City of Grand Island

Tuesday, August 13, 2013

Council Session

Item I-1

#2013-270 - Consideration of Authorizing 2013 Sewer System Revenue and Refunding Bonds and Redemption of Series 2003

Staff Contact: Jaye Monter

Council Agenda Memo

From: Jaye Monter, Finance Director

Meeting: August 13, 2013

Subject: Consideration of Authorizing Series 2013 Sewer System Revenue and Refunding Bonds and Approving Redemption of Series 2003 Sewer System Revenue and Refunding Bonds

Item #'s: F-1 & I-1

Presenter(s): Bruce Leftler, Ameritas Investment Corp.

Background

On May 14, 2013, Council approved Resolution 2013-150 authorizing the declaration of intent to issue bonds for expenses resulting from sanitary sewer collection system and wastewater treatment plant improvements.

Discussion

Series 2013 Sewer System Revenue and Refunding Bonds will replace the Series 2003 Sewer System Revenue and Refunding Bonds, Date of Original Issue-June 25, 2003 issued pursuant to Ordinance No. 8811 of the City, presently outstanding in the aggregate principal amount of $1,420,000 and are subject to redemption at any time on or after April 1, 2011, at the principal amount thereof plus accrued interest to date fixed for redemption. The 2003 Sewer System Revenue and Refunding Bonds were authorized and issued for the purpose of refunding the City's Sewer System Revenue Bonds, Series 1994.

The Series 2013 Sewer System Revenue and Refunding Bonds will be issued in the principal amount not to exceed $40,000,000 and will help fund a portion of the capital projects listed below under construction or under design with estimated construction start dates.

Project Name	Start Date	Completion Date	Estimated Total Cost	Council Resolution	Resolution Approval Date
South and West Interceptor Rehabilitation	03/25/2013	Complete 05/31/2013	$ 1,054,045	2012 - 330	11-13-2012
4th and 5th Eddy to Vine Rehabilitation	03/20/2013	Estimate 08/15/2013	$ 2,046,779	2012 - 360	12-18-2012
Headworks	Estimate 06/15/2013	Estimate 06/15/2015	$21,728,264	2013 - 146	05-14-2013
North Interceptor Phase I	Estimate 06/12/2013	Estimate 06/26/2014	$11,811,659	2013 - 147	05-14-2013
North Interceptor Phase II	Estimate 11/11/2013	Estimate 02/29/2016	$19,905,000	Future Date	Future Date
	Total		$56,545,747		

Alternatives

Council has the following alternatives concerning the issue at hand. The Council may:

1. Move to approve
2. Refer the issue to a Committee
3. Postpone the issue to future date
4. Take no action on the issue

Recommendation

City Administration recommends that the Council approve the Redemption of Series 2003 Sewer System Revenue and Refunding Bonds and the issuance of Series 2013 Sewer System Revenue and Refunding Bonds in the principal amount not to exceed $40,000,000.

Sample Motion

Move to approve the Redemption of Series 2003 Sewer System Revenue and Refunding Bonds and the issuance of Series 2013 Sewer System Revenue and Refunding Bonds in the principal amount not to exceed $40,000,000.

RESOLUTION #2013-270

BE IT RESOLVED BY THE MAYOR AND COUNCIL OF THE CITY OF GRAND ISLAND, IN THE STATE OF NEBRASKA:

Section 1. That the following bonds of the City of Grand Island, in the State of Nebraska (the "City"), which are presently subject to optional redemption at any time, are hereby authorized to be irrevocably called for redemption on a date to be determined in a Direction for Call (as defined below):

Sewer System Revenue and Refunding Bonds, Series 2003, Date of Original Issue – June 25, 2003, issued pursuant to Ordinance No. 8811 of the City, presently outstanding in the aggregate principal amount of $1,420,000 (the "Refunded Bonds"), numbered as shown on the books of the Paying Agent and Registrar, becoming due and bearing interest as follows:

Principal Amount	Maturing April 1 of Year	Interest Rate
$1,420,000	2014	3.450%

The Refunded Bonds are subject to redemption at any time on or after April 1, 2011, at the principal amount thereof plus accrued interest to date fixed for redemption, and said interest is payable semiannually. The Refunded Bonds were authorized by ordinance duly passed and adopted by the Mayor and Council of the City and were issued for the purpose of refunding the City's Sewer System Revenue Bonds, Series 1994.

Section 2. The Refunded Bonds are to be paid off at the principal corporate trust office of Wells Fargo Bank, National Association, (the "Paying Agent") as paying agent and registrar.

Section 3. The Mayor or the City Treasurer (each, an "Authorized Officer") are each individually hereby authorized at any time on or after the date of this resolution to direct the irrevocable call of the Refunded Bonds and to determine the redemption date on behalf of the City and such direction, when made in writing (the "Direction for Call"), shall constitute the action of the City without further action of the Mayor and Council of the City. The Direction for Call shall include a description of that portion of the Refunded Bonds called for redemption as determined appropriate by the Authorized Officers. Such direction shall be made by an Authorized Officer not later than December 31, 2013, after which date the Authorized Officers shall have no authority to make any such determination hereunder without further action of the Council of the City and this resolution shall be of no further force and effect.

Section 4. An executed Direction for Call shall be filed with Paying Agent, which delivery is necessary in order for the call of the Refunded Bonds to be effective hereunder. The Paying Agent shall be directed in the Direction for Call to mail notice to all registered owners of the Refunded Bonds to be redeemed not less than thirty days prior to the date fixed for redemption in accordance with resolution authorizing the issuance of the Refunded Bonds and to take all other actions deemed necessary in connection therewith.

ADOPTED this 13th day of August, 2013.

_____ _____

Clerk Mayor

New Issue--Book-Entry Only **Rating: Standard & Poor's: ___**

Preliminary Official Statement Dated _____, 2013

*In the opinion of Gilmore & Bell, P.C., Bond Counsel, under existing law and assuming continued compliance with certain requirements of the Internal Revenue Code of 1986, as amended (the "Code"), (1) the interest on the 2013 Bonds (including any original issue discount properly allocable to an owner thereof) is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, (2) the interest on the 2013 Bonds is exempt from Nebraska income taxation by the State of Nebraska and (3) the 2013 Bonds have not been designated as "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Code. See "**TAX MATTERS**" in this Official Statement.*

$36,840,000*
CITY OF GRAND ISLAND, NEBRASKA
SEWER SYSTEM REVENUE AND REFUNDING BONDS
SERIES 2013

Dated: Date of Delivery Due: September 15, as shown below

The Sewer System Revenue and Refunding Bonds, Series 2013 (the "2013 Bonds") are issuable as fully registered bonds and, when initially issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the 2013 Bonds. Purchases of the 2013 Bonds will be made in book-entry only form, in the principal amount of $5,000 or any integral multiple thereof, through brokers and dealers who are, or who act through, DTC participants. Beneficial owners of the 2013 Bonds will not receive physical delivery of bond certificates so long as DTC or a successor securities depository acts as the securities depository with respect to the 2013 Bonds. Interest is payable on March 15 and September 15 of each year, commencing March 15, 2014. So long as DTC or its nominee is the registered owner of the 2013 Bonds, payments of the principal or redemption price of and interest on the 2013 Bonds will be made directly to DTC. Disbursement of such payments to DTC participants is the responsibility of DTC and disbursement of such payments to the beneficial owners is the responsibility of DTC participants. See "THE 2013 BONDS --Global Book-Entry Bonds." Wells Fargo Bank, National Association, of Minneapolis, Minnesota, will act as Paying Agent and Registrar for the 2013 Bonds. For terms relating to payments made to DTC or its nominee or in the event that the use of book-entry form is discontinued, see "THE 2013 BONDS."

The 2013 Bonds are subject to optional redemption prior to maturity at any time on or after the fifth anniversary of the date of delivery thereof, as described herein.

MATURITY SCHEDULE*

Maturity on September 15	Principal Amount	Interest Rate	Price	Maturity on September 15	Principal Amount	Interest Rate	Price
2014	$1,065,000	%	%	2022	$1,210,000	%	%
2015	1,065,000			2023	1,245,000		
2016	1,070,000			2024	1,285,000		
2017	1,085,000			2025	1,325,000		
2018	1,100,000			2026	1,375,000		
2019	1,125,000			2027	1,425,000		
2020	1,145,000			2028	1,475,000		
2021	1,175,000						

$8,335,000, % Term Bonds due September 15, 2033, Price – %
$10,335,000, % Term Bonds due September 15, 2038, Price – %

The proceeds of the 2013 Bonds shall be used to (a) refund the City's Sewer System Revenue and Refunding Bonds, Series 2003, dated June 25, 2003 (the "2003 Bonds"), presently outstanding in the aggregate principal amount of $1,420,000, (b) construct extensions, enlargements, improvements and betterments to the City's Sewer System including, without limitation, the 2013 Project (as described herein), (c) pay certain costs of issuance of the 2013 Bonds and (d) fund a portion of the debt service reserve sub-account for the 2013 Bonds. The 2013 Bonds are payable solely from the net revenues and earnings derived and to be derived from the ownership and operation of the City's Sewer System.

This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

The 2013 Bonds are offered in book-entry form, when, as and if issued and received by the Underwriter and subject to the approval of legality by Gilmore & Bell, P.C., Omaha, Nebraska, as the City's Bond Counsel, and certain other conditions. It is expected that the 2013 Bonds will be available for delivery through The Depository Trust Company, in New York, New York, on or about September __, 2013.

AMERITAS INVESTMENT CORP.

*Preliminary, subject to change

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or a solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

No dealer, broker, salesman or other person has been authorized by the City of Grand Island or the Underwriter to give any information or to make any representations with respect to the 2013 Bonds other than the information and representations contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the 2013 Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been furnished by the City and such information is not guaranteed as to accuracy or completeness, and is not to be construed as a representation, by the Underwriter. The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with, and as a part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guaranty the accuracy or the completeness of such information. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City or with respect to the Sewer System since the date hereof.

IN CONNECTION WITH THE OFFERING OF THE 2013 BONDS, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF SUCH BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

FORWARD-LOOKING STATEMENTS

This Official Statement contains "forward-looking statements." These forward-looking statements include statements about the City's future plans and strategies, and other statements that are not historical in nature. These forward-looking statements are based on the current expectations of management of the City. When used in this Official Statement, the words "plan," "expect," "estimate," "budget," "intend," "anticipate," "should," "will," and similar expressions are intended to identify forward-looking statements. Forward-looking statements involve future risks and uncertainties that could cause actual results and experience to differ materially from the anticipated results or other expectations expressed in forward-looking statements. These future risks and uncertainties include those discussed in the "BONDHOLDERS' RISKS" section of this Official Statement. The City undertakes no obligation to update any forward-looking statements contained in this Official Statement to reflect future events or developments.

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OFFICIAL STATEMENT

RELATING TO

$36,840,000*
CITY OF GRAND ISLAND, NEBRASKA
SEWER SYSTEM REVENUE AND REFUNDING BONDS
SERIES 2013

INTRODUCTION

The purpose of this Official Statement, which includes the cover page, and appendix hereto, is to set forth information concerning the City of Grand Island, Nebraska ("Grand Island," the "City" or the "Issuer"), the City's sanitary sewer system (the "Sewer System") and the City's $36,840,000* of Sewer System Revenue and Refunding Bonds, Series 2013 (the "2013 Bonds" or the "Bonds") referred to herein. The proceeds of the 2013 Bonds will be used to (a) refund the City's Sewer System Revenue and Refunding Bonds, Series 2003, dated June 25, 2003 (the "2003 Bonds"), presently outstanding in the aggregate principal amount of $1,420,000, (b) construct extensions, enlargements, improvements and betterments to the City's Sewer System including, without limitation, the 2013 Project (as described herein), (c) pay certain costs of issuance of the 2013 Bonds and (d) fund a portion of the debt service reserve sub-account for the 2013 Bonds.

The 2013 Bonds are being issued pursuant to the laws of the State of Nebraska and an Ordinance of the City designated Ordinance No. _____, adopted August 13, 2013 (the "2013 Ordinance"). The 2013 Bonds and any additional sewer revenue bonds which may be hereafter issued pursuant to the 2013 Ordinance ("Additional Bonds") are herein sometimes collectively referred to as the "Bonds." The 2013 Ordinance, as amended or supplemented from time to time, is sometimes referred to herein as the "Ordinance."

All 2013 Bonds will be payable (except to the extent payable from bond proceeds) solely from and secured by a pledge of and a lien on the revenues of the City's Sewer System (the "Revenues"), subject to the prior payment of the operation and maintenance expenses of the Sewer System.

Definitions of certain capitalized terms used in this Official Statement can be found under the caption "SUMMARY OF CERTAIN PROVISIONS OF THE ORDINANCE--Definitions" herein.

Sources of Certain Information

There follow in this Official Statement brief descriptions of the 2013 Bonds, the City, the Sewer System and certain provisions of the Ordinance. All descriptions of documents herein are only summaries and are qualified in their entirety by reference to each such document. During the offering period, copies of such documents may be obtained from the City or from Ameritas Investment Corp. Information in this Official Statement concerning the City and the Sewer System has been prepared by the City.

PURPOSE OF ISSUE AND APPLICATION OF PROCEEDS

The proceeds of the 2013 Bonds will be used to (a) refund the City's Sewer System Revenue and Refunding Bonds, Series 2003, dated June 25, 2003, presently outstanding in the aggregate principal amount of $1,420,000, (b) construct extensions, enlargements, improvements and betterments to the City's Sewer System including, without limitation, the 2013 Project (as described herein), (c) pay certain costs of issuance of the 2013 Bonds and (d) fund a portion of the debt service reserve sub-account for the 2013 Bonds. Accumulated Revenues from the Sewer System will be used to pay the remaining costs of the 2013 Project.

