fee	57,304	98,590	91,246	84,181	78,170
Interest on Investments	1,138,925	1,571,060	1,359,856	1,133,216	1,486,167
Miscellaneous	178,789	244,150	790,190	229,357	203,961
Total Gross Revenues	<u>27,734,891</u>	<u>30,241,184</u>	<u>28,997,913</u>	<u>30,497,065</u>	<u>33,391,976</u>
OPERATING EXPENSES					
Wastewater Treatment	8,759,532	9,280,270	12,395,376	10,115,967	11,150,290
Sanitary Sewer Repair & Maintenance	3,278,477	2,297,140	3,837,396	3,700,078	3,402,982
Customer Services	1,513,558	1,294,509	1,464,236	1,515,738	1,661,707
Administration	1,352,504	1,800,556	1,615,776	1,561,690	1,513,955
Industrial Pretreatment	415,687	435,962	387,207	383,895	411,885
Depreciation	5,926,613	6,634,772	7,070,408	7,130,252	7,307,845
Total Gross Expenses	<u>21,246,371</u>	<u>21,743,209</u>	<u>26,770,399</u>	<u>24,407,620</u>	<u>25,448,664</u>
Additions-Depreciation	<u>5,926,613</u>	<u>6,634,772</u>	<u>7,070,408</u>	<u>7,130,252</u>	<u>7,307,845</u>
NET EARNINGS	<u>\$12,415,133</u>	<u>\$15,132,747</u>	<u>\$9,297,922</u>	<u>\$13,219,697</u>	<u>\$15,251,157</u>

Source: City of Grand Rapids.

Net Earnings and Bond Coverage

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

Net Earnings of the System are stated in the section entitled "Sanitary Sewer System Revenue Requirements and Results of Operations." The table below sets forth the Debt Service and the Coverage Ratio based on the Net Earnings of the System for the fiscal years ended June 30, 1997 through 2001. The Coverage Ratio has been determined by dividing the Net Earnings for each fiscal year by the total annual principal and interest payments for each fiscal year.

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

	Fiscal Years Ended June 30,				
	1997	1998	1999	2000	2001
Net Earnings of the System	\$12,415,133	\$15,132,747	\$9,297,922	\$13,219,697	\$ 15,251,157
Total Net Senior Debt Service	\$5,154,442	\$4,903,652	\$5,826,093	\$5,892,168	\$5,890,258
Coverage-Senior Debt	2.41	3.09	1.60	2.24	2.59
Debt Service on Subordinated (SRF) Bonds	\$3,987,881	\$4,004,484	\$3,991,900	\$3,991,938	\$3,988,870
Coverage Ratio-All Debt	1.36	1.70	0.95	1.34	1.54
Total Available After Debt Service	\$3,272,810	\$6,224,611	\$(520,071)	\$3,335,591	\$5,372,029

Source: City of Grand Rapids.

WATER SUPPLY SYSTEM

Annual Sales

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

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

Fiscal Year Ended <u>June 30</u>	Total Sales in <u>Billion Gallons</u>	Total Pumpage in <u>Billion Gallons</u>	Total Annual Billings <u>in Millions of Dollars</u>
1997	12.820	15.080	\$33.649
1998	12.944	14.950	34.204
1999	13.578	15.687	32.203
2000	13.594	14.972	31.880
2001	12.782	14.641	31.958

Source: City of Grand Rapids.

The following table summarizes the historical daily volume sales.

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

	Fiscal Years Ended June 30				
	1997	1998	1999	2000	2001
Average Day Pumpage	41.31	40.96	42.98	40.91	40.11
Maximum Day Pumpage	73.68	83.00	83.17	74.02	75.60

Source: City of Grand Rapids

The following table sets forth the history of billings and collections for the System for the Fiscal Years ended June 30, 1997 through June 30, 2001.

