

CITY OF GRASS VALLEY
CITY COUNCIL MEETING

Lisa Swarthout, Mayor
Jan Arbuckle


Howard Levine

Ben Aguilar, Vice Mayor
Hilary Hodge

**REGULAR MEETING OF THE GRASS VALLEY CITY COUNCIL,
CAPITAL IMPROVEMENTS AUTHORITY AND REDEVELOPMENT “SUCCESSOR
AGENCY”
7:00 P. M., TUESDAY, MARCH 10, 2020**

COUNCIL CHAMBERS
GRASS VALLEY CITY HALL (LOWER LEVEL)
125 EAST MAIN STREET, GRASS VALLEY, CALIFORNIA
Telephone: (530) 274-4310 – Fax: (530) 274-4399

E-Mail: info@cityofgrassvalley.com Web Site: www.cityofgrassvalley.com

City Council welcomes you to its meetings, which are scheduled at 7 p.m. on the 2nd and 4th Tuesdays of each month. Your interest is encouraged and appreciated. This meeting is being broadcast “live” on Comcast Channel 17 and this meeting is being recorded by NCTV and is scheduled for rebroadcast on NCTV Channel 17. Please consult NCTV program listings as to the schedule at www.nevadacountytv.org. In addition to being broadcast live on TV it is also being broadcast “live” on the internet at www.cityofgrassvalley.com (click on the lower right hand button “Meetings on Video - City Council” and follow the instructions. This meeting is also recorded on audio tape. Council Chambers are wheelchair accessible and listening devices are available. Other special accommodations may be requested to the City Clerk 72 hours in advance of the meeting. Action may be taken on any agenda item. Please turn off all cell phones or similar devices. Agenda materials are available at City Hall, the Grass Valley Public Library or on the City’s web site by clicking on each item’s  icon. Staff reports, and background information related to regular agenda items are available at City of Grass Valley City Hall, 125 East Main Street, Grass Valley, CA 95945. Materials related to an item on this agenda submitted to the Council after distribution of the agenda packet are available for public inspection in the City Clerk’s Office, 125 East Main Street, Grass Valley, CA 95945, during normal business hours. Such documents are also available on the City of Grass Valley website at www.cityofgrassvalley.com subject to the City staff’s ability to post the documents before the meeting.

AGENDA

- A. CALL TO ORDER:**
PLEDGE OF ALLEGIANCE:
ROLL CALL:

- B. AGENDA APPROVAL**
The City Council reserves the right to hear items in a different order to accomplish business in the most efficient manner.

- C. REPORT OUT OF CLOSED SESSION**

- D. INTRODUCTIONS AND PRESENTATIONS**

- E. **PUBLIC COMMENT** – There is a time limitation of three minutes per person. For any item that are not on the agenda and within the jurisdiction or interest of the City, **please come to podium at this time.** If you wish to speak regarding a scheduled agenda item, **please come to the podium when the item number and subject matter are announced, and the Mayor opens Public Comment on the item.** When recognized, please begin by providing your name and address for the record (optional). Anyone wishing to submit written information at the meeting needs to furnish ten (10) copies to the City Clerk in advance to allow for distribution to City Council, staff and the media.
- F. **CONSENT ITEMS** – All matters listed under the Consent Calendar are to be considered routine by the City Council and/or Grass Valley Redevelopment Agency and will be enacted by one motion in the form listed. There will be no separate discussion of these items unless, before the City Council and/or Grass Valley Redevelopment Agency votes on the motion to adopt, members of the Council and/or Agency, staff or the public request specific items to be removed from the Consent Calendar for separate discussion and action (roll call vote).
1. Approval of the Regular Meeting Minutes of February 25, 2020
RECOMMENDATION: Council approve minutes as submitted.
 2. Local Emergency Proclamation
RECOMMENDATION: That Council approve Resolution No. 2020-09 declaring a Local State of Emergency to prepare community against novel coronavirus (COVID-19).
 3. Local Emergency Proclamation
RECOMMENDATION: Continuance of sinkhole proclamation declaring a Local State of Emergency due to extreme weather.
 4. Timberwood Estates Grading Permit 17-03 – Accept Public Improvements
RECOMMENDATION: That Council accept the public improvements constructed as part of Grading Permit 17-03 for Timberwood Estates.
 5. Lyman Gilmore Artificial Turf Project – Final Acceptance
RECOMMENDATION: That Council 1) accept the Lyman Gilmore Artificial Turf Project as complete and 2) authorize the City Engineer to file a Notice of Completion with the County Recorder.
 6. Revise Appointments of City Representatives to PARSAC Board of Directors
RECOMMENDATION: Approve Resolution 2020-08 appointing Tim Kiser, City Manager, as director, and Andy Heath as alternate to the Public Agency Risk Sharing Authority of California (PARSAC) Board of Directors.
 7. Review of 2019 Annual Housing Element Progress Report
RECOMMENDATION: Receive and File. No formal action required.
 8. Informational item acknowledging a Public Safety Power Shutoff (PSPS) Resiliency funding award in the amount of \$230,000 to the City of Grass Valley
RECOMMENDATION: Informational only, no action required.

G. ITEMS REMOVED FROM CONSENT CALENDAR FOR DISCUSSION OR SEPARATE ACTION AND / OR ANY ADDED AGENDA ITEMS

H. PUBLIC HEARING

9. Planning Commission Recommendation of a Development Code Text Amendment of Chapter 17.44.190 regarding Second Units in accordance with State law
RECOMMENDATION: The Planning Commission recommends that the City Council:
1. Determine the Ordinance Amendment of Chapter 17.44.190 Statutorily Exempt as the appropriate level of environmental review in accordance with the California Environmental Quality Act and Guidelines; and,
 2. Waive the first reading of the ordinance in its entirety and read by title only, and introduce the ordinance amending Chapter 17.44.190, Second Units, in accordance with State law.
10. Consideration of an ordinance to add a new chapter to the Development Code, 17.41, that addresses Vacant Storefront Windows in the Town Core (TC) Zoning District
RECOMMENDATION: After closing the public hearing, waive the reading of the ordinance in its entirety and read by title only, and introduce the ordinance to add Chapter 17.41 to the Municipal Code.

I. ADMINISTRATIVE

11. 2020 CalPERS UAL Restructuring – Approval of Bond Purchase Agreement and Preliminary Official Statement for Issuance of Pension Obligation Bonds
RECOMMENDATION: That the City Council adopt Resolution No. 2020-07 confirming the issuance of Pension Obligation Bonds and approving the Preliminary Official Statement and Bond Purchase Agreement and related actions.

J. BRIEF REPORTS BY COUNCIL MEMBERS

K. ADJOURN

Posted:

Date

Time

Andy Heath, Acting City Clerk

MINUTES OF THE

CITY OF GRASS VALLEY CITY COUNCIL MEETING OF FEBRUARY 25TH, 2020

Lisa Swarthout, Mayor
Jan Arbuckle

Howard Levine

Ben Aguilar, Vice Mayor
Hilary Hodge

REGULAR MEETING OF THE GRASS VALLEY CITY COUNCIL, CAPITAL IMPROVEMENTS AUTHORITY AND REDEVELOPMENT “SUCCESSOR AGENCY”

7:00 P. M., TUESDAY, FEBRUARY 25TH, 2020

COUNCIL CHAMBERS

GRASS VALLEY CITY HALL (LOWER LEVEL)

125 EAST MAIN STREET, GRASS VALLEY, CALIFORNIA

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AGENDA

- A. CALL TO ORDER:** 7pm by Mayor Swarthout
PLEDGE OF ALLEGIANCE: Gill Matthew
ROLL CALL: Council Member Arbuckle, Council Member Levine, Vice Mayor Aguilar, and Mayor Swarthout were present. Council Member Hodge was absent.
- B. AGENDA APPROVAL:**
City Manager, Tim Kiser requested that item #8 of section F, in Consent Items be moved to Section G, in Items Removed from Consent Calendar for Discussion or Separate Action and/or any added Agenda Items.
- C. REPORT OUT OF CLOSED SESSION**
There was no closed session.
- D. INTRODUCTIONS AND PRESENTATIONS**
- Grand Jury Awareness Month Proclamation.
 - Mayor Swarthout presented the Grand Jury with a proclamation for Grand Jury Awareness Month.
 - Nevada Joint Union High School District Presentation.
 - Superintendent Brett McFadden presented information about a revisioning of Nevada Joint Union High School District and a new strategic plan that they are rolling out for the school district.
- E. PUBLIC COMMENT –**
Gill Matthew from the Economic Resource Council spoke about the new CMTC California Manufacturing Technology Consultant contract that they have established to do an outreach to help small to medium manufacturing companies here locally by offering services such as helping to establish safety, web design, finance, and accounting. Robin Davies from the Grass Valley Chamber of Commerce wanted to thank the Council and City of Grass Valley for work well done at improving the quality of life here in Grass Valley. Angela Roll spoke about being involved here in a neighborhood watch and expressed her concerns with the growing homeless population and how something needs to be done. She is becoming worried for the children’s safety. Patty Galway

spoke about her homeless experiences and has done outreach programs to help the homeless but what she has found is that a large population of the homeless don't want any help. She feels like the real root of the problem is addiction and if we are going to solve the problem of homelessness, we need to solve the problem of addiction first.