*Preliminary, subject to change

AUTHORITY

The 2013 Bonds are being issued in compliance with Sections 10-142 and 18-1803 to 18-1805, R.R.S. Neb. 2012, as amended. The issuance of the 2013 Bonds has been authorized by the Ordinance, legally passed, approved and published by the Mayor and Council of said City.

THE 2013 BONDS

The 2013 Bonds will be issued in the aggregate principal amount of $36,840,000*, will bear date of delivery, will bear interest (computed on the basis of a year of 360 days consisting of twelve thirty-day months) at specified rates, payable on March 15 and September 15 of each year (each, an "Interest Payment Date"), commencing March 15, 2014, and will mature on the dates, all as set forth on the cover page of this Official Statement. The 2013 Bonds are issuable only in fully registered form in the denomination of $5,000 or any integral multiple thereof. Initially, the 2013 Bonds will be registered in the name of Cede & Co. and will be made available to beneficial owners in book-entry only form, as described below.

General

The principal of and interest on the 2013 Bonds due at maturity or upon redemption prior to maturity are payable at the designated corporate trust office of Wells Fargo Bank, National Association, the Paying Agent and Registrar, in Minneapolis, Minnesota, or at any successor paying agent and registrar appointed by the City as provided in the Ordinance (the "Paying Agent and Registrar," or the "Paying Agent"), upon presentation and surrender thereof. Interest on the 2013 Bonds due prior to maturity or earlier date of redemption will be paid to the registered owners thereof as of the close of business on the fifteenth day immediately preceding each Interest Payment Date (the "Record Date") and will be paid by check or draft drawn on the Paying Agent and Registrar, or on any successor paying agent and registrar appointed by the City, and mailed on each Interest Payment Date to the registered owners thereof at the addresses shown on the registration books maintained by the Paying Agent and Registrar notwithstanding the cancellation of any such 2013 Bond upon any exchange or transfer thereof subsequent to the Record Date and prior to such Interest Payment Date. The principal of and interest on the 2013 Bonds will be paid in lawful money of the United States of America. Such procedures and methods for payment will apply in the event that provisions for global book-entry bonds as described below cease to be in effect and will apply to the holding and transfer of bonds by DTC subject to certain modifications provided for in a Letter of Representations between the City, the Paying Agent and Registrar and DTC.

Global Book-Entry Bonds

The 2013 Bonds will be available to the ultimate purchasers in global book-entry form only, in the principal amount of $5,000 or integral multiples thereof. Purchasers of the 2013 Bonds will not receive certificates representing their interests in the 2013 Bonds purchased, except as described below.

The following description of the procedures and record-keeping with respect to beneficial ownership interests in the 2013 Bonds, payment of interest and other payments on the 2013 Bonds to Participants (as hereinafter defined) or Beneficial Owners (as hereinafter defined) of the 2013 Bonds, confirmation and transfer of beneficial ownership interests in the 2013 Bonds and other related transactions by and between DTC, Participants and Beneficial Owners of the 2013 Bonds, is based solely on information furnished by DTC to the City for inclusion in this Official Statement. Accordingly, the City and the Registrar do not make any representations concerning these matters, and the Beneficial Owners of the 2013 Bonds should not rely on the following information with respect to such matters, but should instead confirm the same with the Participants from whom they purchased the 2013 Bonds.

*Preliminary, subject to change

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the 2013 Bonds. The 2013 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each separate maturity of the 2013 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participant's accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and at www.dtc.org.

Purchases of the 2013 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2013 Bonds on DTC's records. The ownership interest of each actual purchaser of the 2013 Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 2013 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in 2013 Bonds, except in the event that use of the book-entry system for the 2013 Bonds is discontinued.

To facilitate subsequent transfers, all 2013 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2013 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2013 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of 2013 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2013 Bonds, such as redemptions,

tenders, defaults, and proposed amendments to the documents relating to the 2013 Bonds. For example, Beneficial Owners of 2013 Bonds may wish to ascertain that the nominee holding the 2013 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the 2013 Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to 2013 Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City (or the Registrar) as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts 2013 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, principal, and interest payments on the 2013 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Registrar or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, principal, and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Registrar (from funds provided by the City), disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the 2013 Bonds at any time by giving reasonable notice to the City or the Registrar. Under such circumstances, in the event that a successor depository is not obtained, certificates for the 2013 Bonds are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, certificates for the 2013 Bonds will be printed and delivered.

The information under this subcaption concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

The City and the Registrar will not have any responsibility or obligation to Participants, to Indirect Participants or to any Beneficial Owner with respect to (i) the accuracy of any records maintained by DTC, any Direct Participant or any Indirect Participant; (ii) the payment by DTC or any Direct Participant or Indirect Participant of any amount with respect to the principal or redemption price of or interest on the 2013 Bonds; (iii) any notice which is permitted or required to be given to bondholders under the Ordinance; (iv) the selection by DTC or any Direct or Indirect Participant of any person to receive payment in the event of a partial redemption of the 2013 Bonds; or (v) any consent given or other action taken by DTC as Bondholder.

The information included under this subcaption, other than in this paragraph, the preceding paragraph hereof and the first two full paragraphs under this subcaption, has been provided by DTC. No representation is made by the City or the Registrar as to the accuracy or adequacy of such information provided by DTC or as to the absence of material adverse changes in such information subsequent to the date hereof. The Beneficial Owners of the 2013 Bonds will rely on DTC Participants or Indirect Participants for timely payments and other notices and for otherwise making available to the Beneficial Owners the rights of a Bondholder. No assurances can be given, in the event of the bankruptcy or insolvency of DTC or the Direct Participant or Indirect Participant through which a Beneficial Owner holds beneficial interest in the 2013 Bonds, that payment will be made by DTC, the Direct Participant or the Indirect Participant on a timely basis.

Notice to Bondholders

Notice of any proposed modification or amendment of the Ordinance by means of a supplemental ordinance that is to be effective with the consent of the registered owners of the 2013 Bonds as well as all notices of redemption will be mailed to DTC, as the registered owner of the 2013 Bonds then outstanding.

No assurance can be given by the City or the Paying Agent and Registrar that DTC will distribute to the Participants, or that the Participants will distribute to the Beneficial Owners, (i) payment of debt service on the 2013 Bonds paid to DTC, or its nominee, as the registered owner, or (ii) any redemption or other notices, or that DTC or the Participants will serve and act on a timely basis or in the manner described in this Official Statement.

Optional Redemption*

The 2013 Bonds are subject to redemption at the option of the City prior to maturity at any time on or after the tenth anniversary of the date of delivery thereof, in whole or in part, at the principal amount thereof plus accrued interest to the date fixed for redemption.

The City may select 2013 Bonds to be redeemed in its sole discretion, including particular maturities as it deems appropriate.

Mandatory Redemption*

The 2013 Bonds maturing September 15, 2033 (the "2033 Term Bonds") shall be subject to mandatory sinking fund redemption at a redemption price equal to 100% of the principal amount thereof and accrued interest to the redemption date of September 15 of the years, and in the principal amounts, as follows:

Redemption Date September 15 of the Year	Principal Amount
2029	$1,535,000
2030	1,595,000
2031	1,665,000
2032	1,735,000
2033*	1,805,000

*Final Maturity

The 2013 Bonds maturing September 15, 2038 (the "2038 Term Bonds") shall be subject to mandatory sinking fund redemption at a redemption price equal to 100% of the principal amount thereof and accrued interest to the redemption date of September 15 of the years, and in the principal amounts, as follows:

Redemption Date September 15 of the Year	Principal Amount
2034	$1,880,000

2035	1,970,000
2036	2,060,000
2037	2,160,000
2038*	2,265,000

*Final Maturity

Notice of Redemption; Effect of Redemption

Notice of call for redemption, identifying the Series 2013 Bonds or portions thereof to be redeemed shall be given by the Registrar by mail or by other means acceptable to DTC, sent to the registered owners of the Series 2013 Bonds to be redeemed (initially, Cede & Co.) at their registered addresses as shown on the registration books maintained by the Registrar, first class, postage prepaid, not less than thirty (30) days prior to the date fixed for redemption. Failure to give notice to any registered owner or any defect in the notice shall not affect the validity of the proceedings calling the Series 2013 Bonds or the redemption of any Series 2013 Bonds for which proper notice has been given. The City shall have the right to direct further notice of redemption for any Series 2013 Bond for which defective notice has been given.

Transfer of 2013 Bonds

The 2013 Bonds are transferable upon presentation for cancellation to the Paying Agent and Registrar at its designated corporate trust office, initially located in Minneapolis, Minnesota. To be transferred, any 2013 Bond must be accompanied by a written instrument of transfer in form satisfactory to the Paying Agent and Registrar and must be accompanied by such signature guaranties and other evidence as the Paying Agent and Registrar may require. Upon surrender of any 2013 Bond in proper form, the Paying Agent and Registrar will deliver at its office or send by registered mail to the transferee owner or owners at such transferee owner's or owners' risk and expense, a new 2013 Bond or 2013 Bonds of the same maturity, interest rate and aggregate principal amount registered in the name of the transferee owner or owners. To the extent of the denominations permitted by the Ordinance, one 2013 Bond may be transferred for several 2013 Bonds of a like maturity, interest rate and aggregate principal amount and several 2013 Bonds may be transferred for one or several 2013 Bonds, respectively, of the same maturity, interest rate and aggregate principal amount. Transfer of interests by Beneficial Owners, so long as there is a securities depository serving will be governed by the procedures described under “THE 2013 BONDS - Global Book-Entry Bonds” herein.

SOURCES AND APPLICATION OF FUNDS

Following are the estimated sources and applications of funds:

Sources of Funds:

Par Amount of 2013 Bonds	$_____
Net Original Issue Premium (Discount)	_____
2003 Bonds Debt Service Reserve Fund	_____
City Funds	_____
Total Sources of Funds	$_____

Application of Funds:

Deposit to Construction Fund	$_____
Deposit to Debt Service Reserve Fund	_____
Costs of Issuance (including Underwriter's discount)	_____
Total Applications of Funds	$_____

SECURITY FOR THE 2013 BONDS

The 2013 Bonds are issued pursuant to the Ordinance. The principal of and interest on the 2013 Bonds will be payable solely from and secured by a pledge of the revenues and earnings of the Sewer System, subject only to payment of operation and maintenance expenses. In addition, a deposit to the Debt Service Reserve Account is to be made from reserves held with respect to the 2013 Bonds. Monies in the Debt Service Reserve Account are required to be applied to pay principal and interest on the 2013 Bonds or any Additional Bonds of equal lien with the 2013 Bonds in the event that there are insufficient funds available for such purpose in the Bond Payment Account as established under the terms of the Ordinance. In the Ordinance the City has covenanted to establish and maintain rates and charges for service provided by the Sewer System sufficient to pay: 1) principal and interest on the 2013 Bonds and any Additional Bonds as the same fall due, 2) to pay all costs of operation and maintenance of the Sewer System, 3) to provide for deposits to the various accounts established under the Ordinance, and 4) to maintain Net Revenues for each year (as defined in the Ordinance) at least equal to 120% of the debt service due on the 2013 Bonds and any Additional Bonds in such fiscal year.

Not General Obligations

The 2013 Bonds are not a debt of the State of Nebraska or of the City within the meaning of any constitutional or statutory limitation upon the creation of general obligation indebtedness. The City is liable for the payment of the 2013 Bonds only from the revenues of the Sewer System and not from any tax monies or other resources. The enforcement of the rights of the holders of the 2013 Bonds under the Ordinance could be affected in the event of a petition for adjustment of debts of the City under the United States Bankruptcy Code.

PLAN OF FINANCING

The proceeds of the 2013 Bonds will be used to (a) refund the City's Sewer System Revenue and Refunding Bonds, Series 2003, dated June 25, 2003, presently outstanding in the aggregate principal amount of $1,420,000, (b) construct extensions, enlargements, improvements and betterments to the City's Sewer System including, without limitation, the 2013 Project (as described herein), (c) pay certain costs of issuance of the 2013 Bonds and (d) fund a portion of the debt service reserve sub-account for the

2013 Bonds. Accumulated Revenues from the Sewer System will be used to pay the remaining costs of the 2013 Project.

2013 Project

The City expects to break ground on an interceptor sewer project to update piping in the north interceptor piping corridor of the City (the **"North Interceptor Project"**) during the summer of 2013 and expects the project to be completed by the winter of 2013/2014. See "SEWER SYSTEM – Wastewater Collection and Transmission" in this Official Statement. The proceeds of the 2013 Bonds will be used to pay a portion of the costs of phase I of the North Interceptor Project.

The City has broken ground at the City's wastewater treatment plant (the "WWTP") for the headworks project, which includes upgrades and improvements to the WWTP to replace aging infrastructure and improve efficiency (the **"Headworks Project"**) and expects it to be completed by July 2015. See "SEWER SYSTEM – Wastewater Treatment Plant" in this Official Statement. The North Interceptor Project and the Headworks Project are herein referred to as the **"2013 Project"**.

DEBT SERVICE ON THE 2013 BONDS

The 2013 Bonds, when issued, will be the only bonds payable from the revenues of the Sewer System. The following table shows the debt service on the Bonds. Information below with respect to the 2013 Bonds is based upon the maturity schedule and interest rates shown on the cover page of this Official Statement.