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

<u>Fiscal Year Ended June 30</u>	<u>Total Billed</u>	<u>Paid 0-30 Days</u>	<u>Paid 31-90 Days</u>	<u>Paid Over 90 Days</u>	<u>Total Collected⁽¹⁾</u>
1997	\$30,996,924	\$23,116,307	\$6,683,676	\$2,314,748	\$32,114,731
1998	31,777,542	23,982,323	6,477,443	2,419,501	32,879,267
1999	29,965,481	23,597,877	6,346,747	2,382,715	32,327,339
2000	29,616,598	22,193,929	6,372,975	2,150,768	30,717,672
2001	29,358,077	22,424,623	6,538,605	1,906,371	30,869,599

(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 System for the one year period ended on June 30, 2001 and their respective volume of usage and the amounts billed.

**CITY OF GRAND RAPIDS
WATER SUPPLY SYSTEM
TEN LARGEST RETAIL CUSTOMERS BY BILLINGS
FISCAL YEAR ENDED JUNE 30, 2001**

<u>Customer</u>	<u>Annual Billings</u>	<u>Volume In Gallons</u>
Steelcase, Inc.	\$362,308	201,717,648
Ogden Martin Systems	332,240	210,873,168
IBP Foods, Inc.	315,434	206,399,380
Spectrum Health	253,745	149,811,684
Keeler Brass Co.	171,882	99,414,436
Lacks Industries	144,476	71,994,252
Kent County Zoo	135,525	84,355,700
Grand Rapids Public Schools	128,934	42,048,820
City of Grand Rapids / Parks Dept.	128,505	64,607,752
Coca-Cola Bottling Co.	111,564	69,239,368

Source: City of Grand Rapids

Rate Setting Methodology

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

To remedy this and to establish a procedure for implementing annual rate adjustments, the City, in consultation with the customer communities with which it had retail and wholesale water service agreements, adopted a method of adjusting rates annually. The first such annual rate study took eighteen months to complete and resulted in new rates effective January 1, 1978. Agreements with each of the retail and wholesale governmental customer communities serviced by the System were amended in 1978 to incorporate the current rate setting methodology and establish the annual revenue requirement. In 1998, the new Contacts further amended the rate setting methodology. The City has conducted annual rate studies each year since 1978 and has adjusted rates accordingly.

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

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

Rate Study Year Date Effective	1997 1/1/98	1998 1/1/99	1999 1/1/00	2000 1/1/01	2001 1/1/02
Operation & Maintenance	\$18,505,143	\$16,644,851	\$19,214,978	\$19,910,718	\$21,007,304
Depreciation	5,084,910	5,215,341	5,218,828	5,137,431	5,267,984
Return on Investment	11,525,455	11,693,352	11,728,453	12,014,791	10,950,031
Less: Revenue Credits	(1,166,251)	(1,206,804)	(1,156,421)	(1,137,158)	(1,296,660)
Less: Integrated Connection Fee Credit ⁽¹⁾	(1,508,932)	(2,141,564)	(1,845,820)	(1,723,393)	(1,688,655)
Total Revenue Requirements	<u>\$32,440,325</u>	<u>\$30,205,176</u>	<u>\$33,160,018</u>	<u>\$34,202,389</u>	<u>\$34,240,004</u>
Gross Rate Increases/(Decreases) Necessary to Meet Total Revenue Requirements ⁽²⁾	(8.07%)	(8.19%)	5.46%	2.40%	3.74%

(1) The collection of integrated connection fees which is to be applied as a credit to the rate base.

(2) The percentage increase/(decrease) shown in each year accounts for actual results and changes in volume from the previous year. The amounts shown do not equal the annual growth in Total Revenue Requirements.

Source: City of Grand Rapids

Connection Fees

On June 27, 2000, the Grand Rapids City Commission enacted Ordinance No. 2000-31 establishing a schedule of integrated connection base fee increases for initial connection to the System. These integrated connection fees apply to all users of the System except users in Cascade Charter Township and Ottawa County. The estimated receipts from these fees are shown in the table "THE WATER SUPPLY SYSTEM – Statement of Operations".

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

Effective on and After

<u>Water Meter Size</u>	<u>01/01/00</u>	<u>01/01/01</u>	<u>01/01/02</u>	<u>01/01/03</u>	<u>01/01/04</u>
¾" or less	\$1,800	\$1,900	\$2,000	\$2,100	\$2,200
1"	3,000	3,150	3,350	3,500	3,650
1-1/2"	6,000	6,300	6,650	7,000	7,350
2"	9,600	10,150	10,650	11,200	11,750
3"	21,000	22,150	23,350	24,500	25,650
4"	37,800	39,900	42,000	44,100	46,200
6" & over	84,000	88,650	93,350	98,000	102,650

Source: City of Grand Rapids.