F. CONSENT ITEMS –

Council Member Levine moved to approve the consent agenda as submitted. Council Member Arbuckle seconded, and the motion carried by a 4-0 roll call vote

1. Approval of the Regular Meeting Minutes of February 11, 2020
RECOMMENDATION: Council approve minutes as submitted.
2. Local Emergency Proclamation
RECOMMENDATION: Continuance of sinkhole proclamation declaring a Local State of Emergency due to extreme weather.
3. Grass Valley Entrance Sign and Firefighter Memorial Bell Tower – Final Acceptance
RECOMMENDATION: That Council 1) accept the Grass Valley Entrance Sign and Firefighter Memorial Bell Tower Project as complete, and 2) authorize the Assistant City Engineer to file a Notice of Completion with the County Recorder.
4. 2018 Annual Street Rehabilitation Project – Final Acceptance and Budget Adjustment
RECOMMENDATION: That Council: 1) approve the final payment and accept the 2018 Annual Street Rehabilitation Project as complete, 2) authorize the Finance Director to execute a budget transfer in the amount of \$55,380.54 from gas tax funds to this project, and 3) authorize the Assistant City Engineer to file a Notice of Completion with the County Recorder.
5. Peabody Creek Restoration Project – Final Acceptance
RECOMMENDATION: That Council 1) accept the Peabody Creek Restoration Project as complete, and 2) authorize the Assistant City Engineer to file a Notice of Completion with the County Recorder.
6. Minnie Park Playground Project – Final Acceptance
RECOMMENDATION: That Council 1) accept the Minnie Park Playground Project as complete and 2) authorize the Assistant City Engineer to file a Notice of Completion with the County Recorder.
7. Gift from Awaken the Dawn Leadership Team
RECOMMENDATION: That Council recognize a gift donation of \$333.33 for community improvements received from Awaken the Dawn Leadership Team.

Approve the Out-of-State Travel for the Fleet Supervisor to Attend Training and Education Courses Related to Job Duties.
8. ~~RECOMMENDATION: That Council approve an out-of-state travel request for the Fleet Supervisor to attend Con Expo 2020 in Las Vegas, Nevada for 6 days. The training costs, approximately \$1,400, will be shared by the Fire and Public Works Departments.~~

G. ITEMS REMOVED FROM CONSENT CALENDAR FOR DISCUSSION OR SEPARATE ACTION AND / OR ANY ADDED AGENDA ITEMS

1. Approve the Out-of-State Travel for the Fleet Supervisor to Attend Training and

Education Courses Related to Job Duties.

RECOMMENDATION: That Council approve an out-of-state travel request for the Fleet Supervisor to attend Con-Expo 2020 in Las Vegas, Nevada for 6 days. The training costs, approximately \$1,400, will be shared by the Fire and Public Works Departments.

- Mike Busse Public Work Director of Operations presented this item to City Council. He asked to increase the amount by \$600 due to increased prices of lodging, and extra funds are available out of Fire funds.
 - Council Member Levine moved to approve an out-of-state travel request for the Fleet Supervisor to attend Con-Expo 2020 in Las Vegas, Nevada for 6 days. The training costs, approximately \$2,000, will be shared by the Fire and Public Works Departments. Vice Mayor Aguilar seconded, and the motion carried by a 4-0 voice vote.

H. PUBLIC HEARING

There were no Public Hearing items.

I. ADMINISTRATIVE

9. Recruitment of Measure E Firefighters/Firefighter Paramedics
RECOMMENDATION: That Council approve the Fire Chief to modify the hiring of firefighter paramedics to include firefighters with primary focus on firefighter paramedics.
- Fire Chief Mark Buttron presented this item to City Council.
 - Vice Mayor Aguilar moved to approve the Fire Chief to modify the hiring of firefighter paramedics to include firefighters with primary focus on firefighter/paramedics. Council Member Arbuckle seconded, and the motion carried by a 4-0 voice vote.

J. BRIEF REPORTS BY COUNCIL MEMBERS

Council Member Levine spoke about visiting the memorial site and thanks to public works, the planters are planted, the irrigation is working, lights have been approved to be installed, and the plaque is ordered and should be installed and completed. Council Member Arbuckle spoke about attending the YMCA youth in government and how amazing the children are. She also attended the Governor's State of the State and spoke about how the Governor spoke on the topic of homelessness and it is his number one goal to end homelessness. Council Member Arbuckle has also been appointed to the National League of Cities Homeless Taskforce. Vice Mayor Aguilar went to a LAFCO budget meeting at the county and was able to talk about all the work that has been taking place around town because of the great weather. Mayor Swarhout spoke about also attending the Youth in Government award and how great all of the kids were. Mayor also spoke on behalf of Marni Marshall from the Downtown Association and coming up this weekend is the Foothill Events Celebration and St Piran's day is on March 14th with the pasties toss.

K. ADJOURN:

The meeting was adjourned by Mayor Swarhout at 7:56 pm.

Lisa Swarhout, Mayor

Andy Heath, Administrative Services Director



**City of Grass Valley
City Council
Agenda Action Sheet**

Council Meeting Date: March 10, 2020

Date Prepared: March 5, 2020

Prepared by: Timothy M. Kiser, City Manager

Title: Local Emergency Proclamation

Recommended Motion: That Council approve Resolution No. 2020-09 declaring a Local State of Emergency to prepare community against novel coronavirus (COVID-19).

Agenda: Consent

Background Information: On March 5, 2020 the City Manager, acting as the Director of Emergency Services for the City of Grass Valley and the Disaster Council (Vice Mayor Aguilar and Councilmember Arbuckle), declared a local State of Emergency to ensure emergency personnel can obtain equipment and resources in the most timely and effective manner. In accordance with the Emergency Services Act Section 8630 (b) the governing body must ratify the declared emergency within 7 days for it to remain in effect. Resolution 2020-09, Proclamation of Local Emergency is to be ratified on March 5th at the Grass Valley City Council Meeting. The City Council shall review, at its regularly scheduled meeting until the local emergency is terminated, the need for continuing the local emergency.

It is important for our community members to understand the important role they play in this local emergency/readiness plan. To help prevent the spread of germs and any illness, all standard precautions should be observed with care in the coming weeks. Remember to wash your hands often for at least 20 seconds with soap and warm water, stay home if you feel ill, and avoid touching your eyes, nose and mouth. The Nevada County Public Health Department has activated Connecting Point's Call Center to answer community questions and to provide up-to-date information about the virus and available resources, simply dial 2-1-1 to reach a representative.

Council Goals/Objectives: The proclamation declaring a Local State of Emergency to prepare against coronavirus COVID-19 executes portions of City Strategic Goal #6: Public Safety. The City of Grass Valley is devoted to providing a safe Place to Live, Work and Play.

Fiscal Impact: The Fiscal Impact should be minor, but due to the constantly changing potential impact of COVID-19 the actual fiscal impact is unknown.

Funds Available: N/A

Account#: N/A

Reviewed by: _____ City Manager

RESOLUTION NO. 2020-09

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF GRASS VALLEY
PROCLAIMING A LOCAL EMERGENCY AND RATIFYING THE DISASTER
COUNCIL'S PROCLAMATION OF A LOCAL EMERGENCY IN THE CITY OF GRASS
VALLEY AND REQUEST FOR ASSISTANCE UNDER THE CALIFORNIA DISASTER
ASSISTANCE ACT**

WHEREAS, Grass Valley Municipal Code Section 8.12.010 et seq. creates the Disaster Council of the City of Grass Valley, and empowers the Disaster Council to develop and implement emergency and mutual aid plans and to proclaim the existence or threatened existence of, conditions of disaster or of extreme peril to the safety of persons and property within the City of Grass Valley that result in a local emergency; and

WHEREAS, Section 8.12.040 of the Grass Valley Municipal Code empowers the Disaster Council to proclaim the existence, or threatened existence, of a local emergency if the City Council is unavailable and requires the City Council to ratify the proclamation within seven days thereafter; and

WHEREAS, conditions of extreme peril to the safety of persons or property have arisen within the City of Grass Valley as a result of the spread of the COVID-19 virus throughout the State of California, including a death due to the virus in neighboring Placer County on Wednesday, March 4; and

WHEREAS, the Governor of California declared a Statewide state of emergency due to the COVID-19 virus on Wednesday, March 4; and

WHEREAS, the Disaster Council did proclaim the existence of a local emergency within the City of Grass Valley on the 5th Day of March, 2020; and

WHEREAS, the City Council does hereby find the aforesaid conditions of extreme peril did warrant and necessitate the proclamation of the existence of a local emergency in the City of Grass Valley; and

WHEREAS, the City Council does hereby find that local resources are unable to cope with the effects of said emergency; and

WHEREAS, Section 8.12.060, subdivision (a)(1) of the Grass Valley Municipal Code empowers the Director of Emergency Services to request the City Council to proclaim the existence or threatened existence of a local emergency if the City Council is in session; and

NOW, THEREFORE, IT IS HEREBY RESOLVED AND ORDERED that the City Council hereby proclaims a local emergency due to the existence or threatened existence of conditions of disaster or of extreme peril to the safety of persons and property within the City of Grass Valley; and

IT IS FURTHER RESOLVED AND ORDERED that the Disaster Council's Proclamation of Existence of a Local Emergency and request to the Governor to provide assistance through the California Disaster Assistance Act, as issued by the Director of Emergency Services, is hereby ratified and confirmed; and

IT IS FURTHER RESOLVED AND ORDERED that the local emergency shall be deemed to continue to exist until its termination is proclaimed by the City Council of the City of Grass Valley; and

IT IS FURTHER RESOLVED AND ORDERED that during the existence of said local emergency the powers, functions and duties of the Disaster Council of the City of Grass Valley and its Director of Emergency Services shall be those prescribed by state law, and by the charter, ordinances, and resolutions of this City,

IT IS FURTHER ORDERED that a copy of this Resolution be forwarded to the State Director of the Office of Emergency Services.

IT IS FURTHER ORDERED that Tim Kiser, Director of Emergency Services of the City of Grass Valley, is hereby designated as the authorized representative of the City of Grass Valley for the purpose of receipt, processing, and coordination of all inquiries and requirements necessary to obtain available State and Federal assistance.

PASSED AND ADOPTED by the City Council of the City of Grass Valley at a regular meeting of the City Council held the 10th of March 2020, by the following vote:

AYES:
NOES:
ABSENT:
NOT VOTING:

Lisa Swarthout, Mayor
City of Grass Valley

ATTEST:

Andy Heath, Acting City Clerk
City of Grass Valley

APPROVED AS TO FORM:

Michael G. Colantuono, City Attorney
City of Grass Valley



**City of Grass Valley
City Council
Agenda Action Sheet**

Council Meeting Date: March 10, 2020

Date Prepared: March 5, 2020

Prepared by: Mark Buttron, Fire Chief

Title: Local Emergency Proclamation

Recommended Motion: Continuance of sinkhole proclamation declaring a Local State of Emergency due to extreme weather.