	2013 Bonds			
Fiscal Year	Principal*	Interest	Total	Total Debt Service
2014	$1,065,000	$	$	$
2015	1,065,000			
2016	1,070,000			
2017	1,085,000			
2018	1,100,000			
2019	1,125,000			
2020	1,145,000			
2021	1,175,000			
2022	1,210,000			
2023	1,245,000			
2024	1,285,000			
2025	1,325,000			
2026	1,375,000			
2027	1,425,000			
2028	1,475,000			
2029	1,535,000			
2030	1,595,000			
2031	1,665,000			
2032	1,735,000			
2033	1,805,000			
2034	1,880,000			
2035	1,970,000			
2036	2,060,000			
2037	2,160,000			
2038	2,265,000			
TOTAL	$36,840,000	$	$	$

*Preliminary, subject to change

THE SEWER SYSTEM

The City issued sewer system revenue bonds in April 1994, proceeds of which were used to pay costs of a waste water treatment plant expansion. The plant additions were constructed to enable the City to treat projected flow requirements through the year 2005 and to meet new regulations on effluent and sludge. The improvements increased capacity from 11.3 million gallons per day to 18.1 million gallons per day of peak month flow and from 18,150 pounds per day to 30,850 pounds per day biochemical oxygen demand. The cost of said improvements totaled approximately $14.7 million.

Subsequent improvements included the construction of a major interceptor line needed to serve a large area identified in the Comprehensive Plan as the West Basin. This line provides service to a rapidly growing area in the northwest portion of Grand Island.

Improvements funded from proceeds of the City's Sewer System Revenue and Refunding Bonds, Series 2003, as to their portion received as new borrowing rather than refinancing, were applied to improvements to the sewer plant, certain sewer lines, engineering costs, fees of consultants and other extensions and improvements to the sewer system at a cost of approximately $3.15 million.

The 2013 Bonds will finance a portion of the North Interceptor Project and a portion of the Headworks Project.

The City provides sewer service to most of the area within its corporate limits and a small number of customers outside the City limits. The Sewer System currently services 15,371 residential, commercial, interdepartmental and industrial customers. Large industrial customers include JBS, McCain Foods and Case New Holland, all of which are served subject to the City's discharge permit conditions and requirements in accordance with Chapter 30 of the Grand Island City Code. The number of customers served by the Sewer System is approximately 98% of the total customers served by the City's water system.

The following table shows the wastewater gallons treated and revenue for the calendar year ended December 31, 2012, for the City's five largest sewer service customers.

Wastewater System's Five Largest Customers
Calendar Year Ended December 31, 2012

Customer	Wastewater Gallons Treated	Revenue
JBS	927,721,000	$1,878,325.84
MCCAIN FOODS	55,182,503	$325,099.42
NEW HOLLAND	35,304,852	$68,925.26
SAINT FRANCIS MEDICAL CENTER	21,163,912	$51,422.60
GRAND ISLAND VETERANS HOME[1]	17,516,664	$42,904.02

(1) It was recently announced that the Veterans Home would be relocated to the City of Kearney, in the State of Nebraska, which relocation is expected to occur by 2018. The City of Grand Island and other political subdivisions, including Hall County, are considering taking measures to retain the Veterans Home in Grand Island.

The charges for wastewater in the City of Grand Island are based upon the quality and amount of treatment to restore wastewater to the required levels of purity.

Wastewater Flows

Historical and projected peak-month wastewater flows are summarized in the following table. The peak-month flow has grown from 14.3 mgd in fiscal year 2006 to 19.7 mgd in 2008. The peak-month flow experienced in June of 2008 resulted from record high rainfall. The peak-month flow experienced in 2012 resulted from the drought in that year. Assuming normal weather conditions, the peak-month flow is projected to increase to 30* mgd by fiscal year 2039, which the 2013 Project is designed to accommodate.

*This number depends on rainfall because over 50% of the City's flow is made up of infiltration and inflow. The City is presently conducting a study of the impact of rain events and is metering impacted areas of the City.

Historical and Projected Wastewater Flows:

	Fiscal Year	Peak-Month Flow (mgd)
Historical	2006	14.3
	2007	13.7
	2008	19.7
	2009	14.1
	2010	15.4
	2011	13.0
	2012	10.5
Projected[(1)]	2013	14.5
	2014	15.0

[(1)] Projected flows assume normal rainfall conditions. A study is currently being conducted regarding projections.

Wastewater Collection and Transmission

The City's wastewater collection system consists of approximately 225 miles of sewer lines, including 220 miles of gravity sewer and 5 miles of force main. The collection system also includes eighteen lift stations. Wastewater is conveyed to the WWTP for treatment.

In 1988, the Department of Public Works began a program to survey all the sewer lines with closed-circuit television over a twenty-year period to evaluate the condition of the wastewater collection system. At the same time, a collection system repair program was started to repair structural defects.

The North Interceptor Project is expected to address a portion of the conditions found in the north interceptor piping corridor. In 2009 a sewer condition assessment was performed by the engineering firm CH2M Hill. A rating system was set up using a lettering system from A-F; with "A" being excellent condition and "F" grade representing imminent failure. The north interceptor piping corridor was found to be 100% grade "F" condition. Portions of the South and West Interceptor as well as the sanitary sewer line in the alley between 4th and 5th from Eddy to Vine also received failing grades. Although the collection system maintenance is regularly performed, the decline of this infrastructure was primarily caused by its age the and materials used in construction. Rehabilitation/Replacement of these lines has become a priority for the City of Grand Island. A portion of the proceeds of the 2013 Bonds will be used to pay part of the North Interceptor Project.

Sewer lines fifteen inches and less in diameter are flushed at 3 to 5 year intervals, typical industry standards. Maintenance activities are tracked by a Wastewater Collection Management System computer program. The program compiles flushing history, backup history and TV inspection history and generates work orders. During 2010 a prioritization program to determine where the problem areas that needed greater attention was finalized: these areas were identified and put on a more aggressive schedule.

The eighteen collection system lift stations are connected to a 24 hour per day 7 day per week alarming and telemetry system known as "Crystal Ball". Crystal Ball provides high-level and loss-of-power alarms. The lift stations are visited and checked twice each week to ensure proper operation and personnel are on call twenty-four hours per day for both collection system and lift station failures.

Wastewater Treatment Plant

All wastewater in the City's service area, including that received from large users, is treated at the Grand Island Wastewater Treatment Plant. The WWTP is located approximately two miles east of the City of Grand Island. The WWTP was originally constructed in 1964 and was upgraded in 1977. The upgraded plant has a peak-month design capacity of 10.0 mgd of raw wastewater, plus 1.3 mgd of wastewater from JBS. The plant was upgraded again in 1995 to a peak-month design capacity of 18.1 mgd.

Prior to the 1994-1995 expansion project, the WWTP was at or near its treatment capacity. A comprehensive wastewater management plan, based on a twenty-year planning period, was completed by the City in November 1992 (the "Facilities Plan"). The recommendations in the Facilities Plan called for expansion of the existing WWTP to provide adequate treatment for the increasing flows and loadings entering the plant and to provide the necessary level of treatment to meet new regulations for effluent limitations and new sludge regulations. This expansion was completed December 31, 1995.

In 2010, the primary clarifier mechanism replacement project was completed. This project consisted of replacing the mechanisms, bridge, and concrete repair work on both the clarifiers and the grit chambers. Paint and coatings were also applied to areas that are contacted by water.

JBS (Swift) installed a new pre-treatment system on its wastewater discharge that reduced the Biochemical Oxygen Demand loading on the Grand Island Wastewater Treatment Facility. The new pre-treatment system was put on line during the Fall of 2011.

In 2012, two new blowers were installed and the existing aeration basin diffusers were replaced. The blowers are operated by a computer monitoring DO (Dissolved Oxygen) in the aeration basins and aeration basin valve positions. The computer makes the blowers run faster or slower and opens or closes the aeration basin valves based on the DO readings. This optimizes the use of electricity at the WWTP and, combined with the reduction of Biochemical Oxygen Demand from JBS, has significantly reduced the electric bill.

A portion of the proceeds of the 2013 Bonds will be used to pay part of the Headworks Project. The Headworks Project at the WWTP consists of new influent pumps, mechanically cleaned bar screens and grit removal. Most of the existing equipment was installed during 1964. The influent pumps will initially have a firm capacity (pumping capacity with the largest pump out of service) of 40 MGD. The firm capacity can be increased to 50 MGD, to accommodate growth, by replacing the smaller pumps with bigger pumps. The influent pumps, mechanically cleaned bar screen and grit removal system will be connected to the WWTP's Supervisory Control and Data Acquisition System (SCADA) and will be monitored 24 hours per day/7 days per week. The influent pumps will be more energy efficient and will lower electrical costs. The mechanically cleaned bar screen and grit removal system will remove more rags, debris and grit than is currently being done and should reduce maintenance costs.

HISTORICAL NET REVENUES AVAILABLE FOR DEBT SERVICE

The following table sets forth the revenues and expenses and net income available for debt service for the Sewer Department for the fiscal years ended September 30, 2010, 2011 and 2012.

City of Grand Island, Nebraska
Historical Revenues and Expenses
Sewer Department

	Fiscal Year Ended September 30, Audited		
	2012	**2011**	**2010**
Operating revenues:			
Sewer revenue:			
Consumers	$8,240,781	$8,616,829	$9,203,812
Other revenue	134,083	108,674	134,276
Total operating revenues	$8,374,864	$8,725,503	$9,338,088
Operating expenses:			
Operation of system	$3,146,713	$3,534,684	$3,792,921
Maintenance of system	448,041	526,239	538,242
Consumer accounting and collection	528,130	704,765	582,092
General office expense	557,842	532,363	486,907
Special services	37,177	9,318	438,510
Insurance	69,542	69,500	69,500
Depreciation	2,587,687	2,472,030	2,518,157
Amortization	99,228	100,426	100,426
Total operating expenses	7,474,360	7,949,325	8,526,755
Net operating revenues	$ 900,504	$ 776,178	$ 811,333
Other income (expense):			
Interest expense	$(128,220)	$(183,191)	$(239,323)
Interest income	52,319	58,276	144,919
Contributions	754,249	364,687	83,009
Gain on sale of assets	30,000	43,343	3,450
Special assessment	65,440	50,964	62,031
	773,788	334,079	54,086
Net income	$1,674,292	$1,110,257	$ 865,419

Debt Service Coverage

The table below presents on an unaudited pro forma basis the revenues available for debt service and debt service coverage required by the Ordinance for the periods indicated, taking into account the 2013 Bonds.

Net income	$1,674,292	$1,110,257	$ 865,419
Add back depreciation, amortization and interest expense; subtract gain on sale of assets	2,785,135	2,712,304	2,854,456
Net available for Debt Service	$4,459,427	$3,822,561	$3,719,875
Average Annual Debt Service on 2013 Bonds			
Pro Forma Historical Debt Service Coverage	x	x	x

FINANCIAL STATEMENT

City of Grand Island, Nebraska

Taxable Valuation (2012)	$ 2,517,067,460
General Obligation Debt	1,720,000
Public Safety Tax Anticipation Refunding Bonds, Series 2011[1]	4,540,000
Redevelopment Revenue Bonds (Lincoln Park Pool Project – Ltd Tax Pledge) CRA[2]	1,800,000
Lease Purchase Debt	
Grand Island Fac Corp Refunding Building Bonds (Library Project)	2,325,000
Fonner Park Exposition and Events Center Refunding Bldg. Bonds (Heartland Events Center Project)	5,330,000
Lease Purchase Agreement dated as of July 1, 2009 (State Fair Project)	2,743,651
Ratio of Direct Debt to Taxable Valuation	0.73%
Direct, Overlapping and Underlying G.O. Debt	$68,536,994
Ratio of Direct, Overlapping and Underlying G.O. Debt to Taxable Valuation	2.72%
Population (2010 Census)	48,520
Revenue Debt[3]	
Electric System Revenue Bonds, Series 2012	$ 17,810,000
Water Revenue and Refunding Bonds, Series 2012	3,505,000
Sewer System Revenue and Refunding Bonds, Series 2003[4]	1,420,000
Sewer System Revenue and Refunding Bonds, Series 2013 (this issue)	36,840,000*
Overlapping Debt	
Hall County	
Taxable Valuation (2012)	$4,022,486,241
General Obligation Bonds	17,475,000
(62.57% applicable to City)	10,934,108
Population (2010 Census)	58,607
Hall County Airport Authority	
Taxable Valuation (2012)	$4,022,486,241
Bonded Indebtedness	3,345,000
(62.57% applicable to City)	2,092,967
Hall County School District 0002	
Taxable Valuation (2012)	$2,609,831,071
General Obligation Debt	31,260,000
Limited Tax	5,900,000
Certificates of Participation	1,255,000
	$ 38,415,000
(96.45% applicable to City)	37,051,268

[1] Limited to 5 cents per $100 of taxable valuation.
[2] Limited to 2.6 cents per $100 of taxable valuation.
[3] Not included are $5,880,000 Solid Waste Disposal Facilities Revenue Bonds (Microgy Grand Island, LLC Project), Series 2008 (AMT), for which the City is to have no pecuniary liability under Section 13-1103, R.R.S. Neb. 2012.
[4] Expected to be refunded with a portion of the proceeds of the 2013 Bonds.

The City has annexed several areas which are responsible for a portion of certain school indebtedness. Such indebtedness includes $2,810,000 General Obligation Refunding Bonds for Hall County School District 0082. Data concerning the valuation of property within the City which is responsible for this indebtedness is not readily available.

*Preliminary, subject to change

Total General Obligation Debt Service

The following table shows the debt service due on the City's outstanding general obligation and lease purchase bonded indebtedness.