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

Results of Operations

The rate increases and decreases under the rate setting methodology have produced the results of operations from the System for the Fiscal Years ended June 30, 1997 through June 30, 2001 as are set forth in the table below.

CITY OF GRAND RAPIDS WATER SUPPLY SYSTEM STATEMENT OF OPERATIONS

	Year Ended June 30				
	1997	1998	1999	2000	2001
REVENUES					
Metered Sales (1)	\$33,649,168	\$34,204,402	\$32,202,839	\$31,880,159	\$31,957,536
Integrated Connection Fees	1,508,932	2,141,564	1,845,820	1,723,393	1,688,655
Billing Services for Sewage Disposal	1,513,558	1,294,509	1,464,236	1,515,738	1,661,707
Other Operating Revenues (2)	970,490	1,002,855	951,293	961,669	1,435,417
Interest on Investments	1,257,898	1,719,482	1,720,141	1,801,772	2,113,104
Miscellaneous	374,767	410,366	480,781	510,404	283,957
Total Revenues	<u>39,274,813</u>	<u>40,773,178</u>	<u>38,665,110</u>	<u>38,393,135</u>	<u>39,140,376</u>
OPERATING EXPENSES					
Operations and Maintenance (3)	19,852,918	18,107,362	19,838,738	20,319,249	22,222,427
Depreciation	<u>5,606,549</u>	<u>5,690,116</u>	<u>5,760,325</u>	<u>5,893,737</u>	<u>6,090,775</u>
Total Expenses	<u>25,459,467</u>	<u>23,797,478</u>	<u>25,599,063</u>	<u>26,212,986</u>	<u>28,313,202</u>
ADDITIONS-DEPRECIATION (4)	<u>5,606,549</u>	<u>5,690,116</u>	<u>5,760,325</u>	<u>5,893,737</u>	<u>6,090,775</u>
NET EARNINGS	<u>\$19,421,895</u>	<u>\$22,665,816</u>	<u>\$18,826,372</u>	<u>\$18,073,886</u>	<u>\$16,917,949</u>

- (1) Includes Retail and Wholesale.
- (2) Includes public fire protection, merchandise jobbing, and penalties.
- (3) Includes wages and benefits, supplies, utilities, contractual services, etc.
- (4) Pursuant to bond ordinance definition of net earnings.

Source: City of Grand Rapids.

NET EARNINGS AND BOND COVERAGE

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

The table below sets forth the Debt Service and Coverage Ratio based upon the Net Earnings of the System for the fiscal years ended June 30, 1997 through June 30, 2001. The Coverage Ratio has been determined by dividing the Net Earnings for each fiscal year by the total annual principal and interest payments of Outstanding Bonds for each Fiscal Year.

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

	Fiscal Years Ended June 30,				
	1997	1998	1999	2000	2001
Net Earnings of the System	\$19,421,895	\$22,665,816	\$18,826,372	\$18,073,886	\$16,917,949
Debt Service ⁽¹⁾					
Series 1990 Bonds	944,090	942,165	946,064	-	-
Series 1991 Bonds	8,601,578	8,597,214	8,593,864	8,593,089	2,854,045
Series 1993 Bonds	2,617,169	2,606,543	2,595,917	3,585,290	3,548,241
Series 2000 Bonds	-	-	-	-	213,325
Total Debt Service	<u>12,162,837</u>	<u>12,145,922</u>	<u>12,135,845</u>	<u>12,178,379</u>	<u>6,615,611</u>
Coverage Ratio	<u>1.60</u>	<u>1.87</u>	<u>1.55</u>	<u>1.48</u>	<u>2.56</u>
Total Available After Debt Service	<u>\$7,259,058</u>	<u>\$10,519,894</u>	<u>\$6,690,527</u>	<u>\$5,895,507</u>	<u>\$10,302,338</u>

(1) Payments on debt service are recorded in the Fiscal Year when paid.

Source: City of Grand Rapids