Agenda: Consent

Background Information: On January 11, 2017 the City Manager, acting as the Director of Emergency Services for the City of Grass Valley, declared a local State of Emergency as a result of damages caused by extreme weather. In accordance with the Emergency Services Act Section 8630 (b) the governing body must ratify the declared emergency within 7 days for it to remain in effect. Resolution 2017-02, Proclamation of Local Emergency, was ratified on January 17th at a special meeting of the Grass Valley City Council. The City Council shall review, at its regularly scheduled meeting until the local emergency is terminated, the need for continuing the local emergency.

Council Goals/Objectives: Continuance of the proclamation declaring a Local State of Emergency due to extreme weather executes portions of City Strategic Goal #6: Public Safety. The City of Grass Valley is devoted to providing a safe Place to Live, Work and Play.

Fiscal Impact: The Majority (more than 75%) of the costs should be reimbursed by various agencies.

Funds Available: N/A

Account#: N/A

Reviewed by:  City Manager



**City of Grass Valley
City Council
Agenda Action Sheet**

Council Meeting Date: March 10, 2020

Date Prepared: March 4, 2020

Prepared by: Bjorn P. Jones, PE, Assistant City Engineer *BPJ*

Title: Timberwood Estates Grading Permit 17-03 – Accept Public Improvements

Recommended Motion: That Council accept the public improvements constructed as part of Grading Permit 17-03 for Timberwood Estates.

Agenda: Consent

Background Information: On October 25, 2005, the Planning Commission conditionally approved Development Review Application 05PLN-04 for the Makiah Woods Development. On December 15, 2017, the improvement plans were approved under Grading Permit 17-03 and the development was renamed as Timberwood Estates.

The public improvements associated with Grading Permit 17-03, including curb, gutter and sidewalk and sewer facilities, are now complete. A warranty and guarantee will remain in place for one year following acceptance. Staff recommends that Council accept the public improvements at this time.

Council Goals/Objectives: The acceptance of public improvements executes portions of work tasks towards achieving/maintaining Strategic Plan – City Infrastructure Investment.

Fiscal Impact: Project costs associated with the construction and inspection of the public improvements for Grading Permit 17-03 are 100% born by the developer.

Funds Available: N/A

Account #: N/A

Reviewed by: *mk* City Manager



**City of Grass Valley
City Council
Agenda Action Sheet**

Council Meeting Date: March 10, 2020

Date Prepared: March 3, 2020

Prepared by: Timothy M. Kiser, City Manager

Handwritten signature of Timothy M. Kiser in blue ink.

Title: Lyman Gilmore Artificial Turf Project – Final Acceptance

Recommended Motion: That Council 1) accept the Lyman Gilmore Artificial Turf Project as complete and 2) authorize the City Engineer to file a Notice of Completion with the County Recorder.

Agenda: Consent

Background Information: On March 12, 2019, Council authorized award of a construction contract for the Lyman Gilmore Artificial Turf Project to FieldTurf USA, Inc. for \$1,558,743.

All of the work has now been completed by the contractor and three contract change orders were issued as part of this project. The final approved construction costs total \$1,602,245.00. The Engineering Division has field accepted the work and the contractor has provided the City with a guarantee of work for a period of one year. Upon Council's acceptance, the City Engineer will file a Notice of Completion with the County Recorder's Office. If no Stop Notices are received by the City after a period of thirty-five (35) days from the filing date of the Notice, all appropriate bonds will be released to the contractor.

Council Goals/Objectives: The Lyman Gilmore Artificial Turf Project executes portions of work tasks towards achieving/maintaining Strategic Plan – Recreation and Parks.

Fiscal Impact: The project was funded in the current budget with Measure E Funds.

Funds Available: Yes

Account #: Measure E Funds

Reviewed by:

____ City Manager

RECORDING REQUESTED BY and
WHEN RECORDED MAIL TO:

**ENGINEERING DIVISION
CITY OF GRASS VALLEY
125 East Main Street
Grass Valley, CA 95945**

SPACE ABOVE THIS LINE FOR RECORDER'S USE ONLY

NOTICE OF COMPLETION

NOTICE IS HEREBY GIVEN THAT:

1. That the undersigned is OWNER or agent of the OWNER of the interest or estate stated below in the property hereinafter described.
2. The FULL NAME of the OWNER is the **City of Grass Valley**.
3. The FULL ADDRESS of the OWNER is **125 East Main Street, Grass Valley, CA 95945**.
4. The nature of the INTEREST or ESTATE of the undersigned is: **FEE**.
5. A work of improvement on the property hereinafter described was COMPLETED: **January 10, 2020**.
6. The work of improvement completed is described as follows: **Installation of artificial turf field, concrete curbing, sidewalk and fencing improvements**.
7. The NAME OF THE ORIGINAL CONTRACTOR, if any, for such work of improvement is: **FieldTurf USA, Inc.**
8. The street address of said property is: **Lyman Gilmore Middle School, Gilmore Way, Grass Valley, Ca 95945**
9. The property on which said work of improvement was completed is in the City of **Grass Valley**, County of **Nevada**, State of California and is described as follows: the **Lyman Gilmore Artificial Turf Project**.

City of Grass Valley
Owner

by: _____

Timothy M. Kiser, City Engineer

"I certify under penalty of perjury that the foregoing is true and correct."

(Date and Place)

(Signature)



**City of Grass Valley
City Council
Agenda Action Sheet**

Council Meeting Date: March 10, 2020

Date Prepared: March 4, 2020

Prepared by: Timothy M. Kiser, P.E. City Manager

Title: Revise Appointments of City Representatives to PARSAC Board of Directors

Agenda: Consent

Recommended Motion: Approve Resolution 2020-08 appointing Tim Kiser, City Manager, as director, and Andy Heath as alternate to the Public Agency Risk Sharing Authority of California (PARSAC) Board of Directors.

Background Information: PARSAC requires member cities to appoint individuals to represent the City on the Board of Directors. Resolution 2018-65 appointed Tim Kiser, City Manager, as director, and alternate. Since these appointments, the alternate is no longer with the City. Tim Kiser would remain as director and Andy Heath would become the alternate to the PARSAC Board of Directors. Thus, Staff is requesting that City Council adopt Resolution 2020-08 appointing Tim Kiser, City Manager, as director and Andy Heath as alternate.

Council Goals/Objectives: This item executes portions of work tasks towards achieving/maintaining portions of City Strategic Goal High Performance Government and Quality Service. The City of Grass Valley is devoted to providing a safe Place to Live, Work and Play.

Fiscal Impact: This item does not have a significant impact.

Funds Available: N/A

Account#: N/A

Reviewed by:

____ City Manager

1.

RESOLUTION NO. 2020-08

RESOLUTION OF THE GRASS VALLEY CITY COUNCIL TO APPOINT REPRESENTATIVES TO THE PUBLIC AGENCY RISK SHARING AUTHORITY OF CALIFORNIA BOARD OF DIRECTORS

WHEREAS, the City of Grass Valley is a party to the Revised and Restated Joint Powers Agreement creating the Public Agency Risk Sharing Authority of California, dated November 19, 1993 [the "Joint Powers Agreement"], and, as such, is a Member Agency of the Public Agency Risk Sharing Authority of California ["PARSAC"], as that term is defined in the Joint Powers Agreement, and

WHEREAS, pursuant to the Joint Powers Agreement, each Member Agency of PARSAC is required to appoint a Director and an Alternate Director to act in the Director's absence, to represent the City of Grass Valley as if itself were present and acting on the PARSAC Board of Directors for all matters which come before such Board of Directors, and also for the Director to be eligible for serving on the PARSAC Executive Committee.

NOW, THEREFORE, BE IT RESOLVED, that Grass Valley City Council hereby appoints, Tim Kiser, City Manager to serve as its Director on the PARSAC Board of Directors to act on behalf of the City, a Member Agency of PARSAC, on all matters to come before the Board of Directors, as if the City itself were present and acting at such meeting, and for such Director to be eligible for serving on the PARSAC Executive Committee; and appoints Andy Heath, to serve as Alternate Director in the absence of the Director.

Adopted by the City Council on the 10th day of March 2020, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

Lisa Swarthout, Mayor

APPROVAL AS TO FORM:

ATTEST:

Michael Colantuono, City Attorney

Andy Heath, City Clerk



**City of Grass Valley
City Council
Agenda Action Sheet**

Council Meeting Date: March 10, 2020

Date Prepared: March 2, 2020

Prepared by: Lance E. Lowe, AICP, Principal Planner *ELW*

Title: Review of 2019 Annual Housing Element Progress Report

Recommended Motion: Receive and File. No formal action required.

Agenda: Consent

Background Information: State law requires cities and counties to prepare an Annual Progress Report (APR) on the status of the implementation of their Housing Element. This report must be submitted to the City Council, Governor's Office of Planning and Research (OPR), and Department of Housing and Community Development (HCD) by April 1 of each year.

The City adopted its current 2019 – 2027 Housing Element on August 13, 2019. The 2019-2027 Housing Element Regional Housing Needs Assessment allocates 743 housing units to the City of Grass Valley during the Housing Element planning period.

Attached are excerpt summaries of the City's APR from the new forms adopted by HCD. The City's housing numbers include entitled projects including, but not limited to: Gold Country Village Phase II, Gilded Springs, Habitat for Humanity and Loma Rica Phase I approved to date together with building permits issued in 2019.

Council Goals/Objectives: This APR does not meet any specific or general goal or objective but is mandated by the State.

Fiscal Impact: Preparation of the APR has been completed with existing staffing resources, which relies on the City's General Fund.