Fiscal Year Ending Sept. 30,	Total Debt Service	Fiscal Year Ending Sept. 30,	Total Debt Service
2013	$ 3,553,856.27	2020	$ 716,713.75
2014	3,723,192.83	2021	711,875.00
2015	3,719,879.08	2022	710,370.00
2016	3,453,159.08	2023	717,137.50
2017	2,657,090.33	2024	514,757.50
2018	1,914,203.75	2025	513,458.75
2019	714,515.00		

Future Borrowing Plans

The City anticipates issuing approximately $25 million of indebtedness which would be issued on a parity as to the Revenues with the 2013 Bonds in fiscal year 2015. In addition, the City expects to incur costs within the next two years for street and other capital improvements of approximately $5,000,000, some of which may be financed through the issuance of the City's general obligation various purpose bonds or other bonds. The City also expects to create sewer and water improvement districts over the next several years which are currently expected to result in the issuance of an additional total of approximately $1,000,000 annually of general obligation various purpose bonds. Potential regulatory impacts on the electric utility industry may result in the City issuing electric system revenue bonds beginning in 2013. The initial issuance may be approximately $46,525,000.

TAX BASE DATA

Tax Valuation

The value of property subject to tax levy for recent years is set forth below for Grand Island and Hall County:

Year	Grand Island Tax Valuation	Hall County Tax Valuation
2008	2,284,748,540	3,400,769,712
2009	2,351,143,887	3,586,849,309
2010	2,395,497,486	3,743,458,683
2011	2,459,250,522	3,860,618,995
2012	2,517,067,460	4,022,486,241

Tax Levy History

The following is the amount levied against City of Grand Island valuation for recent past years in dollars per hundred of taxable valuation:

Fiscal Year	City of Grand Island	School District	Hall County	Other Units[(1)]	Total
2008	0.2905	1.1977	0.4209	0.1935	2.1026
2009	0.3085	1.1977	0.4303	0.1891	2.1256
2010	0.3092	1.2013	0.4310	0.2008	2.1423
2011	0.3697	1.1986	0.4342	0.2093	2.2118
2012	0.3694	1.2338	0.4342	0.2833	2.3207

(1) Other units levying property tax include Hall County Airport Authority, Central Community College, Central Platte Natural Resources District, Educational Service Unit #10 and Hall County Agricultural Society.

Tax Collection History

The fiscal year of the City begins October 1 and ends September 30. Taxes are levied in September based upon a valuation as of the preceding January 1. First installments of real estate taxes are due the following May 1, second installment due September 1; personal property taxes are due May 1 and September 1. Delinquent taxes bear 14% interest. The figures below include interest and penalties. Property taxes collected on the City levy for the most recent years are as follows:

Fiscal Year	Tax Revenues Budgeted/Levied	Tax Revenues Received	Percentage Received
2008/09	5,711,871	5,512,734	96.5
2009/10	6,406,867	6,202,194	96.8
2010/11	6,527,730	5,165,684	79.1
2011/12	7,970,431	8,016,697	100.0
2012/13	8,157,816	n/a	n/a

Source: The City

Sales Tax

The City is currently levying a one and one-half percent (1 ½%) sales tax under the Local Option Revenue Act. Such tax is expected to produce approximately $13,500,000 in revenue per year. Such tax in the amount of 1 percent was approved by the voters of the City in 1990. An additional sales tax of one-half percent (½%) was approved by voters of the City on May 11, 2004, and became effective October 1, 2004. Receipts from such additional 1/2% sales tax are to be used to pay for capital improvements as well as property tax relief. To the extent that amounts are applied from such additional sales tax to property tax relief, the City's requirements for its general fund levy will be reduced. Both the original approved levy and the additional levy are not limited as to their duration.

The following table shows receipts from sales taxes by the City for the past five years.

Fiscal Year Ended September 30,	Amount Received
2008	13,455,339
2009	13,463,354
2010	13,164,277
2011	13,519,385
2012	13,390,255

Special Assessments

Collection data for special assessments, including interest, for the five-year period are shown below. Special assessments have been levied to pay a portion of the cost of certain sidewalk, sewer, water and street improvement projects.

Year	Amount Collected Through Sept. 30	Principal Amount Outstanding Sept. 30
2008	3,079,908	2,891,141
2009	2,060,408	2,540,815
2010	1,574,191	2,061,094
2011	669,759	1,383,040
2012	897,807	1,112,276

Largest Taxpayers

Listed below are the ten largest taxpayers in the City of Grand Island as of January 1, 2013, as reported by the County Assessor.

Taxpayer	Type of Business	Taxable Valuation	% of Total
Union Pacific Railroad Co.	Railroad	$25,145,954*	1.07%
Wal-Mart Real Estate	Retail Store	24,084,258	1.02
Conestoga Mall 2002 LLC	Shopping Center	23,604,202	1.00
ConAgra Beef Company	Cattle Slaughter/Boxed Beef	16,819,383	0.72
New Holland Inc.	Agricultural Machinery	12,699,666	0.54
CenturyLink	Communications	9,989,076*	0.42
CHT Grand Island NE Senior Living	Apartments	9,161,689	0.39
Individual Taxpayer	n/a	8,997,022	0.38
BNSF Railway Company	Railroad	8,353,475*	0.36
Morrison Enterprises LLC	Agricultural Company	8,031,697	0.34

*Real Estate and Personal Property

General Fund Expenditure by Function

Set forth below are data concerning general fund expenditures for the City for its last five fiscal years:

Fiscal Year	General Government	Public Safety	Public Works	Health & Welfare[1]	Culture Recreations	Totals
2008	3,392,738	15,972,574	5,453,641	2,511,088	5,250,795	32,580,836
2009	3,490,203	15,988,725	6,160,083	2,349,595	5,098,787	33,087,394
2010	3,514,789	16,796,597	5,919,755	2,342,320	9,719,904	38,293,366
2011	3,607,911	15,990,621	5,834,320	2,159,490	6,978,874	34,571,216
2012	3,631,009	16,835,984	5,612,524	2,524,333	4,791,121	33,394,971

[1]Includes Cemetery and Library.

General Fund Revenues by Source

Set forth below are data concerning general fund revenues for the City for its last five fiscal years:

Fiscal Year	Taxes	Licenses & Permits	Intergovt. Revenues	Charges For Services	Misc.	Totals
2008	19,960,964	465,437	2,962,713	3,624,033	1,892,107	28,905,254
2009	21,365,609	703,648	3,053,826	3,861,954	6,590,843	35,575,880
2010	21,969,056	522,349	3,071,114	4,020,997	1,125,553	30,709,069
2011	22,417,372	445,866	2,842,578	4,249,597	1,036,316	30,991,729
2012	25,112,354	581,682	2,722,518	4,510,328	1,066,630	33,993,512

UTILITIES

The City owns and operates the electric, water, sanitary sewer and solid waste disposal systems. Major improvements to each of the city-owned utility systems are made on a regular annual basis through commitment of a portion of revenue to a planned capital program. Northwestern Public Service Company provides natural gas service and CenturyLink and Verizon operate communication systems. See "THE SEWER SYSTEM" for a description of the City's sanitary sewer system. Summary descriptions of the City's electric, water and solid waste disposal systems follow.

The Electric System

The City's Electric System serves an area approximately 82 square miles composed of nearly 30 square miles of the City and certain areas adjacent to the City within Hall County and a small portion of Merrick County. The Department currently has generation capacity of approximately 287 MW from its coal-fired and gas/oil-fired electric generating stations, and an additional 48 MW from participation in coal-fired stations operated by others. The peak load during the current fiscal year of the Department was approximately 170.7 MW in July 2012.

Rates, Charges and Regulation

The following table compares the Electric System's rates to the Nebraska average and the average in the United States:

Electric Rate Comparison

Region	Cost
Grand Island	7.60 cents/kwh
Nebraska	7.88 cents/kwh
U.S. Total	9.90 cents/kwh

Source: U.S. Energy Information Administration: Electric Power Annual 2011

The Water System

The City's Water System depends on multiple sources of supply: the Platte River well field located two miles south of the City, high pressure wells located within the City limits and 10 wells dedicated to serve the power plants. The system consists of such wells and a system of transmission lines and storage reservoirs. The Platte River well field is composed of 21 concrete or steel cased wells. The field covers 1,323.95 acres. The anticipated capacity for the Platte River well field is 36 wells, each with a pumping capacity of 1,500 gallons per minute. Wells at the well field discharge to a collection system terminating at a 225,000 gallon capacity collection basin. Pumps at the Platte River pumping station forward water through two 30-inch diameter transmission lines to 3 storage reservoirs located within the City. The Platte River well field can also supply cooling water for use by the City's electric power plants. The

Platte River well field, the wells inside the City and the power plant wells draw on an aquifer which is approximately 100 to 200 feet deep. The water obtained is treated for corrosiveness reduction and is chlorinated. The Burdick reservoir has a 3 million gallon capacity and is a ground level reservoir. The Pine Street Pumping Station reservoir has a total capacity of 3.5 million gallons. The Rogers Reservoirs and Pump Station have a storage capacity of 6 million gallons. There are presently 5 high pressure wells. These wells take water from the aquifer and pump it directly into the distribution system, at system pressure.

The combined total capacity for all of the City's wells is approximately 56 million gallons per day. The City has experienced a peak demand of 44.04 million gallons per day. The City's average pumpage is approximately 14.9 million gallons per day.

The existing distribution network is comprised of water mains ranging in size from 4 inches to 24 inches in diameter. The large mains interconnect the three high service pump stations and extend throughout the distribution network. Networks of intermediate size mains are connected to these transmission mains with grids of 4, 6, 8, 10, 12, 14 and 16 inch diameter mains within such networks.

The Water System served approximately 15,899 metered customers as of September 30, 2012.

The City Council has the authority to fix, establish and collect rates to meet the requirements of the Water System, including obligations under ordinances related to bonded debt. The City evaluates its rate structure on a continuing basis with the objective of establishing rates consistent with operating needs and sound financial management. The City Council adopted Ordinance No. 9371 providing an increase in the rate structure effective April 1, 2012, to provide additional income required to finance continuing capital improvements, system expansion, maintenance and operating costs.

Solid Waste Disposal Services

The City's solid waste disposal system serves a population of approximately 80,000 residential and commercial customers. Under City ordinance, both residential and commercial generators of waste must utilize the City's waste disposal services. Rates for hauling within the City are set by the respective independent haulers. Current residential rates are $18.66 per month for once-per-week pick up. Commercial service charges are negotiated by customer and hauler and vary depending upon size of container and number of weekly pickups required. The City currently charges tipping fees of $29.85 per ton for waste. The City's solid waste disposal system is owned and operated by the City of Grand Island and is debt-free.

THE CITY OF GRAND ISLAND AND HALL COUNTY GENERAL INFORMATION

Following is a description of the City of Grand Island and Hall County. The City's audited general purpose financial statements for the fiscal year ended September 30, 2012, are included in Appendix A to this Official Statement. See "FINANCIAL STATEMENTS" included elsewhere in this Official Statement.

Location and Population

The City of Grand Island is the county seat of Hall County and is located along the Platte River in central Nebraska, 150 miles west of Omaha. Grand Island, the fourth largest city in Nebraska, is the largest city outside of the Omaha and Lincoln metropolitan areas. It covers an area of approximately 30 square miles and has a 2010 Census population of 48,520. The boundaries of the City have expanded in recent years through annexation as fringe areas have been developed and been supplied with essential services. Since the 2000 census, growth has occurred in the population of the City, Hall County, and each of the counties

surrounding Hall County. Set forth below are historical population statistics for Grand Island and Hall County:

	Grand Island		Hall County[1]	
Year	Population[2][3]	%Growth[3]	Population[2]	% Growth
1970	32,358	25.7	42,851	19.8
1980	37,781	16.7	47,690	11.3
1990	39,487	4.3	48,925	2.6
2000	42,940	9.0	53,534	9.4
2010	48,520	13.0	58,607	9.5

[1]Includes Grand Island.
[2]1970-2010 as reported by U.S. Census Bureau.
[3]Includes population added through annexation.

Government

The City of Grand Island is a municipal corporation and a city of the first class under Nebraska law. In 1978, its government was reorganized under the Mayor-Council plan, pursuant to which the Mayor is elected from the City at large and two members of the City Council are elected from each of the City's five wards for terms of four years. A professional City Administrator is appointed by the Mayor and City Council to serve as the official responsible for general administration and departmental supervision.

Under the Mayor-Council plan, the Mayor has superintending control of all of the officers and affairs of the City. The Mayor does not have the right to vote at meetings of the City Council, except in the case of a tie vote, but does have the power to veto any ordinance passed by the City Council. An ordinance vetoed by the Mayor may be passed over his veto by a two-thirds vote of the City Council. To provide advice and operational support, the City Council employs a professional staff and a number of advisory boards and committees. In addition, the City shares responsibility for several functions, such as public health, with Hall County.

Jay Vavricek is Mayor of the City for a second four-year term, which began in 2010. His first term was from 2002-2006.

The Members of the City Council are as follows:

Member	Occupation
Bob Niemann, Council President	Associate Dean, Central Community College
Linna Dee Donaldson	Retired Teacher
Scott Dugan	Owner, Play it Again Sports
John Gericke	Retired Police Officer
Peg Gilbert	Registered Nurse, Infection Control Specialist
Chuck Haase	Business Manager, Charter Communications
Julie Hehnke	Integration Specialist for Grand Island Public Schools
Vaughn Minton	Director of Strategic Planning, Saint Francis Medical Center
Mitchell Nickerson	Real Estate Investor/Manager
Mike Paulick	Member of Grand Island Community

City Employees

The City has 502 full-time employees and approximately 267 part-time seasonal employees. The payroll and related costs for the 2012 Fiscal Year was approximately $43 million. The City's employees are represented by four unions covering general employees, police, fire, water and electrical workers. Approximately 379 employees are covered by collective bargaining agreements. The City is currently operating under negotiated collective bargaining agreements with all four of the unions.

City employees for the last several years total as follows:

Year	Total Full Time	General Government	Electric, Water and Sewer Departments
2008	500	337	163
2009	502	337	165
2010	511	347	164
2011	494	330	164
2012	491	326	165

The City Library has 18 part-time year-round positions not included above. All other part-time employee positions are seasonal, and related to parks and recreational activities.