Funds Available: Yes

Account #: 100-5105

Reviewed by:

ELW Community Development Director

MLK City Manager

Attachments: Summary forms from the 2019 Housing Element Annual Progress Report



ATTACHMENTS

Jurisdiction	Grass Valley	
Reporting Year	2019	(Jan. 1 - Dec. 31)

ANNUAL ELEMENT PROGRESS REPORT
Housing Element Implementation
 (CCR Title 25 §6202)

This table is auto-populated once you enter your jurisdiction name and current year data. Past year information comes from previous APRs.
 Please contact HCD if your data is different than the material supplied here

Table B
Regional Housing Needs Allocation Progress
Permitted Units Issued by Affordability

Income Level		1 RHNA Allocation by Income Level	2							3 Total Units to Date (all years)	4 Total Remaining RHNA by Income Level		
			2014	2015	2016	2017	2018	2019					
Very Low	Deed Restricted	122	10	2	1							14	108
	Non-Deed Restricted					1							
Low	Deed Restricted	88	72					1				113	
	Non-Deed Restricted		2			3		35					
Moderate	Deed Restricted	100										1	99
	Non-Deed Restricted				1								
Above Moderate		220		5				36		25		66	154
Total RHNA		530											
Total Units			84	7	2			40		61		194	361

Note: units serving extremely low-income households are included in the very low-income permitted units totals
 Cells in grey contain auto-calculation formulas

Jurisdiction	Grass Valley	
Reporting Year	2019	(Jan. 1 - Dec. 31)

Building Permits Issued by Affordability Summary		
Income Level		Current Year
Very Low	Deed Restricted	0
	Non-Deed Restricted	0
Low	Deed Restricted	1
	Non-Deed Restricted	35
Moderate	Deed Restricted	0
	Non-Deed Restricted	0
Above Moderate		25
Total Units		61

Note: Units serving extremely low-income households are included in the very low-income permitted units totals

Housing Applications Summary	
Total Housing Applications Submitted:	8
Number of Proposed Units in All Applications Received:	427
Total Housing Units Approved:	307
Total Housing Units Disapproved:	0

Use of SB 35 Streamlining Provisions	
Number of Applications for Streamlining	0
Number of Streamlining Applications Approved	0
Total Developments Approved with Streamlining	0
Total Units Constructed with Streamlining	0

Units Constructed - SB 35 Streamlining Permits			
Income	Rental	Ownership	Total
Very Low	0	0	0
Low	0	0	0
Moderate	0	0	0
Above Moderate	0	0	0
Total	0	0	0


Cells in grey contain auto-calculation formulas



**City of Grass Valley
City Council
Agenda Action Sheet**

Council Meeting Date: March 10, 2020

Date Prepared: March 4, 2020

Prepared by: Thomas Last, Community Development Director 

Title: Informational item acknowledging a Public Safety Power Shutoff (PSPS) Resiliency funding award in the amount of \$230,000 to the City of Grass Valley.

Recommended Motion: Informational only, no action required.

Agenda: Consent

Background Information: Last fall the California Office of Emergency Services (CAL OES) created a grant program for local jurisdictions impacted by the power shutoffs. The program was to be used to fund equipment, planning efforts, public education, or for equipping resource centers for those eligible impacted communities. On November 13, 2019, the City submitted an application for \$230,000. The City specifically requested the funds be used for fuel storage tanks for emergency service vehicles and generators, a mobile generator and upgrades to City Hall to allow generator use, fuel tanks that could be mounted on maintenance vehicles to allow mobile refueling, a power resiliency study, and generators for traffic signals, with potential for solar power readiness. On February 20, 2020, Cal OES informed the City that the we were selected to receive the full funding. To prepare for expected future power shutoffs, staff anticipates expending most of these funds in the next few months.


Council Goals/Objectives: This program implements several objectives under Goal 6 regarding taking steps to improve public safety.

Fiscal Impact: The City will use the funds from this award to purchase the equipment and programs specified in the grant.

Funds Available: N/A

Account #: N/A

Reviewed by:

 City Manager

Attachments:



**City of Grass Valley
City Council
Agenda Action Sheet**

Council Meeting Date: March 10, 2020

Date Prepared: March 2, 2020

Prepared by: Lance E. Lowe, AICP, Principal Planner *LL*

Title: Planning Commission Recommendation of a Development Code Text Amendment of Chapter 17.44.190 regarding Second Units in accordance with State law.

Recommended Motion: The Planning Commission recommends that the City Council:

1. Determine the Ordinance Amendment of Chapter 17.44.190 Statutorily Exempt as the appropriate level of environmental review in accordance with the California Environmental Quality Act and Guidelines; and,
2. Waive the reading of the ordinance in its entirety, read by title only, and introduce the ordinance amending Chapter 17.44.190, Second Units, in accordance with State law.

Agenda: Public Hearing

Background Information: On February 18, 2020, the Planning Commission convened a noticed public hearing to consider the Draft Second Unit Ordinance (Ordinance). After brief discussions regarding Accessory Dwelling Unit (ADU) and Junior Accessory Dwelling Unit (JADU) size limitations, sale of ADUs, and development impact fees, the Planning Commission unanimously recommended approval of the Ordinance with one amendment relating to impact fees.

Specifically, per Section 17.44.190 G and State law, second units less than 750 square feet are exempt from impact fees and second units larger than 750 square feet shall be charged proportionately to the square footage of the primary dwelling. However, the Planning Commission concluded that charging a proportionate fee may be a disincentive for second units larger than 750 square feet. Accordingly, the Planning Commission recommended that ADUs over 750 square feet be charged the "percent difference vs. the proportional cost" of the existing primary dwelling. For example:

As proposed, a 751 square foot second unit with a 1,000 square foot primary dwelling (impact fees are \$12,926.68 without sewer and water fees) would be charged 75.1 percent (proportionate cost) of the primary dwelling unit or \$9,707.94.

As recommended by the Planning Commission, a 751 square foot second unit with a 1,000 square foot primary dwelling would be charged 24.9% (percent difference) of the primary dwelling unit or \$3,218.75.



**City of Grass Valley
City Council
Agenda Action Sheet**

The Ordinance reflects the recommendation by the Planning Commission. Should the City Council opt to adopt the Ordinance as recommended by the Planning Commission, staff notes that the reduction of impact fees to the City’s Impact Fee Program may need to be backfilled with the General Fund. At this time, staff does not know the true deficit to the Impact Fee Program considering it is unknown how many second units will be constructed in the coming years. However, as an example in 2019, a total of five (5) second units were constructed. Accordingly, as recommended by the Planning Commission (applying a percent difference vs. the proportional cost), should each of the five (5) units be larger than 750 square feet, a deficit in the Impact Fee Program of \$32,445.95 would occur using the examples noted above ($\$9,707.94 - \$3,218.75 \times 5 = \$32,445.95$).

Although, it is speculative to ascertain the number of second units to be constructed in the coming years and resulting deficit to the Impact Fee Program, staff is concerned about the potential deficit to the Impact Fee Program and potential General Fund impacts as a result.

Lastly, staff made a minor edit to the Draft Second Unit Ordinance combining Sections 17.44.190 B and 17.44.190 C to further simplify the ordinance. A strikeout version of the Draft Second Unit Ordinance is in **Attachment 1**.

Project Description: See Planning Commission Staff Report **Attachment A** for Background, Project Description, General Plan and Zoning, Environmental Determination and Analysis.

Council Goals/Objectives: The project fulfills the goals and objectives of the 2019 – 2027 Housing Element as well as Community & Sense of Place of the City’s Strategic Plan.

Fiscal Impact: Preparation of the Second Unit Ordinance has been drafted with existing staffing resources allocated for Fiscal Year 19/20.

The Ordinance will have an impact on the City’s Impact Fee Program considering that second units less than 750 square feet are exempt from impact fees and units larger than 750 are required to pay their proportional share. This impact would be further realized should the City Council opt to adopt an Ordinance recommended by the Planning Commission as described above.

Reviewed by:

 Community Development Director

_____ City Manager

Attachment A – Planning Commission Staff Report dated February 18, 2020 with attached Draft Second Unit Ordinance



ATTACHMENT



Agenda Item: 7.2
Prepared by: Lance E. Lowe, AICP, Principal Planner *LEL*
Reviewed by: Thomas Last, Community Development Director *TL*

DATA SUMMARY:

Application Number: 20PLN-03
Subject: Planning Commission recommendation of a Development Code Text Amendment of Chapter 17.44.190 regarding Second Units in accordance with State law.
Location/APN: Applies to the City's residential zones
Applicant: City of Grass Valley
Zoning/General Plan: Residential Zones/Residential
Entitlement(s): Development Code Text Amendment
Environmental Status: Statutory Exemption

RECOMMENDATION:

Staff recommends that the Planning Commission recommend that the City Council take the following actions:

1. Determine the Ordinance Amendment of Chapter 17.44.190 Statutorily Exempt as the appropriate level of environmental review in accordance with the California Environmental Quality Act and Guidelines; and,
2. Adopt an Ordinance Amending Chapter 17.44.190 Entitled Second Units in accordance with State law as outlined in this Staff Report (**Attachment 1 – Draft Ordinance**).

BACKGROUND:

In response to changes in State laws, the City updated its Second Unit provisions in the Development Code in September 2017.

On October 9, 2019, five State Assembly/Senate (SB 13, AB 68, AB 587, AB 671 and AB 881) bills were signed into law effective January 1, 2020. These bills were intended to reduce local barriers to building second units defined as Accessory Dwelling Units (ADUs) and Junior Accessory Dwelling Units (JADUs).

PROJECT DESCRIPTION:

In response to recent legislation, the City needs to update Chapter 17.44.190 et. seq. of the Development Code to address Accessory Dwelling and Junior Accessory Units. Considering the City updated the Second Unit provisions in 2017, many of the State law requirements

have already been incorporated and are reflected in the City's Development Code. Accordingly, the following six edits of Chapter 17.44.190 are necessary to ensure compliance with current State law:

1. *Chapter 17.44.190 B. Minimum Lot Area* – The City's standard requiring a minimum of 8,000 square feet for detached ADUs is no longer valid and therefore is stricken in its entirety. The section now cites new exemptions for certain sized ADUs.
2. *Chapter 17.44.190 D.1. Number of Units Allowed* – Has been clarified to allow building permits to create multiple accessory dwelling units within existing portions of existing multiple family dwellings.
3. *Chapter 17.44.190 D.9. Setback requirements* – Has been clarified to permit the use of an existing building's setbacks for ADU structures.
4. *Chapter 17.44.190 G. Sale of ADU by Qualified Nonprofit* – Provisions have been added to allow for the individual sale of the ADU subject to certain restrictions.
5. *Chapter 17.44.190 H. Development and Utility Fees* – Provisions have been added to limit the imposition of impact fees on accessory dwelling units less than 750 square feet and those more than 750 square feet shall be charged proportionally in relation to the primary dwelling unit.
6. *Junior Accessory Dwelling Unit Definition* – Definition has been added.

With the incorporation of the above edits, the City's Development Code follows all current State laws which requires the following seventeen provisions:

1. Development standards shall not include requirements for minimum lot size.
2. Clarifies areas designated for ADUs may be based on water and sewer and impacts on traffic flow and public safety.
3. Eliminates owner-occupancy requirements by local agencies until January 1, 2025.
4. Prohibits a local agency from establishing a maximum size of an ADU of less than 850 square feet, or 1,000 square feet if the ADU contains more than one bedroom.
5. Clarifies that when ADUs are created through the conversion of a garage, carport or covered parking structure, replacement of off-street parking spaces cannot be required by the local agency.
6. Reduces the maximum ADU and JADU application review time from 120 days to 60 days.
7. Clarifies "public transit" to include various means of transportation that charge set fees, run on fixed routes and are available to the public.
8. Establishes impact fee exemptions or limitation based on the size of the ADU. ADUs up to 750 square feet or larger shall be proportional to the relationship of the ADU to the primary dwelling unit.
9. Defines an "accessory structure" to mean a structure that is accessory or incidental to a dwelling on the same lot as the ADU.
10. Authorizes HCD to notify the local agency if the department finds that their ADU ordinance is not in compliance with State law.

11. Clarifies that a local agency may identify an ADU or JADU as an adequate site to satisfy RHNA housing needs as specified in Gov. Code Section 65583.1(a).
12. Permits JADUs without an ordinance adoption by a local agency.
13. Allows a permitted JADU to be constructed within the walls of the proposed or existing single-family residence and eliminates the required inclusion of a existing bedroom or an interior entry into the single-family residence (Gov. Code Section 65852.22).
14. Allows upon application and approval, an owner of a substandard ADU 5 years to correct the violation, if the violation is not a health and safety issue, as determined by the enforcement agency.
15. Creates a narrow exemption to the prohibition for ADUs to be sold or otherwise conveyed separate from the primary dwelling and the ADUs are to be built by a qualified non-profit corporation whose mission is to provide units to low-income households (Gov. Code Section 65852.26).
16. Removes covenants, conditions and restrictions (CC&Rs) that either effectively prohibit or unreasonably restrict the construction or use of an ADU.
17. Requires local agency housing elements to include a plan that incentivizes and promotes the creation of ADUs that can offer affordable rents for very low, low or moderate-income households and requires HCD to develop a list of state grants and financial incentives in connection with the planning, construction and operation of affordable ADUs (Gov. Code Section 65583 and Health and Safety Code Section 50504.5).

GENERAL PLAN AND ZONING:

General Plan: The City's Second Unit requirements apply to property with residential General Plan land use designations. The City's 2020 General Plan Land Use Policy supports the provision of second units:

21-LUP: Provide for secondary housing units on single-family residential lots.

2019 – 2027 Housing Element – The 2019-2027 Housing Element was adopted by the City Council in August and certified by the State Department of Housing and Community Development (HCD). HE Policy 7 addresses second units:

Policy 7: The City shall continue to allow second dwelling units in any residential zone according to standards included in the City's Development Code.

Zoning: Consistent with State law, second units are permitted in all of the residential zones of the City (e.g. R-E, R-1, R-2, R-2A, R-3, NC, NC-Flex, NG-3 and NG-2 Zones).

ENVIRONMENTAL DETERMINATION:

The update of the City's Second Unit Ordinance constitutes adjustments to the City's zoning ordinance to implement new State law requirements related to second units as established in Government Code section 65852.2. Such changes are statutorily exempt from review under CEQA pursuant to Public Resources Code section 21080.17, which states that CEQA does not apply to a city's adoption of an ordinance to implement the provisions of Government Code section 65852.2.

ANALYSIS:

State law leaves little discretion as to the content and implementation of the City's Second Unit Ordinance. The recent legislation contains seventeen provisions that the City must comply with as part of its Second Unit Ordinance. The edits enumerated in the Project Description and as shown in **Attachment 1 – Draft Second Unit Ordinance** are consistent with State law requirements.

The City's Draft Ordinance continues to require size limitations in Section 17.44.190 D 1. not to exceed 1,200 square feet or 50 percent of the floor area of the primary dwelling, which ever is less. However, the ordinance also acknowledges in Section 17.44.190 B. that a second unit that is less than 850 square feet or, for an ADU that provides more than one bedroom, 1,000 square feet, and a second unit that is up to 800 square feet and 16 feet in height with four-foot side and year yard setbacks shall not be prohibited.

The Draft Second Unit Ordinance also recognizes the provisions for multiple second units within existing multi-family dwellings; reduced setback requirements for the conversion of existing structures; sale of an ADU by Qualified Nonprofit; and; Development Fee exemptions for ADUs of less than 750 square feet.

As noted previously, the City has already incorporated many of the Second Unit requirements in the Development Code. For example, the City's Parking Standards Table 3-3 already includes provisions for reduced parking standards for ADUs consistent with State law:

Residential Second Unit (Accessory Dwelling Unit)	Parking for ADUs may: 1. Be located in front and side yard setback areas; 2. Be accommodated through tandem parking; Additional parking shall not be required when: 1. Located within on-half mile of public transit; 2. Located within the City's Historical District; 3. The ADU is part of an existing primary residence or an existing accessory structure.
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The City Attorney has reviewed the Draft Second Unit Ordinance and has concluded that it complies with State law.

Once the Second Units Ordinance is adopted by the City Council tentatively on March 10, 2020, staff will forward the Second Unit Ordinance to the State Department of Housing and Community Development (HCD) for review in accordance with State law.

Attachment:

Attachment 1 - Draft Ordinance of Chapter 17.44.190 – Second Units



ATTACHMENT

ORDINANCE NO. 20-_____

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF GRASS VALLEY AMENDING SECTION 17.44.190 OF CHAPTER 17.44 AND SECTION 17.100.020 OF CHAPTER 17.100 OF TITLE 17 OF THE GRASS VALLEY MUNICIPAL CODE REGARDING ACCESSORY DWELLING UNITS AND JUNIOR ACCESSORY DWELLING UNITS IN ACCORDANCE WITH STATE LAW.

Be it ordained by the council of the City of Grass Valley:

SECTION 1. CODE AMENDMENT. Section 17.44.190 of Chapter 17.44 of Title 17 of the Grass Valley Municipal Code is amended as follows:

17.44.190 – Second Units

A. **Purpose.** This section is intended to allow the creation of new second residential units on existing lots in residential zones that already contain one legally created unit, where allowed by Article 2 (Zones, Allowable Land Uses, and Zone Standards).

~~B. **Minimum site area Limitations.** A new detached second unit shall only be allowed on a lot with a minimum area of 8,000 square feet. This section, as applied, shall not establish any of the following restrictions:~~

~~1. A minimum square footage requirement that prohibits an efficiency unit, defined as a unit for occupancy by no more than two persons with a minimum floor area of 150 square feet and which may have partial kitchen or bathroom facilities.~~

~~2. A maximum square footage requirement that prohibit a second unit that is less than 850 square feet or, for a second unit that provides more than one bedroom, 1,000 square feet.~~

~~3. Any other minimum or maximum size requirements that prohibit a second unit that is up to 800 square feet and 16 feet in height with four foot side and rear yard setbacks that is constructed in compliance with all other local development standards.~~

~~C. **B. Method of creating a second unit.** A second unit may be created by:~~

1. Alteration of an existing dwelling whereby kitchen and bathroom facilities are not shared in common;
2. Conversion of an attic, basement, garage, or other previously uninhabited portion of a residential structure.

3. Addition of separate unit onto an existing residential structure; or,
4. Construction of a separate structure on a lot in addition to an existing dwelling.

A mobile home, recreational vehicle, or other movable habitable space that does not comply with the Building Code shall not be used as a second unit. A manufactured or modular unit placed on a permanent foundation may be used as a second unit in compliance with this section.

D.C. Second unit design and development standards. Except as described herein, each second unit shall comply with the development standards of the applicable zone, including setback requirements, height and lot coverage limits, but excluding density standards. Each second unit shall also comply with all of the following standards.

1. **Number of units allowed.** Only one second unit shall be permitted on a lot. However, pursuant to Government Code section 65852.2, the city shall ministerially approve applications for building permits to create multiple accessory dwelling units within portions of existing multifamily dwelling structures that are not used as livable space, including, but not limited to: storage rooms, boiler rooms, passageways, attics, basements, or garages, if each unit complies with applicable state building standards.
2. **Required facilities.** A second unit shall contain separate kitchen and bathroom facilities; an attached second unit shall have an entrance separate from the primary dwelling.
3. **Maximum floor area.** Second units may consist of any of the following:
 - a. A minimum square footage for an efficiency unit, defined as a unit for occupancy by no more than two persons with a minimum floor area of 150 square feet and which may have partial kitchen or bathroom facilities.
 - b. A one-bedroom second unit that is less than 850 square feet or, for a second unit that provides more than one bedroom, 1,000 square feet.
 - c. A detached second unit that is up to 800 square feet and 16 feet in height with four-foot side and rear yard setbacks that is constructed in compliance with all other local development standards.

d. Except as provided above in 17.44.190 C. 3. a – c, a second unit shall not exceed 1,200 square feet, or 50 percent of the floor area of the primary dwelling, whichever is less.