Pension Liability

The City's responsibilities under certain defined benefit plans, defined contribution plans, nonqualified benefit plans and qualified deferred compensation plans are described in Note D to the City's Financial Statement shown in Appendix A to this Official Statement.

Education

The School District of Grand Island (Hall County School District 0002) operates the primary and secondary educational system. The School District has over recent years continually improved and modernized the facilities through the use of a building fund authorized by state statutes. Current enrollment is approximately 8,500 P-K/12th grade, exclusive of adult education and specialized programs. The School District, in conjunction with the Chamber of Commerce and Central Community College, are developing plans for a new Career Tech High School. There are two parochial schools within the City. Post-secondary educational opportunities are provided by Central Community College, a two-year college with an emphasis in vocational and technical education as well as programs for students who plan to transfer to a four year institution, Bellevue University, which offers accelerated programs for undergraduate degrees, and Doane College, housed at College Park, which offers undergraduate and graduate level degree courses.

Health Care

St. Francis Medical Center with 163 licensed beds (not including 36 beds in a nursing home-type unit) provides modern facilities serving the community and surrounding area. Saint Francis sees nearly 8,000 inpatients each year. A nine-story patient tower was completed in 2007 at a cost of $60 million. A medical office complex located adjacent to the hospital has approximately 150 doctors, dentists and other medical specialists available to meet health manpower needs. The City provides ambulance service with advanced life systems and fully qualified paramedics. Emergency responders are able to respond in an average of five minutes anywhere in the city.

Communications

The Grand Island Daily Independent offers daily newspaper service. A weekly advertising newspaper serves a regional area. There are five television stations and sixteen radio stations within a forty-mile radius of the City. Cable television service is offered within the City.

Recreational Facilities

The public park system consists of eighteen regional parks and twelve neighborhood parks each offering a variety of facilities throughout the 700 acres they encompass. A seven-acre water park comprised of a wave pool, four 150 to 170-foot water slides and numerous water-based play features are the flagship of the City's aquatics facilities. In 2012, the Community Redevelopment Authority of the City issued its Redevelopment Revenue Bonds (Lincoln Park Pool Project – Limited Tax Pledge), Series 2012, for the purpose of paying costs of a replacement swimming pool facility in the City's Lincoln Park area. The replacement pool opened in 2013. Other recreational facilities include the Community field house that offers indoor soccer, basketball, volleyball, flag football, baseball/softball training, batting cages and a children's playground. For the shooting enthusiast trap, skeet and sporting clay ranges, 50 yard through 600 yard rifle/pistol ranges and an 11 pad campground have been developed at the former Cornhusker Army Ammunition Plant site on land owned by the City. Additionally, an eighteen hole, par seventy-two championship golf course is provided for the public to enjoy. The recreation division offers a full slate of activities including basketball, volleyball, soccer, tennis and flag football leagues, a summer playground program, swimming lessons, children's theater and many other recreational activities that are offered throughout the year. Fonner Park provides pari-mutuel horse racing, the County Fair, livestock shows and special events. Husker Harvest Days, a major agricultural exposition, is located on a permanent site west of the City. The YMCA-YWCA Complex has a variety of recreational programs, and the adjacent Grand Generation Center is the focal point of Grand Island's senior citizen programs. Under the terms of LB 1116 enacted in 2008, the Nebraska State Fair was transferred from Lincoln, Nebraska, to a $40 million home in Fonner Park in Grand Island. Under LB 1116, a contribution to the costs in the amount of $8,500,000 was required to be made by or on behalf of the City. Of that contribution, $5,062,500 in original principal amount was provided by lease purchase financing (see "FINANCIAL STATEMENT" above).

Cultural Facilities

The Grand Island Public Library, operating out of the Edith Abbott Memorial Library, located at 211 North Washington, provides access to services and resources to meet the informational, recreational and educational needs of the community. The library serves as a community meeting place and houses a variety of cultural exhibits, including a month-long Sheldon Memorial Art Gallery statewide touring exhibition. The Stuhr Museum of the Prairie Pioneer is a publicly owned museum located on a 267-acre complex south of the City, and offers a year-round exhibition of the area's cultural heritage. The City of Grand Island operates one of the few municipal bands in the State with a well attended summer concert series. One professional and one volunteer group offer access to theater productions. There are 42 churches representing 31 denominations available to the residents of the City.

ECONOMIC ACTIVITY

Industry

There are approximately 75 manufacturing plants in Grand Island and Hall County, producing a variety of products on various scales of operation. The City's industry is principally related to agri-business, irrigation and agricultural equipment. The following are the principal private industrial employers in the area:

Firm	Principal Products	Employees
Swift & Co.	Cattle Slaughter and Boxed Beef	3,500
Chief Industries	Metal Buildings/Diversified Products	1,641
St. Francis Med Center	Hospital	1,300
Case IH	Agricultural Machinery	1,100
Grand Island Schools	Education	1,050
Cabela's Call Center	Retail	550
McCain Foods, USA	Food Processor	546
City of Grand Island	Government	535
Principal Financial Group	Insurance and Financial Services	500
Skagway Dept. Stores	Retailer (with Grocery and Clothing)	449

Source: Grand Island Economic Development Corporation

Agricultural Activity

The City's strong agri-business orientation is due to its location in the center of a leading area in agricultural production. Much of the farm acreage in the Grand Island area is irrigated. In Hall County alone, as of 2007, there were approximately 608 farms, with over 328,000 acres. The average size of farm was 540 acres in 2007 compared to 531 acres in 2002.

Source: USDA, National Agricultural Statistics Service, 2007 Census of Agriculture - County Data.

Commercial Activity

Grand Island is the third largest retail center in Nebraska and continues to grow in serving as a regional trade center. The Chamber of Commerce estimates the retail service area for Grand Island serves a primary trade area of approximately 84,000 people and a secondary trade area of approximately 184,000 people. Set forth below are retail sales statistics (not including motor vehicle) for Hall County and Grand Island in recent years:

Year	Hall County Net Taxable Sales	Grand Island Net Taxable Sales
2003	754,750,744	728,386,394
2004	808,032,540	774,432,460
2005	831,862,115	796,486,442
2006	860,630,760	827,001,188
2007	917,314,709	878,265,159
2008	923,152,185	891,470,251
2009	885,019,667	854,208,792
2010	935,382,645	884,652,896
2011	951,903,812	921,348,659
2012	1,009,596,541	977,097,299

Source: Nebraska Department of Revenue

With the relocation of the Nebraska State Fair to Grand Island in 2010 and the resulting development of 360,000 square feet in exhibit buildings plus a 60,000 square foot, air-conditioned arena, Grand Island has over 875,000 square feet of meeting, exhibit and trade show space. Over 309,000 people attended the inaugural Nebraska State Fair in Grand Island in August 2010, over 333,000 attended in August 2011 and over 336,000 attended in August 2012.

Financial Institutions

There are seventeen banks, credit unions and savings and loan offices in Grand Island.

Transportation

Grand Island's transportation facilities are a contributing factor in the continued growth of the City. Grand Island is a thoroughfare for Union Pacific and Burlington Northern-Santa Fe railroads, with daily freight service to commercial and industrial locations. Highway access to the city is from Interstate 80, one of the country's main east/west arteries, as well as U.S. Highways 2, 30, 34, and 281. Central Nebraska Regional Airport provides daily inbound and outbound flights to Denver and scheduled nonstop service to Phoenix/Mesa, Arizona and Las Vegas, Nevada. The airport also has facilities for air freight and private aircraft services. A taxi firm provides 24-hour service, seven days a week. The 124th Air Cavalry Squadron's Chinook Helicopter Base is located just east of the airport and serves over 225 cavalry and aviation maintenance National Guard soldiers.

Personal Income

Set forth below are personal income statistics for Hall County in recent years as reported by the U.S. Bureau of Economic Analysis:

Year	Personal Income (000s)	Per Capita
2002	$1,560,201	$29,115
2003	1,639,923	30,456
2004	1,656,256	30,575
2005	1,712,659	31,577
2006	1,819,573	33,177
2007	1,136,315	35,329
2008	1,182,033	36,030
2009	1,176,863	35,869
2010	2,075,332	35,312
2011	2,219,929	37,324

Source: U.S. Bureau of Economic Analysis

Employment

The State of Nebraska Department of Labor, reports the following labor force data for Hall County for selected years:

Year	Labor Force	Employment	Unemployment Rate
2007	31,053	30,200	2.7
2008	31,982	30,913	3.1
2009	31,970	30,605	4.3
2010	32,250	30,790	4.5
2011	33,214	31,789	4.3
2012	33,599	32,335	3.8

Source: Nebraska Labor Dept.

Housing and Construction

The records of the City Building Inspector indicate the value of permits issued within the city limits as follows:

Year	Value of Permits
2003	61,446,610
2004	83,105,505
2005	127,003,533
2006	103,464,757
2007	81,966,767
2008	54,450,637
2009	98,809,758
2010	62,612,423
2011	60,544,400
2012	79,209,971

SUMMARY OF CERTAIN PROVISIONS OF THE ORDINANCE

Certain provisions of the Ordinance are summarized elsewhere. Summaries of the provisions of the Ordinance as contained in this Official Statement are to be considered as summaries only and are subject to reference to the Ordinance itself. Copies of the Ordinance are available through the office of its City Clerk and from Ameritas Investment Corp., at its office at 440 Regency Parkway Drive, Suite 222, Omaha, Nebraska 68114. In addition to the provisions summarized elsewhere, the Ordinance provides for the following:

Application of Revenues

The Ordinance describes a separate special fund of the City, previously established, known as the "Grand Island Sewer System Fund." All revenues of the Sewer System are to be credited to this fund. The revenues in such fund are to be credited monthly to the following accounts: 1) Operation and Maintenance Account; 2) Bond Payment Account; 3) Debt Service Reserve Account and 4) Surplus Account. The Ordinance requires monthly credits to the Operation and Maintenance Account in amounts sufficient to cover the necessary expenses of operating and maintaining the Sewer System. After making the required monthly credits to the Operation and Maintenance Account, the City has agreed to make monthly credits to the Bond Payment Account in amounts sufficient to cover the payments of principal and interest on the 2013 Bonds as the same fall due. The City Treasurer is to withdraw monies credited to the Bond Payment Account and transfer them to the paying agent for the 2013 Bonds at the appropriate times. If monies in the Bond Payment Account are insufficient for such purpose, the necessary funds are to be withdrawn first from the Debt Service Reserve Account and next from the Surplus Account. In the event that additional bonds equal in lien to the 2013 Bonds ("Additional Bonds") are issued, the ordinance authorizing such Additional Bonds must provide for appropriate additional credits to the Bond Payment Account.

The City has agreed that a portion of the proceeds of the 2013 Bonds shall be credited to a separate sub-account in the Debt Service Reserve Account as the required balance in such account. Monies in the Debt Service Reserve Account, but only from the designated sub-account for a specific issue, are to be applied to prevent any default in payments due on the 2013 Bonds and any Additional Bonds, as the case may be, in the event that there are not sufficient monies available for such purpose in the Bond Payment Account established by the Ordinance. In the event that monies are withdrawn from the Debt Service Reserve Account, all revenues of the Sewer System remaining after payment of operation and maintenance costs and required credits to the Bond Payment Account, are to be credited to the Debt Service Reserve Account until the balance in such account has been restored to the then required amount. In the event that

Additional Bonds are issued, the amount to be maintained in the Debt Service Reserve Account, in a separate sub-account for such Additional Bonds, shall be set at an amount determined appropriate by the Mayor and Council in connection with such issuance of Additional Bonds (which may be $-0-). Additional amounts may be provided for by deposit or by monthly credits from revenues payable over a period of not more than five years. Each sub-account in the Debt Service Reserve Account shall be held solely for the specific issue for which it is established. In the event of withdrawal from any such sub-account which results in the amount in such sub-account being deficient to meet the required balance, available amounts for restoring sub-account balances shall be credited to each deficient sub-account on a pro rata basis in accordance with the respective outstanding principal amounts for those issues for which the respective sub-accounts are then deficient. When the 2013 Bonds or any issue of Additional Bonds for which a sub-account has been established is no longer outstanding, the particular sub-account for such issue shall no longer be required to be maintained. The maximum amount required to be maintained in the Debt Service Reserve Account shall not exceed the maximum amount permitted to be invested without yield restriction under the regulations of the United States Treasury Department relating to Sections 103(b) and 148 of the Internal Revenue Code of 1986, as amended.

After making all necessary monthly credits to the Operation and Maintenance Account, the Bond Payment Account and the Debt Service Reserve Account, all remaining monies credited to the Grand Island Sewer System Fund are to be credited to the Surplus Account. Monies in the Surplus Account may be applied to make up any deficiencies in any of the preceding accounts, to redeem 2013 Bonds or Additional Bonds prior to maturity, to pay any junior lien indebtedness incurred with respect to the Sewer System, to provide for in lieu of tax payments in an amount not to exceed 1% of the gross revenues of the Sewer System in any fiscal year, or to provide for any other purpose related to the Sewer System.

Rate Covenant

In the Ordinance the City agrees to establish and collect rates and charges sufficient at all time (1) to pay principal of and interest on the 2013 Bonds and any Additional Bonds; (2) to pay all necessary costs of operation and maintenance for the Sewer System; (3) to provide funds sufficient to make required credits to the various accounts created under the Ordinance; (4) to maintain Net Revenues, as defined, in each fiscal year in an amount not less than 1.10 times the total amount of principal and interest falling due during such fiscal year on the 2013 Bonds and any Additional Bonds. Net Revenues for purposes of the Ordinance are defined as the gross revenues of the Sewer System, including investment income, but not including income from the sale of any property belonging to the Sewer System, less the ordinary expenses of operating and maintaining the Sewer System. For such purpose, operation and maintenance expenses do not include depreciation, amortization or interest on any bonds or other indebtedness.

Additional Bonds

Additional Bonds having equal status with the 2013 Bonds may be issued upon compliance with certain terms set forth in the Ordinance. Such Additional Bonds may be issued to provide funds for any purpose related to the Sewer System or to refund 2013 Bonds or any Additional Bonds. Additional Bonds, except for refunding purposes, may be issued upon compliance with the following conditions:

1. The Additional Bonds must be issued pursuant to an ordinance which provides for an increase in the monthly credits to the Bond Payment Account sufficient to pay principal and interest on the 2013 Bonds and all Additional Bonds to be outstanding and for any required credits to the Debt Service Reserve Account.

2. The City shall comply with one or the other of the following two conditions:

a. The Net Revenues of the Sewer System (as defined in the Ordinance) for the fiscal year next preceding the issuance of Additional Bonds shall have been at least equal to 1.25 times the average annual debt service requirements of the 2013 Bonds and any Additional Bonds, all as then outstanding, and of the proposed Additional Bonds; or

b. The City shall have received a projection made by an independent consulting engineer of recognized standing, showing that the Net Revenues (as defined in the Ordinance) in each of the three full fiscal years after the issuance of the proposed Additional Bonds will be at least equal to 1.25 times the average annual debt service requirements of the 2013 Bonds and any Additional Bonds, all as then outstanding, and of the proposed Additional Bonds.

Additional Bonds may be issued for refunding purposes without compliance with the Net Revenues tests described above, but if any of the 2013 Bonds or Additional Bonds are to remain outstanding after such issuance, the principal payments may not be increased in any fiscal year in which such remaining bonds will remain outstanding. Additional Bonds may also be issued for refunding purposes and the 2013 Bonds or Additional Bonds may remain outstanding after their issuance provided that the Net Revenues of the Sewer System for the fiscal year next preceding the issuance of such Additional Bonds shall have been at least equal to 1.25 times the average annual debt service requirements of the 2013 Bonds and all Additional Bonds which are to be outstanding after such issuance. For such purposes, when the bonds which are to be refunded are not to be paid or discharged at the time of issuance of the refunding bonds, the refunding bonds must provide by their terms that they shall be junior in lien to the 2013 Bonds and Additional Bonds which are to remain outstanding until the time of such payment or discharge. For purposes of determining average annual debt service requirements, debt service due on the refunding bonds shall be excluded from the computation to the extent that it is payable only from Surplus Account monies or from sources other than the revenues of the Sewer System (such as bond proceeds held in escrow or investment earnings thereon) and debt service on the bonds which are to be refunded for the period after the time set for their payment or discharge shall also be excluded. In the case of the issuance of Refunding Bonds at a time when audited financial statements are not available for the most recently completed fiscal year, compliance with such test may be determined with reference to the "Net Revenues" for the most recent fiscal year for which financial statements have been issued together with an unaudited financial statement for the most recently completed fiscal year as certified by the City Treasurer.

Additional Covenants of the City

The Ordinance provides for the following additional agreements on the part of the City: 1) to maintain the Sewer System in a reasonable and efficient manner; 2) to maintain insurance on the properties constituting the Sewer System (other than such portions of the Sewer System as are not normally insured) against risks customarily carried by similar utilities in an amount which would enable the City to repair, restore or replace the property damaged; 3) to keep proper books, records and accounts and to provide for an annual audit by a firm of certified public accountants; and 4) to provide for appropriate fidelity bonds on persons handling the revenues of the Sewer System.

Defeasance

The Ordinance provides that the lien of the 2013 Bonds may be discharged by deposit with the Registrar or with a national or state bank having trust powers of monies or "Deposit Securities," as defined, payable at such times and bearing interest sufficient in amount to fully provide for the payment of such bonds. The term "Deposit Securities" is defined to include obligations of the United States, direct or guaranteed.

Amendments

The Ordinance may be amended with the written consent of the holders of two-thirds in principal amount of the 2013 Bonds then outstanding, provided that neither the principal and interest to be paid upon any bond nor the maturity date of any bond may be changed without the consent of all bondholders affected by such change. The Ordinance permits amendments necessary to cure any ambiguity or formal defect without bondholder consent.

Remedies

The holder of any 2013 Bond may enforce or compel performance of any and all acts and duties required by the Ordinance and the City has agreed that any court of competent jurisdiction may, upon application of such holder, appoint a receiver to take charge of the Sewer System and operate it and apply the revenues to the payment of principal and interest on the 2013 Bonds and any Additional Bonds in accordance with the terms of the Ordinance. The rights and remedies of the registered owners of the 2013 Bonds are subject to the limitations on enforceability provided for in the United States Bankruptcy Code, to other laws relating to insolvency proceedings and creditors' rights and to judicial discretion as exercised in appropriate cases.

Not General Obligations

The 2013 Bonds are not a debt of the State of Nebraska or the City within the meaning of any constitutional or statutory limitation upon the creation of general obligation indebtedness. The City is liable for the payment of the 2013 Bonds only from the revenues of the Sewer System and not from any tax monies or other resources.

BONDHOLDERS' RISKS

Prospective investors should carefully consider the risk factors set forth below and the other information included in this Official Statement. The risks described below are not the only risks that the City faces. Additional risks and uncertainties not currently known to the City or that it currently believes are immaterial may also impair its operations. Any of these risks may have a material adverse effect on the City's financial condition. In such a case, bondholders may lose all or part of their investment in the 2013 Bonds.

Limitation of Rights Upon Insolvency. The United States Bankruptcy Code enables debtors, including cities, which are insolvent to obtain relief through petition and plan which may result in the modification or delay of payments to creditors, including bondholders. In the event of any insolvency upon the part of the City, the holders of the 2013 Bonds may be treated as general creditors of the City along with unsecured claimants. The extent to which holders of 2013 Bonds are to be treated as a separate class or otherwise given priority over other claimants is a matter that would be subject to future determinations of Nebraska state and federal courts interpreting and applying both state law and the United States Bankruptcy Code. Procedures under the Bankruptcy Code or other insolvency laws could result in delays in payment and modifications of payment rights. The State of Nebraska has authorized its political subdivisions to seek relief under the United States Bankruptcy Code by statute.

Nebraska Developments Related to Budgets and Taxation. The Nebraska Legislature has taken actions designed to reduce the reliance of local governmental units on property taxation, see "NEBRASKA DEVELOPMENTS RELATED TO BUDGETS AND TAXATION."

Future Legislation. President Obama has released legislative and budget proposals that would, among other things, subject interest on tax-exempt bonds (including the 2013 Bonds and other tax-exempt obligations of the City) to a federal income tax for taxpayers with incomes above certain thresholds. Additional proposals affecting tax-exempt interest may be considered from time to time which could limit the availability of or eliminate federally tax-exempt interest on tax-exempt bonds. Neither house of Congress has passed any such proposal, and it is not possible to predict whether President Obama's, or another proposal with similar effects, will be enacted into law. If enacted into law, such a proposal could adversely affect the ability of the City to finance and/or refinance projects on favorable tax-exempt terms. Prospective purchasers of the 2013 Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

Environmental Regulation. The City and its utilities are subject to extensive and evolving environmental laws and regulations enacted in response to growing public concern over environmental issues. These laws and regulations are, in general, administered and enforced by the United States Environmental Protection Agency ("EPA"), the Nebraska Department of Environmental Quality ("NDEQ"), the Nebraska Department of Health and Human Services ("DHHS"), and other agencies. Such laws and regulations are subject to change, which changes may arise from continuing legislative, regulatory and judicial action. Consequently, there can be no assurance that facilities in operation will remain subject to the regulations currently in effect, will always be in compliance with future regulations or will always be able to obtain all required operating permits. Legislative, regulatory, administrative or enforcement actions involving environmental controls could result in reduced operating levels and fines. Costs of complying with such actions, including any enforcement thereof, could materially adversely affect the City's results of operations and financial condition.

NEBRASKA DEVELOPMENTS RELATED TO BUDGETS AND TAXATION

The Nebraska Legislature has enacted legislation intended to reduce the level of property taxation and political subdivision expenditures in the State. The legislature has enacted legislation to provide for budget limitations and legislation requiring reductions in the rate of taxation for general property taxes. Budget limitations relating to cities, villages, counties and other political subdivisions (Sections 13-518 to 13-522, R.R.S. Neb. 2012, as amended, and related sections, the "Budget Limitations") limit the growth in amounts which may be budgeted with respect to certain restricted funds. Restricted funds include sales taxes, property taxes and certain other revenue sources. The limitation imposed does not apply to tax revenues pledged to retire bonded indebtedness. The Budget Limitations currently provide for a base limitation of 2.5% upon increases. Such base limitation is subject to review by the Nebraska Legislature from year to year. The base limitation may be exceeded by an additional 1% upon an affirmative vote of at least 75% of the governing body. These limitations are to be enforced through the office of the Auditor of Public Accounts of the State of Nebraska and state aid may be withheld from governmental units which fail to comply. The Budget Limitations do not apply to (i) restricted funds pledged to retire bonded indebtedness or (ii) to the revenues of proprietary funds (such as application of revenues of the Sewer System) unless such revenues are transferred to fund a service for a function not directly related to the charges and activity for which the charges are imposed.

Tax levy limitations (Section 77-3442, R.R.S. Neb. 2009, as amended, and related sections, the "Levy Limitations") provide for overall limitations on the tax levies of political subdivisions, including cities. The Levy Limitations provide for an express exclusion from the limitations for property tax levies for bonded indebtedness.

Taxes to pay principal and interest on the City's general obligation bonds or limited tax bonds are thus not subject either to the Budget Limitations or the Levy Limitations.

Under the Levy Limitations the rates for levying property taxes have been reduced for each type of governmental unit in the State of Nebraska. The rate for cities is set at 45¢ per $100 of taxable valuation with an additional 5¢ available for payments under interlocal cooperation agreements.

The future methods for providing for financing cities, schools and other local units may be altered depending upon future actions to be taken by the Nebraska Legislature, further decisions of the Nebraska Supreme Court and federal courts and future initiative petitions proposed by voters.

TAX MATTERS

The following is a summary of the material federal and State of Nebraska income tax consequences of holding and disposing of the 2013 Bonds. This summary is based upon laws, regulations, rulings and judicial decisions now in effect, all of which are subject to change (possibly on a retroactive basis). This summary does not discuss all aspects of federal income taxation that may be relevant to investors in light of their personal investment circumstances or describe the tax consequences to certain types of owners subject to special treatment under the federal income tax laws (for example, dealers in securities or other persons who do not hold the 2013 Bonds as a capital asset, tax-exempt organizations, individual retirement accounts and other tax deferred accounts, and foreign taxpayers), and, except for the income tax laws of the State of Nebraska, does not discuss the consequences to an owner under any state, local or foreign tax laws. The summary does not deal with the tax treatment of persons who purchase the 2013 Bonds in the secondary market. Prospective investors are advised to consult their own tax advisors regarding federal, state, local and other tax considerations of holding and disposing of the 2013 Bonds.

Opinion of Bond Counsel

In the opinion of Gilmore & Bell, P.C., Bond Counsel, under the law existing as of the issue date of the 2013 Bonds:

Federal and Nebraska Tax Exemption. The interest on the 2013 Bonds (including any original issue discount properly allocable to an owner thereof) is excludable from gross income for federal income tax purposes and is exempt from income taxation by the State of Nebraska.

Alternative Minimum Tax. Interest on the 2013 Bonds is not an item of tax preference for purposes of computing the federal alternative minimum tax imposed on individuals and corporations, but is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on certain corporations.

Bank Qualification. The 2013 Bonds have not been designated as "qualified tax-exempt obligations" for purposes of Section 265(b) of the Code.

Bond counsel's opinions are provided as of the date of the original issue of the 2013 Bonds, subject to the condition that the City comply with all requirements of the Code that must be satisfied subsequent to the issuance of the 2013 Bonds in order that interest thereon be, or continue to be, excludable from gross income for federal income tax purposes. The City has covenanted to comply with all such requirements. Failure to comply with certain of such requirements may cause the inclusion of interest on the 2013 Bonds in gross income for federal and the State of Nebraska income tax purposes retroactive to the date of issuance of the 2013 Bonds. Bond Counsel is expressing no opinion regarding other federal, state or local tax consequences arising with respect to the 2013 Bonds but has reviewed the discussion under the heading "TAX MATTERS."

Other Tax Consequences

[***Original Issue Discount***. For federal income tax purposes, original issue discount ("OID") is the excess of the stated redemption price at maturity of a 2013 Bond over its issue price. The issue price of a 2013 Bond is the first price at which a substantial amount of the 2013 Bonds of that maturity have been sold (ignoring sales to bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents, or wholesalers). Under Section 1288 of the Code, OID on tax-exempt bonds accrues on a compound basis. The amount of OID that accrues to an owner of a 2013 Bond during any accrual period generally equals (1) the issue price of that 2013 Bond, plus the amount of OID accrued in all prior accrual periods, multiplied by (2) the yield to maturity on that 2013 Bond (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period), minus (3) any interest payable on that 2013 Bond during that accrual period. The amount of OID accrued in a particular accrual period will be considered to be received ratably on each day of the accrual period, will be excludable from gross income for federal income tax purposes, and will increase the owner's tax basis in that 2013 Bond. Prospective investors should consult their own tax advisors concerning the calculation and accrual of OID.]