4. **Conversion of existing primary unit.** An existing dwelling may be converted to a second unit and a new, larger primary unit constructed if the resulting second unit complies with all applicable requirements of this Section.
5. **Building Code requirements.** Each second unit shall be constructed in compliance with all applicable Building Code requirements. The approval of a second unit attached to an existing dwelling shall require that the entire structure be improved to comply with current Building Code requirements.
6. **Parking requirement.** Except as provided in Table 3 – 3, one accessible off-street parking space shall be provided for each studio or one-bedroom second unit in addition to the two off-street parking spaces required for the primary dwelling. A second unit with more than one bedroom shall require two off-street parking spaces. Required parking may be tandem. Replacement parking is not required if a garage, carport or covered parking structure is demolished in conjunction with construction of a second unit or is converted to a second unit.
7. **Exterior design.** Each second unit shall be constructed so as to be compatible with the existing primary dwelling, as well as the surrounding neighborhood in terms of design, form, height, materials, and landscaping, and shall comply with the standards for single-family dwellings in Section 17.44.210 (Single Dwellings).
8. **Building separation for detached unit.** A detached second unit shall be separated from the primary dwelling by a minimum distance of 10 feet.
9. **Setback requirements.** No setback shall be required for an existing living area or accessory structure or a structure constructed in the same location and to the same dimensions as an existing structure that is converted to a second unit or to a portion of a second unit. Four foot setbacks from the side and rear lot lines shall be required for a second unit that is not converted from an existing structure or a new structure constructed in the same location and to the same dimensions as an existing structure.

F.D. Procedure for legalizing other existing second units.

1. A second unit legally existing at the time of adoption of the Grass Valley Zoning Ordinance No. 69 N.S. (December 26, 1965) may be continued as a nonconforming use in compliance with Chapter 17.90 (Nonconforming Uses, Structures, and Parcels).
2. A second unit legally reestablished by Variance or Use Permit for a nonconforming use after the adoption of the Grass Valley Zoning Ordinance No. 69 N.S. (December 26, 1965) may be continued in compliance with all applicable conditions of approval of the Variance or Use Permit.
3. A second unit legally established by Use Permit in compliance with Ordinance No. 332 N.S., adopted December 27, 1983, may be continued in compliance with the conditions of the Use Permit.

F.E. Separate sale of second unit prohibited. No second unit shall be created for sale or financing through a condominium plan, community apartment plan, housing cooperative or other subdivision. A second unit may be rented.

G.F. Sale of ADU by Qualified Nonprofit. An ADU may be sold or conveyed separately from the primary residence to a qualified buyer of low or moderate income if the following conditions are met:

1. The property was built or developed by a qualified nonprofit corporation with a tax exemption for properties intended to be sold to low-income families who participate in a special no-interest loan program.
2. There is a recorded contract between the buyer and nonprofit ensuring that the property is preserved for affordable housing.
3. The property is held pursuant to a recorded tenancy-in-common agreement that requires the buyer to occupy the property as the buyer's principal residence, gives the option of first offer of sale to the non-profit, and includes an affordable restriction that ensures the property is preserved as low-income housing for at least 45 years for owner-occupied housing units that can only be sold or resold to a qualified buyer.

H.G. Development and Utility Fees. The City shall not impose any impact fee upon the development of an accessory dwelling unit less than 750 square feet. Any impact fees charged for an accessory dwelling unit of 750 square feet or more shall be

charged ~~proportionately~~ based upon the percent difference in square footage in relation to the square footage of the primary dwelling unit.

SECTION 2. CODE AMENDMENT. The Definition of "Junior accessory dwelling unit" is added in Section 17.100.020 of Chapter 17.100 of Title 17 of the Grass Valley Municipal Code as follows:

Junior accessory dwelling unit means a unit that is no more than 500 square feet in size and contained entirely within a single-family residence. A Junior accessory dwelling unit may include separate sanitation facilities or may share sanitation facilities with the existing structure.

SECTION 3. CEQA Findings. The update of the City's Second Unit Ordinance constitute adjustments to the City's zoning ordinance to implement new State law requirements related to second units as established in Government Code section 65852.2. Such changes are statutorily exempt from review under CEQA pursuant to Public Resources Code section 21080.17, which states that CEQA does not apply to a city's adoption of an ordinance to implement the provisions of Government Code section 65852.2.

SECTION 4. Severability. If any section, subsection, sentence, clause, phrase or portion of this Ordinance or its application to any person or circumstance is held to be invalid or unconstitutional by the decision of any court of competent jurisdiction, such decision shall not affect the validity of the remaining portions of this Ordinance or its application to other persons and circumstances. The City Council of the City of Grass Valley declares that it would have adopted this Ordinance and each section, subsection, sentence, clause, phrase or portion thereof despite the fact that any one or more sections, subsections, sentences, clauses, phrases, or portions be declared invalid or unconstitutional and, to that end, the provisions hereof are hereby declared to be severable.

SECTION 5. Effective Date. This Ordinance shall be in full force and effect 30 days after its adoption under Article VII, § 2 of the Grass Valley City Charter.

SECTION 6. Publication. The City Clerk shall certify to the passage and adoption of this Ordinance and shall cause the same to be published once in *The Union*, a newspaper of general circulation printed, published, and circulated within the City.

INTRODUCED and first read at a regular meeting of the City Council on the 10th day of March 2020.

FINAL PASSAGE AND ADOPTION by the City Council was at a meeting held on the 24th day of March 2020, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAINING:

Lisa Swarthout, Mayor

APPROVED AS TO FORM:

ATTEST:

Michael G. Colantuono, City Attorney

City Clerk



**City of Grass Valley
City Council
Agenda Action Sheet**

Council Meeting Date: March 10, 2020

Date Prepared: March 4, 2020

Prepared by: Thomas Last, Community Development Director

Title: Consideration of an ordinance to add a new chapter to the Development Code, 17.41, that addresses Vacant Storefront Windows in the Town Core (TC) Zoning District.

Recommended Motion: After closing the public hearing, waive the reading of the ordinance in its entirety and read by title only, and introduce the ordinance to add Chapter 17.41 to the Municipal Code.

Agenda: Public Hearing

Background Information: On September 24, 2019, the City Council reviewed a concept to regulate vacant commercial storefronts in the downtown core. The discussion revolved around potential blight issues associated with long-term unmaintained buildings in the downtown area. The Council then directed staff to initiate an amendment to the Development Code. Staff notified all property owners in the Town Core Zone and conducted a meeting to review a draft ordinance. After receiving comments from the owners, Staff held one meeting with a committee representing the Grass Valley Downtown Association to address the property owner's concerns.

On February 18, 2020, the Planning Commission recommended, by a 4-0-1 vote (one recusal), the Council adopt the ordinance. The Commission made one change on page 3 of the draft ordinance since it created some confusing text. See the attached Planning Commission report for more details on the project background, analysis, and CEQA determinations.


Council Goals/Objectives: Goal 1: Promote programs that improve livability and enhance the character and charm of Grass Valley. Provide a safe place to live, work, and play.

Fiscal Impact: Costs associated with implementation would come from the General Fund and/or through administrative penalties collected from property owners as part of an enforcement action.

Funds Available: General Fund project since City sponsored.

Account #: 100-5105

Reviewed by:

 City Manager

Attachments:

1. Ordinance
2. Map of Town Core Zoning
3. Planning Commission Staff Report

Attachment 1

ORDINANCE NO. _____

**AN ORDINANCE OF THE CITY COUNCIL OF THE
CITY OF GRASS VALLEY ADOPTING CHAPTER
17.41 OF TITLE 17 OF THE GRASS VALLEY
MUNICIPAL CODE RELATED TO VACANT
COMMERCIAL SPACES**

Be it ordained by the council of the City of Grass Valley:

SECTION 1. CODE AMENDMENT. Chapter 17.41 of Title 17 of the Grass Valley Municipal Code is added to read as follows:

Chapter 17.41 – VACANT STOREFRONT WINDOWS

Sections:

- 17.41.010 – Purpose and Applicability
- 17.41.020 – Administration
- 17.41.030 – Action Plan
- 17.41.040 – Window Displays for Vacant Commercial Spaces
- 17.41.050 – Updated Designs for Window Displays
- 17.41.060 - Enforcement

17.41.010 Purpose and Applicability

- A. **Purpose.** This Chapter mandates window displays for vacant commercial spaces within the Town Core zone and provides for the submission of action plans to the Director for approval of window displays before they are installed.
- B. **Applicability.** This Chapter applies to all structures in the Town Core zone unless otherwise stated, including, but not limited to, properties that have been the subject of a foreclosure sale wherein title has been transferred to the beneficiary of a deed of trust, and to any properties transferred under a deed in lieu of foreclosure or sale. All responsible parties as to such structures shall comply with this Chapter.

17.41.020 Administration

The Director shall administer this Chapter and may adopt administrative rules and regulations consistent with its terms to aid in doing so. He or she shall give notices of such rules or regulations as required for an ordinance of the City and such rules or regulations shall take effect upon such notice or at such later times as they may specify.