[***Original Issue Premium***. If a 2013 Bond is issued at a price that exceeds the stated redemption price at maturity of the 2013 Bond, the excess of the purchase price over the stated redemption price at maturity constitutes "premium" on that 2013 Bond. Under Section 171 of the Code, the purchaser of that 2013 Bond must amortize the premium over the term of the 2013 Bond using constant yield principles, based on the purchaser's yield to maturity. As premium is amortized, the owner's basis in the 2013 Bond and the amount of tax-exempt interest received will be reduced by the amount of amortizable premium properly allocable to the owner. This will result in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes on sale or disposition of the 2013 Bond prior to its maturity. Even though the owner's basis is reduced, no federal income tax deduction is allowed. Prospective investors should consult their own tax advisors concerning the calculation and accrual of bond premium.]

Sale, Exchange or Retirement of the 2013 Bonds. Upon the sale, exchange or retirement (including redemption) of a 2013 Bond, an owner of the 2013 Bond generally will recognize gain or loss in an amount equal to the difference between the amount of cash and the fair market value of any property received on the sale, exchange or retirement of the 2013 Bond (other than in respect of accrued and unpaid interest) and such owner's adjusted tax basis in the 2013 Bond. To the extent a 2013 Bond is held as a capital asset, such gain or loss will be capital gain or loss and will be long-term capital gain or loss if the 2013 Bond has been held for more than 12 months at the time of sale, exchange or retirement.

Reporting Requirements. In general, information reporting requirements will apply to certain payments of principal, interest and premium paid on the 2013 Bonds, and to the proceeds paid on the sale of the 2013 Bonds, other than certain exempt recipients (such as corporations and foreign entities). A backup withholding tax will apply to such payments if the owner fails to provide a taxpayer identification number or certification of foreign or other exempt status or fails to report in full dividend and interest income. The amount of any backup withholding from a payment to an owner will be allowed as a credit against the owner's federal income tax liability.

Collateral Federal Income Tax Consequences. Prospective purchasers of the 2013 Bonds should be aware that ownership of the 2013 Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits, certain S corporations with "excess net passive income," foreign corporations subject to the branch profits tax, life insurance companies, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry or have paid or incurred certain expenses allocable to the 2013 Bonds. Bond Counsel expresses no opinion regarding these tax consequences. Purchasers of the 2013 Bonds should consult their tax advisors as to the applicability of these tax consequences and other federal income tax consequences of

the purchase, ownership and disposition of the 2013 Bonds, including the possible application of state, local, foreign and other tax laws.

CONTINUING DISCLOSURE UNDERTAKING

The City will execute and deliver a Continuing Disclosure Undertaking for the benefit of the Beneficial Owners of the 2013 Bonds and in order to assist the Underwriter in complying with Rule 15c2-12 under the Securities Exchange Act of 1934, as amended (the "Rule"). The City is the only "obligated person" with responsibility for continuing disclosure under the Rule.

A failure by the City to comply with the Continuing Disclosure Undertaking will not constitute an event of default with respect to the 2013 Bonds, although any holder would have any available remedy at law or in equity, including seeking specific performance by court order, to cause the City to comply with its obligations under the Continuing Disclosure Undertaking. Any such failure must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the 2013 Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the 2013 Bonds and their market price.

In the past five years, the City failed to timely file its operating data and filed its audited financial statements late (with respect to certain of its outstanding issues) or not at all (with respect to certain of its outstanding issues), and failed to file notices of such failure to file. The City filed its operating data and audited financial statements for the year ended September 30, 2012 and has taken measures to promote future compliance with its undertakings under the Rule.

The form of Continuing Disclosure Undertaking is attached as Appendix B hereto.

Electronic Municipal Market Access System (EMMA)

All Annual Reports and notices of Material Events required to be filed by the City pursuant to the Continuing Disclosure Undertaking must be submitted to the MSRB through the MSRB's Electronic Municipal Market Access system ("EMMA"). EMMA is an internet-based, online portal for free investor access to municipal bond information, including offering documents, material event notices, real-time municipal securities trade prices and MSRB education resources, available at www.emma.msrb.org.

LITIGATION

No litigation is pending or, to the knowledge of the City, threatened in any court to restrain or enjoin the issuance or delivery of any of the 2013 Bonds or the collection of Revenues pledged or to be pledged to pay the principal of and interest on the 2013 Bonds, or in any way contesting or affecting the validity of the 2013 Bonds or the Ordinance or the power to collect and pledge said Revenues to pay the 2013 Bonds, or contesting the powers or authority of the City to issue the 2013 Bonds or adopt the Ordinance. There is no material litigation pending against the City relating to its Sewer System.

RATING

The 2013 Bonds have received the rating from Standard & Poor's Ratings Services. Such rating agency generally bases its rating on its own investigations, studies and assumptions. The City has provided certain additional information and materials to such rating agency (some of which may not appear in this Official Statement). The rating reflects only the view of such rating agency, and any explanation of the significance of such rating may be obtained only from the rating agency. There can be no assurance that the rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by the respective rating agency, if, in the judgment of such rating agency, circumstances so

warrant. Any such downward revision or withdrawal of a rating may have a material adverse effect on the market price of the Bonds. The City undertakes no responsibility to oppose any such downward revision, suspension or withdrawal.

UNDERWRITING

The Underwriter has agreed, subject to certain conditions, to purchase the 2013 Bonds from the City for an aggregate purchase price of $_____, which purchase price takes into account $_____ representing Underwriter's discount [plus/less original issue premium/discount of $_____.] The Underwriter will be obligated to purchase all such 2013 Bonds if any such 2013 Bonds are purchased. The 2013 Bonds may be offered and sold to certain dealers (including underwriters and other dealers depositing such 2013 Bonds into investment trusts) at prices lower than such public offering prices, and such public offering prices may be changed, from time to time, by the Underwriter.

APPROVAL OF LEGAL PROCEEDINGS

Legal matters incident to the authorization and issuance of the 2013 Bonds are subject to the unqualified approving opinion of Gilmore & Bell, P.C., Bond Counsel.

FINANCIAL STATEMENTS

The City's Financial Statements were audited by Almquist, Maltzahn, Galloway & Luth, P.C., Grand Island, Nebraska, for the fiscal year ended September 30, 2012. Such financial statements are included as Appendix A hereto and available at the office of the City Clerk, 100 East First Street, Grand Island, Nebraska 68802 or from Ameritas Investment Corp., 440 Regency Parkway Drive, Suite 222, Omaha, NE 68114. Almquist, Maltzahn, Galloway & Luth, P.C. has not been asked to provide its consent to the inclusion of the financial statements, or Almquist, Maltzahn, Galloway & Luth, P.C.'s audit report thereon, in this Official Statement.

MISCELLANEOUS

The information contained in this Official Statement has been compiled or prepared from information obtained from the City and other sources deemed to be reliable and, while not guaranteed as to completeness or accuracy, is believed to be correct as of this date. Any statements involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact.

CITY OF GRAND ISLAND, NEBRASKA

APPENDIX A

CITY OF GRAND ISLAND, NEBRASKA

FINANCIAL STATEMENTS

September 30, 2012

APPENDIX B

FORM OF CONTINUING DISCLOSURE UNDERTAKING

This **CONTINUING DISCLOSURE UNDERTAKING** dated as of _____, 2013 (this **"Continuing Disclosure Undertaking"**), is executed and delivered by The City of Grand Island, Nebraska (the **"Issuer"**).

RECITALS

A. This Continuing Disclosure Undertaking is executed and delivered by the Issuer in connection with the issuance by the Issuer of **$_____ Sewer System Revenue and Refunding Bonds, Series 2013** (the **"Bonds"**), pursuant to an Ordinance passed and approved by the governing body of the Issuer on August ____, 2013 and a Bond Purchase Agreement dated as of _____, 2013 (together, the **"Ordinance"**).

B. The Issuer is entering into this Continuing Disclosure Undertaking for the benefit of the Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with the Rule. The Issuer is the only **"obligated person"** with responsibility for continuing disclosure pursuant to the Rule and hereunder.

Pursuant to the requirements of the Rule, the Issuer covenants and agrees as follows:

Section 1. Definitions. In addition to the definitions set forth in the Ordinance, which apply to any capitalized term used in this Continuing Disclosure Undertaking unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" means any Annual Report provided by the Issuer pursuant to, and as described in, **Section 2** of this Continuing Disclosure Undertaking.

"Beneficial Owner" means any registered owner of any Bonds and any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

"EMMA" means the Electronic Municipal Market Access system for municipal securities disclosures established and maintained by the MSRB, which can be accessed at www.emma.msrb.org.

"Material Events" means any of the events listed in **Section 3** of this Continuing Disclosure Undertaking.

"**MSRB"** means the Municipal Securities Rulemaking Board, or any successor repository designated as such by the Securities and Exchange Commission in accordance with the Rule.

"Participating Underwriter" means any of the original underwriter(s) of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"Rule" means Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended.

Section 2. Provision of Annual Reports.

(a) The Issuer shall not later than **210** days after the end of the Issuer's fiscal year, commencing with the year ending September 30, 2013, file with the MSRB, through EMMA, the following financial information and operating data (the "**Annual Report**"):

(1) The annual financial statements of the Issuer for the prior fiscal year, prepared in accordance with accounting principles generally accepted in the United States for governmental units as prescribed by the Governmental Accounting Standards Board, which financial statements shall have been audited by such auditor as shall be then required or permitted by the laws of the State of Nebraska.

(2) Updated financial information and operating data of the type contained in the final Official Statement as described in **Exhibit A,** in substantially the same format contained in the final Official Statement.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues with respect to which the Issuer is an **"obligated person"** (as defined by the Rule), which have been provided to the MSRB and are available through EMMA. If the document included by reference is a final official statement, it must be available from the MSRB on EMMA. The Issuer shall clearly identify each such other document so included by reference.

In each case, the Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in this Section. If the Issuer's fiscal year changes, it shall give notice of such change in the same manner as for a Material Event under **Section 3**.

(b) In addition to the foregoing requirements of this Section, the Issuer agrees to provide copies of the most recent Annual Report to any requesting Beneficial Owner or prospective Beneficial Owner, but only after the same has been provided to the MSRB.

Section 3. Reporting of Material Events. Not later than **10** business days after the occurrence of any of the following events, the Issuer shall give, or cause to be given to the MSRB, through EMMA, notice of the occurrence of any of the following events with respect to the Bonds ("**Material Events**"):

(1) principal and interest payment delinquencies;
(2) non-payment related defaults, if material;
(3) unscheduled draws on debt service reserves reflecting financial difficulties;
(4) unscheduled draws on credit enhancements reflecting financial difficulties;
(5) substitution of credit or liquidity providers, or their failure to perform;
(6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
(7) modifications to rights of bondholders, if material;
(8) bond calls, if material, and tender offers;
(9) defeasances;
(10) release, substitution or sale of property securing repayment of the Bonds, if material;

(11) rating changes;
(12) bankruptcy, insolvency, receivership or similar event of the Issuer;
(13) the consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; or
(14) appointment of a successor or additional trustee or the change of name of the trustee, if material.

If the Issuer has not submitted the Annual Report to the MSRB by the date required in **Section 2(a)**, the Issuer shall send a notice to the MSRB of the failure of the Issuer to file on a timely basis the Annual Report, which notice shall be given by the Issuer in accordance with this **Section 3**.

All documents provided to the MSRB pursuant to this Continuing Disclosure Undertaking shall be accompanied by identifying information as prescribed by the MSRB.

Section 4. Termination of Reporting Obligation. The Issuer's obligations under this Continuing Disclosure Undertaking shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If the Issuer's obligations under this Continuing Disclosure Undertaking are assumed in full by some other entity, such person shall be responsible for compliance with this Continuing Disclosure Undertaking in the same manner as if it were the Issuer, and the Issuer shall have no further responsibility hereunder. If such assumption occurs prior to the final maturity of the Bonds, the Issuer shall give notice of such assumption in the same manner as for a Material Event under **Section 3**.

Section 5. Dissemination Agents. The Issuer may, from time to time, engage a Dissemination Agent to assist it in carrying out its obligations under this Continuing Disclosure Undertaking, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. Any such Dissemination Agent shall not be responsible in any manner for the content of any notice or report (including without limitation the Annual Report) prepared by the Issuer pursuant to this Continuing Disclosure Undertaking.

Section 6. Amendment; Waiver. Notwithstanding any other provision of this Continuing Disclosure Undertaking, the Issuer may amend this Continuing Disclosure Undertaking and any provision of this Continuing Disclosure Undertaking may be waived, provided that Bond Counsel or other counsel experienced in federal securities law matters provides the Issuer with its written opinion that the undertaking of the Issuer contained herein, as so amended or after giving effect to such waiver, is in compliance with the Rule and all current amendments thereto and interpretations thereof that are applicable to this Continuing Disclosure Undertaking.

In the event of any amendment or waiver of a provision of this Continuing Disclosure Undertaking, the Issuer shall describe such amendment or waiver in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Issuer. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, notice of such change shall be given in the same manner as for a Material Event under **Section 3**.

Section 7. Additional Information. Nothing in this Continuing Disclosure Undertaking shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Continuing Disclosure Undertaking or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Material Event, in addition to that which is required by this Continuing Disclosure Undertaking. If the Issuer includes any information in any Annual Report or notice of occurrence of a Material Event in addition to the information specifically required by this Continuing Disclosure

Undertaking, the Issuer shall have no obligation under this Continuing Disclosure Undertaking to update such information or include it in any future Annual Report or notice of occurrence of a Material Event.

Section 8. Default. If the Issuer fails to comply with any provision of this Continuing Disclosure Undertaking, any Participating Underwriter or any Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Issuer to comply with its obligations under this Continuing Disclosure Undertaking. A default under this Continuing Disclosure Undertaking shall not be deemed an event of default under the Ordinance or the Bonds, and the sole remedy under this Continuing Disclosure Undertaking in the event of any failure of the Issuer to comply with this Continuing Disclosure Undertaking shall be an action to compel performance.

Section 9. Beneficiaries. This Continuing Disclosure Undertaking shall inure solely to the benefit of the Issuer, the Participating Underwriter, and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Section 10. Severability. If any provision in this Continuing Disclosure Undertaking, the Ordinance or the Bonds shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions of this Continuing Disclosure Undertaking shall not in any way be affected or impaired thereby.

Section 11. Electronic Transactions. The arrangement described herein may be conducted and related documents may be stored by electronic means. Copies, telecopies, facsimiles, electronic files and other reproductions of original documents shall be deemed to be authentic and valid counterparts of such original documents for all purposes, including the filing of any claim, action or suit in the appropriate court of law.

Section 12. Governing Law. This Continuing Disclosure Undertaking shall be governed by and construed in accordance with the laws of the State of Nebraska.

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EXHIBIT A TO FORM OF CONTINUING DISCLOSURE UNDERTAKING

FINANCIAL INFORMATION AND OPERATING DATA TO BE INCLUDED IN ANNUAL REPORT

The following tables contained in the following sections of the final Official Statement related to the Bonds:

- Wastewater System's Five Largest Customers
- HISTORICAL NET REVENUES AVAILABLE FOR DEBT SERVICE (including Debt Service Coverage)

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Moody's assigns initial A1 to the City of Grand Island's, NE
$36.8 million
Sewer Revenue Bonds Series 2013

GRAND ISLAND (CITY OF) NE
GRAND ISLAND (CITY OF) NE SEWER ENTERPRISE
Sewer Enterprise
Nebraska

Moody's Rating

Issue
Rating

Sewer System Revenue and Refunding Bonds, Series 2003
A1
Sale Amount $15,970,000
Expected Sale Date 05/22/03
Rating Description Revenue: Government Enterprise

Sewer System Revenue Bonds Series 2013
A1
Sale Amount $36,865,000
Expected Sale Date 08/12/13
Rating Description Revenue: Government Enterprise

Moody's Outlook - NOO

NEW YORK, August 07, 2013 -- Moody's Investors Service has assigned an initial A1 rating to the City of Grand Island Sewer System's (NE) $36.8 million Sewer System Revenue Bonds, Series 2013. Post-sale, the system will have $38.3 million of outstanding sewer revenue debt.

SUMMARY RATING RATIONALE

The Series 2013 bonds are secured by net revenues of the sewer

system.
Proceeds of the Series 2013 bonds will be used to finance various rehabilitations, extensions, improvements and betterments to the sewer
system. The assignment of the initial A1 rating reflects the system's
financial operations that have declined but are expected to improve following
recent rate increases; unlimited rate setting authority; a modestly sized but
growing service area that serves as the regional trade center located in
central Nebraska (Certificates of Participation (COPs) rated Aa2/ stable
outlook); satisfactory legal provisions; and a manageable debt burden.

STRENGTHS

-Rate setting autonomy

- Stable debt service coverage

CHALLENGES

- Concentrated usage; top user accounts for 22.3% of 2012 operating revenue

- Declining trend of operating revenues

DETAILED CREDIT DISCUSSION

MODESTLY SIZED SYSTEM LOCATED IN CENTRAL NEBRASKA

The system benefit s from a stable economy that is expected to exhibit
moderate growth over the near term, but it has experienced some pressure in
recent years due to declining usage from its top user. The city of Grand
Island is the county seat of Hall County and is located along the Platte

River in central Nebraska, 150 miles west of Omaha (General Obligation (GO) rated Aa1/stable outlook). Covering approximately 30 square miles, the city of Grand Island is the fourth largest city in Nebraska. Due to its location, Grand Island serves as a regional trade center and a leader in agricultural related production with over 75 manufacturing plants in the area. The city's largest employer with over 3,500 employees, Swift & Co. (JBS) (Senior secured bank credit facility (domestic) Ba2/ ratings under review for possible downgrade), operates a beef processing plant in Grand Island.

The city owns and operates an electric (Revenue rated A1/stable outlook), water, sanitary sewer and solid waste disposal systems. The sewer system serves the city of Grand Island as well as a small number of customers outside the city limits. Facilities include approximately 225 miles of sewer lines and eighteen lift stations that provide a firm capacity of 40 million gallons per day (MGD). The customer area is stable, with modest customer growth trends. The customer base grew by a modest 1.27% from fiscal 2011 to fiscal 2012. Officials indicate annual growth of 1% going forward. The system exhibits considerable concentration with the top user, JBS, accounting for 22.43% of 2012 operating revenue and contributing approximately 42.5% of the wastewater system's flow. In 2008, JBS began pre treating wastewater in house which resulted in a significant loss in revenues for the system. However, the system has incorporated the loss in future projections and will continue to address providing treatment for JBS by upgrading the system's facilities which include maintaining a methanol feed system. The system continues to explore expansion opportunities and identify mechanisms that can adapt to the

changing environment.

RECENTLY APPROVED RATE INCREASES STABILIZE DECLINING OPERATING REVENUE TREND

Healthy debt service coverage levels are expected over the near term given the system's rate setting authority and its demonstrated will to increase rates as usage declines. Over the past five years, operating revenues for the system has declined by an average of 7.5%, including a recent 4% decline between 2011 and 2012. The significant drop in revenues was directly related to a decline in usage by the system's largest user, JBS, who reduced their excess surcharge loadings by utilizing in house pretreatment facilities. Positively, the system has unlimited rate setting authority and in an effort to offset the decline and address major capital improvements, the system has implemented rate increases of 9% twice in 2012 and 2013, followed by 5% for 2014. Factoring in rate increases, operating revenues are estimated to increase by a projected $2.6 million at the close of fiscal 2015.

Operational expenses also moderated with the decline in usage, which allowed the system to maintain debt service coverage above two times. While coverage declined from fiscal 2008 high of 2.84 times to a still sound 1.99 times in fiscal 2011, fiscal 2012 rate increases in January and October, as well as a decline in operating expenses, improved debt service coverage to 2.17 times in fiscal 2012. Based on 2012 revenues and including the current issuance, maximum annual debt service (MADs) in fiscal 2014 is a solid 1.43 times. When factoring in rate increase projections, MADs coverage is a

stronger 1.52
times. The system's operating ratio, a measure of the cost of operation of
the system, fell to 57.2% in fiscal 2012 from a high of 63.4% at the close of
fiscal 2010. Additionally, management reports that fiscal 2013 revenues are
tracking slightly above budgeted expectations and anticipates closing with
debt service coverage above two times. While management is largely able to
control rate increases and accurately project debt expenditures, additional
operating costs and unrealized usage projections may result in negative
budget to actual variances. Future credit reviews will focus on the system's
ability to meet coverage projections despite declining revenues and
offsetting any negative variances with adjustments to either rates or
expenditures.

SATISFACTORY LEGAL PROVISIONS

The rate covenant is set at a satisfactory 1.20 times average annual debt
service. Similarly, the additional bonds test requires the system to comply
with one of the following: net revenues of the sewer system for the next
audited fiscal year preceding the issuance of additional bonds at least equal
1.25 times average annual debt service or three full fiscal years after the
issuance equal to 1.25 times average annual debt service. The debt service
reserve fund is set to the lesser of 10% of par; 1.25 times average annual
debt service; or MADs.

DEBT BURDEN SET TO INCREASE SIGNIFICANTLY WITH MAJOR CAPITAL PLAN

The system's debt ratio has increased significantly with the current issuance from 0.7% in fiscal 2012 to approximately, 45%, based on estimated 2012 numbers. The current issuance represents the first issuance outlined in a five year improvement program with total costs estimated at $44 million. The five year improvement program, based on the system's 2011 study, will rehabilitate and replace projects within the existing collection system as well as address several major interceptor sewer mains. Favorably, the system has implemented approved rate increases to offset costs related to any infrastructure projects. The system is not party to any variable rate debt or interest rate swap agreements.

The city's budgetary exposure to its employee pension plans is expected to remain manageable. The city participates in six employee pension plans, of which two are defined benefit plans and the remaining four are defined contribution plans. The city's contributions to the combined plans totaled approximately $2.1 million. The city has historically made its required contributions to all participating pension plans.

Moody's adjusted net pension liability (ANPL) for the city's police and fire plan, under our methodology for adjusting reported pension data, was approximately $862,000 for fiscal 2011, or 0.2 times operating revenues, inclusive of the General Fund and Debt Service Fund. This compares favorably to approximately 1.0 times on average for local governments. Moody's ANPL reflects certain adjustments we make to improve comparability of reported pension liabilities. The adjustments are not intended replace the

city's
reported contribution information, but to improve comparability with other
rated entities. We determined the city's share of liability for the police
and fire plan in proportion to its contributions to the plan and covered
payroll.

WHAT COULD CHANGE THE RATING - UP

-A multi-year trend of favorable coverage levels in excess of the system's
1.20 times rate covenant

-Liquidity and debt service coverage to levels consistent with comparably
rated systems

WHAT COULD CHANGE THE RATING - DOWN

-Inability to maintain adequate coverage on an ongoing basis

-Ongoing usage declines that are not offset with rate increases and/or
declining operating expenditures

KEY STATISTICS

Nature of System: Wastewater collection and treatment

Number of customers: 15,330

Service Area Population: 48,520

Percentage of Fiscal 2012 revenues derived from ten largest customers
combined: 29.97%

Fiscal 2012 debt ratio: 57.2%

Fiscal 2012 debt service coverage: 2.17 times

Pro forma Maximum Annual Debt Service (MADS) coverage (2012 net revenues):
1.43 times

Fiscal 2012 net working capital: $6.5 million (135.6% of O&M)

Moody's ANPL (police and fire plan) as a % of operating revenues:
0.02 times
of operating revenues

Post-sale revenue debt outstanding: $36.8 million

PRINCIPAL METHODOLOGY USED

The principal methodology used in this rating was Analytical Framework For
Water And Sewer System Ratings published in August 1999. Please see the
Credit Policy page on www.moodys.com for a copy of this methodology.

REGULATORY DISCLOSURES

For ratings issued on a program, series or category/class of debt, this
announcement provides certain regulatory disclosures in relation to each
rating of a subsequently issued bond or note of the same series or
category/class of debt or pursuant to a program for which the ratings are
derived exclusively from existing ratings in accordance with Moody's rating
practices. For ratings issued on a support provider, this announcement
provides certain regulatory disclosures in relation to the rating action on
the support provider and in relation to each particular rating action for

securities that derive their credit ratings from the support provider's
credit rating. For provisional ratings, this announcement provides certain
regulatory disclosures in relation to the provisional rating assigned, and in
relation to a definitive rating that may be assigned subsequent to the final
issuance of the debt, in each case where the transaction structure and terms
have not changed prior to the assignment of the definitive rating in a manner
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Summary:

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Summary:

Grand Island, Nebraska; Water/Sewer

Credit Profile		
US$36.865 mil swr sys rev bnds ser 2013 dtd 08/15/2013 due 08/15/2028		
Long Term Rating	AA-/Stable	New

Rationale

Standard & Poor's Ratings Services has assigned its 'AA-' rating to Grand Island, Neb.'s series 2013 sewer system revenue bonds. The outlook is stable.

The rating is based on the following characteristics:

- A stable customer and revenue base;
- Rates considered affordable combined with incomes we consider good;
- A history of strong financial performance and liquidity; and
- Low system leverage, but with some additional capital needs.

Debt service is secured with net revenues of Grand Island's sewer system and a debt service reserve totaling $2.4 million (funded at maximum annual debt service [MADS]). Additional bond provisions include a covenant to maintain rates that cover operations and debt service by at least 120%, a restriction on issuing additional bonds only if net revenues for the prior fiscal year, or projected for the next three fiscal years, will be at least 1.25x average annual pro forma debt service.

The Grand Island sewer service area primarily serves 15,371 customers and 49,000 residents within the city's limits. The city's local economy is principally related to agribusiness and agricultural equipment manufacturing, while it also acts as a retail and commercial center for the surrounding area. Grand Island's median household effective buying income is below average at 84% of the national average. However, considering these incomes, we consider sewer rates affordable at $29.04 for 1,000 cubic feet of use (including an $8.24 fixed monthly charge). The city also approved 9% and 5% rate increases for 2014 and 2015, respectively.

For 2010-2012, the sewer fund's financial performance has been strong. Annual debt service coverage has been about 2x for all three years, and unrestricted cash and investments stood at $5.1 million at Sept. 30, 2012 (or a strong 389 days' cash). Management has not indicated any large financial variance in 2013 that would cause financial results to differ significantly from 2012. Considering that, with the issue of the 2013 bonds, audited 2012 net revenues also cover MADS by 1.6x, we expect the strong financial performance to continue, especially since Grand Island has approved rate increases through the 2015 fiscal year.

Currently, the sewer system's assets are not highly leveraged, but management has indicated additional debt plans within the next few years. At 2012, the debt-to-plant ratio was only 3%. With the additional debt being issued in 2013 and about $20 million-$25 million likely to be issued in fiscal 2015, leverage could increase. However, since the asset

base would also ostensibly increase, we currently do not view the increased debt-to-plant ratio as a negative credit factor.

Outlook

The stable outlook is based on our expectation that the sewer fund's financial performance should remain strong, even with its additional debt needs. We base this expectation on the approved rate increases and a stable customer base that should not experience a large disruption given the nature of Grand Island's economy as a regional center. We do not expect to raise the rating over the two-year outlook horizon given that we have already factored the strong financial performance into the current rating level.

Related Criteria And Research

- USPF Criteria: Key Water And Sewer Utility Credit Ratio Ranges, Sept.15, 2008
- USPF Criteria: Standard & Poor's Revises Criteria For Rating Water, Sewer, And Drainage Utility Revenue Bonds, Sept. 15, 2008

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