17.41.030 Action Plan

- A. A responsible party shall contact the Director within 30 days of the date the space becomes vacant commercial space to coordinate any future requirements for tenant improvements and to coordinate with the Grass Valley Downtown Association. Within 10 days of the conclusion of this contact, the responsible party shall submit an action plan to the Director. The action plan shall describe:
 1. The proposed window display;
 2. How the proposed window display falls within one or more of the types of displays described in section 17.41.040(A)-(D);
 3. The name, address, and daytime and evening telephone numbers of each responsible party as to the vacant commercial space;
 4. How long the commercial space is expected to remain vacant; and
 5. Any other information the Director reasonably requests to aid the administration of this Chapter.
- B. The Director shall approve or deny action plans in writing. If the Director denies an action plan, he or she shall provide the reasons for denial and describe modifications which would make the action plan comply with this Chapter.
- C. If the Director approves an action plan, a responsible party shall install the proposed window display within 30 days of the Director's decision.
- D. If the Director denies an action plan, a responsible party shall either:
 1. Implement the action plan with the Director's proposed modifications within 30 days of the Director's decision; or
 2. Submit a revised action plan within 10 days of the Director's decision.
- E. If the Director approves a revised action plan, a responsible party shall install the proposed window display within 20 days of the Director's decision on the revised action plan.
- F. If the Director denies a revised action plan, a responsible party must implement the original action plan with the Director's proposed modifications within 20 days of the Director's decision on the revised action plan.
- G. This Chapter shall not apply to a vacant commercial space if the window display area space is the subject of an active, valid building permit for repair or rehabilitation and a responsible party provides proof to the Director, such as receipts, invoices or executed contracts, that the repair or rehabilitation is proceeding without significant delay.

17.41.040 Window Displays for Vacant Commercial Spaces

Each responsible party as to a vacant commercial space shall maintain at least one of the following types of displays on or inside all ground-floor windows visible from public rights-of-way or public places:

- A. Faux window dressings containing goods or services with the appearance of a vibrant business using background panels or other methods to screen views of the vacant commercial space from public rights-of-way and public places;
- B. Works of art, including paintings or sculptures or other displays of cultural, historical, or educational value, utilizing colorful and vibrant materials, and using background panels or other methods to screen views of the vacant commercial space from public rights of-way and public places;
- C. Paintings applied directly to the window surface featuring visually appealing, colorful, vibrant scenes, shapes, or images visible from public rights-of-way and public places; or
- D. Other measures approved by the Director in writing that achieve the purposes of this Chapter to avoid visual blight in the Town Core zone and to enliven pedestrian experiences there.

Displays should occupy at least 80% of window area. ~~If the display does not cover the entire window area, the vacant commercial space shall be obscured from view from public rights-of-way or other public places.~~

No window display is required for a vacant commercial space when a responsible party has submitted an action plan or revised action plan for that vacant commercial space, and is otherwise in compliance with implementation requirements described in section 17.41.040 of this Code.

17.41.050 Updated Designs for Window Displays

A responsible party shall submit a renewed action plan every six months while the space remains vacant. Each renewed action plan shall propose a new window display design for the vacant commercial space that complies with section 17.41.040 of this chapter so as to freshen its appearance from public rights-of-way and public places.

17.41.60 Enforcement

- A. **Violations; Penalties.** The following steps are intended to provide a streamlined compliance process for responsible parties violating this Chapter. To the extent the provisions of this Chapter conflict with provisions elsewhere in the Grass Valley Development Code, the provisions in this Chapter shall control and take

precedence.

1. Violations and noncompliance. Failure by a responsible party to comply with any requirement imposed by this Chapter constitutes a violation of this Chapter and shall be grounds for the imposition of penalties as set forth in subdivision 5 below.
 2. Notice of Violation. Upon discovery that a violation exists, the Director shall issue a Notice of Violation to a responsible party as to that vacant commercial space. The Notice shall describe the nature of the violation and the date on which it occurred. Said Notice shall be personally served or sent by U.S. certified mail. The responsible party has 10 days of the date of the Notice to correct the violation(s).
 3. Right to Appeal. The responsible party has the right to appeal the Notice within 10 days of the date of the Notice. If the tenth day falls on a day that City Hall is closed, then the time to appeal expires on the next business day. An appeal shall be filed with the City Clerk and be accompanied by the filing fee identified in the City's Planning Fee Schedule.
 4. Appeal Hearing and Rules of Evidence.
 - a. The City Manager shall hold the hearing during the ordinary business hours in City Hall.
 - b. Oral evidence shall be taken only under oath or affirmation. The City Manager has the authority to administer oaths and to receive and rule on admissibility of evidence.
 - c. Formal rules governing presentation and consideration of evidence do not apply.
 5. Penalties.
 - a. Each day in which the property is used in violation of any part of this ordinance is a separate violation;
 - b. Any person who violates any provision of this Chapter is guilty of an infraction punishable under Chapter 1.12 of this Code.
 - c. The penalties set forth herein are cumulative and in addition to all other remedies, violations and penalties set forth in this code or any other provisions of law including, without limitation, administrative enforcement pursuant to Chapter 1.14 of this Code.
- B. If no responsible party performs an act this Chapter requires a responsible party

to perform as to a vacant commercial space, then each and every responsible party as to that vacant commercial space shall be liable for that failure. All responsible parties are jointly and severally responsible to comply with this Chapter and for any payments required by it, including, but not limited to, costs of enforcement, including reasonable attorneys' fees and costs. If a commercial space is subject to a written lease or license, the Director may enforce this Chapter against any or all owner(s), tenant(s), or licensee(s).

SECTION 2. CODE AMENDMENT. The following definitions are added to Section 17.100.020 of Chapter 17.100 of Title 17 of the Grass Valley Municipal Code:

"Commercial space" means any street-level portion of a structure within the Town Core zone that is vacant or occupied for non-residential purposes including, without limitation, each separately demised space in a building accessible from a public right-of-way or public place.

"Occupied." A commercial space is deemed to be "occupied" when a person is lawfully operating or doing business in that space for at least 30 days and which meets the criteria of section 17.41.030 (F) of this code.

"Responsible party" is defined in section 1.10.030 of this code.

"Town Core zone" is defined in section 17.12.020(A) of this code.

"Vacant commercial space" means any commercial space that has not been occupied, leased, or rented for 30 days or more on the date the ordinance codified in Chapter 17.41 takes effect or at any time thereafter.

SECTION 3. CEQA Findings. This Ordinance is not a project within the meaning of Section 15378 of the California Environmental Quality Act (CEQA) Guidelines because it has no potential to result in physical change in the environment, directly or indirectly. This Ordinance is also exempt under CEQA Guideline 15061(b)(3) because it can be seen with certainty that there is no possibility that the Ordinance may have a significant effect on the environment and under CEQA Guidelines 15301 as maintenance of existing structures.

SECTION 4. Severability. If any section, subsection, sentence, clause, phrase or portion of this Ordinance or its application to any person or circumstance is held to be invalid or unconstitutional by the decision of any court of competent jurisdiction, such decision shall not affect the validity of the remaining portions of this Ordinance or its application to other persons and circumstances. The City Council of the City of Grass Valley

declares that it would have adopted this Ordinance and each section, subsection, sentence, clause, phrase or portion thereof despite the fact that any one or more sections, subsections, sentences, clauses, phrases, or portions be declared invalid or unconstitutional and, to that end, the provisions hereof are hereby declared to be severable.

SECTION 5. Effective Date. This Ordinance shall be in full force and effect 30 days after its adoption under Article VII, § 2 of the Grass Valley City Charter.

SECTION 6. Publication. The City Clerk shall certify to the passage and adoption of this Ordinance and shall cause the same to be published once in *The Union*, a newspaper of general circulation printed, published, and circulated within the City.

INTRODUCED and first read at a regular meeting of the City Council on the _____ day of _____, 2020.

FINAL PASSAGE AND ADOPTION by the City Council was at a meeting thereof held on the _____ day of _____, 2020, by the following vote:

- AYES:
- NOES:
- ABSENT:
- ABSTAINING:

Lisa Swarthout, Mayor

APPROVED AS TO FORM:

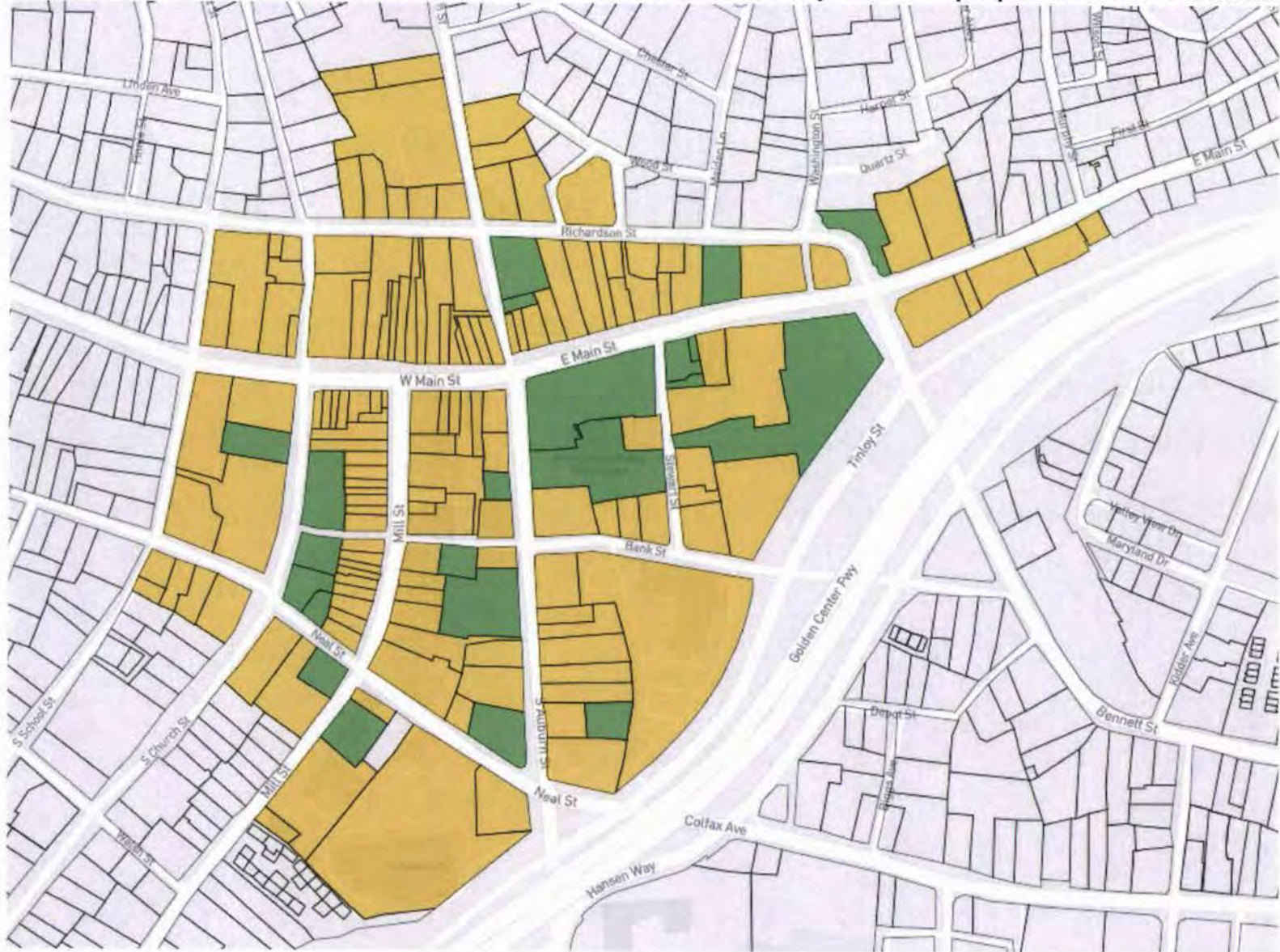
ATTEST:

Michael G. Colantuono, City Attorney

City Clerk

Attachment 2

Development Code Text Amendment (19PLN-40) to address vacant store fronts in the Town Core Zoning District. Amendment will require storefronts in the downtown area that remain vacant for more that 60 days to develop a plan and install window displays.



City of Grass Valley Notification Map

Regarding: Development Code Text Amendment (19PLN-40) Vacant Store Fronts

March 2nd, 2020



Property Owners Notified

Town Core Notification Zone

Attachment 3



Agenda Item: 7.1
Prepared by: Thomas Last, Community Development Director *JL*

DATA SUMMARY

Application Number: 19PLN-40
Subject: An amendment to the City Development Code to address vacant commercial storefronts in the Town Core (TC) Zoning District.
Location/ APN: All properties zoned TC
Applicant: City of Grass Valley
Zoning/General Plan: Town Core Zoning/Commercial and Public General Plan designations
Environmental Status: Exempt

RECOMMENDATION: Staff recommends the Planning Commission take the following actions:

1. Recommend the City Council adopt the findings noted in this staff report, and
2. Recommend the City Council adopt an ordinance approving the amendments to the Development Code.

PROJECT DESCRIPTION/BACKGROUND: In mid-2019, staff met with members of the Grass Valley Downtown Association (GVDA) to discuss the concerns with vacant storefronts. The primary concern is with potential blight impacts that vacant and unmaintained storefronts can have on the entire downtown. At the City Council meeting of September 24, 2019, staff presented a discussion item on issues related to vacant storefronts in the historic downtown area. The City Council reviewed a draft concept of an ordinance and directed staff to initiate an amendment to the Development Code. Staff then mailed the draft ordinance to all the affected property owners and conducted a meeting to discuss the draft. At the conclusion of the property owner meeting, there were many concerns that the ordinance was too punitive, bureaucratic, and costly to monitor. There was support of the general concept; however, the owners overwhelmingly requested the City prepare an ordinance that relied on current code enforcement practices rather than a registration process. After this meeting staff prepared the attached revised ordinance to address those issues and routed this draft to all the owners. To date, the City has received one email (in Attachment 3) expressing some concerns with the latest draft.

Some of the key sections of the proposed ordinance (Attachment 1) is summarized as follows:

1. Overall purpose is to require owners of storefronts that remain unoccupied for 60 days to contact the City and then, within 10 days, develop a plan to install window displays within or on the storefronts;
2. Once the window display plan is approved by the City, the owner has 30 days to implement the plan;
3. Window displays can consist of faux window dressings, works of art, paintings, and other measures (see Attachment 2 for local and other examples. Note the one showing the barber shop is an actual painting);
4. The City is proposing a more streamlined compliance process for those owners that do not meet the requirements of the ordinance. It reduces the typical code enforcement process and is similar to what the City adopted for Short-Term Rentals.

ENVIRONMENTAL ANALYSIS: The project is exempt from environmental review pursuant to Section 15061 (b)(3) of the California Environmental Quality Act (CEQA). This exemption applies to activities covered by the general rule that CEQA applies only to projects, which have the potential for causing a significant effect on the environment.

The proposed amendments include standards to protect existing buildings from blight and only requires internal window displays or painting of existing building windows. Based on this, the project does not have the possibility to create a significant physical effect on the environment. This project could also be considered exempt pursuant to Section 15301 which addresses maintenance and repair of existing buildings.

PROJECT DISCUSSION AND ANALYSIS: To amend the Development Code Section 17.94.060 requires the City to make three specific findings. Those findings are listed below and followed by a brief discussion on consistency

The proposed amendment is consistent with the General Plan. *Rationale: The City's General Plan includes policies and statements that document the importance of the historic downtown area. These policies also include actions the City needs to take to protect the character and charm of the downtown area. The amendment is otherwise internally consistent with the General Plan.*

2. The proposed amendment would not be detrimental to the public interest, health, safety, convenience, or welfare of the City. *Rationale: The amendment will create a process to protect the public interest, health, safety, convenience, and welfare of the City since the goal is to prevent blighted conditions that could negatively impact the downtown.*

3. The affected site is physically suitable in terms of design, location, shape, size, operating characteristics, and the provision of public and emergency vehicle (e.g., fire and medical) access and public services and utilities (e.g., fire protection, police protection, potable water, schools, solid waste collection and disposal, storm drainage, wastewater collection, treatment, and disposal, etc.), to ensure that the proposed or

anticipated uses and/or development would not endanger, jeopardize, or otherwise constitute a hazard to the property or improvements in the vicinity in which the property is located. *Rationale: The project area that is subject to the ordinance is fully developed, and the amendment will have no impact on existing public services or infrastructure. This ordinance will apply only to the existing developed properties and is a property maintenance measure more than a service impact issue.*

FINDINGS:

1. The City approved the Development Code in 2007. The City has since amended the Code several times to address errors, to clarify issues, and to add new items to address unforeseen issues.
2. As noted in this report, the project is exempt from environmental review pursuant to Section 15061 (b)(3) of the California Environmental Quality Act (CEQA).
3. The Planning Commission conducted a public hearing on the amendment on February 18, 2020.
4. The Planning Commission finds that the amendment to the Development Code is consistent with the City of Grass Valley 2020 General Plan.
5. The proposed amendments would not be detrimental to the public interest, health, safety, convenience, or welfare of the City.
6. The proposed amendments are internally consistent with other applicable provisions of the Development Code.

Attachments:

1. Proposed Ordinance
2. Example Photos
3. Correspondence on the ordinance

Attachment 1

ORDINANCE NO. _____

**AN ORDINANCE OF THE CITY COUNCIL OF THE
CITY OF GRASS VALLEY ADOPTING CHAPTER
17.41 OF TITLE 17 OF THE GRASS VALLEY
MUNICIPAL CODE RELATED TO VACANT
COMMERCIAL SPACES**

Be it ordained by the council of the City of Grass Valley:

SECTION 1. CODE AMENDMENT. Chapter 17.41 of Title 17 of the Grass Valley Municipal Code is added to read as follows:

Chapter 17.41 – VACANT STOREFRONT WINDOWS

Sections:

- 17.41.010 – Purpose and Applicability
- 17.41.020 – Administration
- 17.41.030 – Action Plan
- 17.41.040 – Window Displays for Vacant Commercial Spaces
- 17.41.050 – Updated Designs for Window Displays
- 17.41.060 - Enforcement

17.41.010 Purpose and Applicability

- A. **Purpose.** This Chapter mandates window displays for vacant commercial spaces within the Town Core zone and provides for the submission of action plans to the Director for approval of window displays before they are installed.
- B. **Applicability.** This Chapter applies to all structures in the Town Core zone unless otherwise stated, including, but not limited to, properties that have been the subject of a foreclosure sale wherein title has been transferred to the beneficiary of a deed of trust, and to any properties transferred under a deed in lieu of foreclosure or sale. All responsible parties as to such structures shall comply with this Chapter.

17.41.020 Administration

The Director shall administer this Chapter and may adopt administrative rules and regulations consistent with its terms to aid in doing so. He or she shall give notices of such rules or regulations as required for an ordinance of the City and such rules or regulations shall take effect upon such notice or at such later times as they may specify.

17.41.030 Action Plan

- A. A responsible party shall contact the Director within 30 days of the date the space becomes vacant commercial space to coordinate any future requirements for tenant improvements and to coordinate with the Grass Valley Downtown Association. Within 10 days of the conclusion of this contact, the responsible party shall submit an action plan to the Director. The action plan shall describe:
 1. The proposed window display;
 2. How the proposed window display falls within one or more of the types of displays described in section 17.41.040(A)-(D);
 3. The name, address, and daytime and evening telephone numbers of each responsible party as to the vacant commercial space;
 4. How long the commercial space is expected to remain vacant; and
 5. Any other information the Director reasonably requests to aid the administration of this Chapter.
- B. The Director shall approve or deny action plans in writing. If the Director denies an action plan, he or she shall provide the reasons for denial and describe modifications which would make the action plan comply with this Chapter.
- C. If the Director approves an action plan, a responsible party shall install the proposed window display within 30 days of the Director's decision.
- D. If the Director denies an action plan, a responsible party shall either:
 1. Implement the action plan with the Director's proposed modifications within 30 days of the Director's decision; or
 2. Submit a revised action plan within 10 days of the Director's decision.
- E. If the Director approves a revised action plan, a responsible party shall install the proposed window display within 20 days of the Director's decision on the revised action plan.
- F. If the Director denies a revised action plan, a responsible party must implement the original action plan with the Director's proposed modifications within 20 days of the Director's decision on the revised action plan.
- G. This Chapter shall not apply to a vacant commercial space if the window display area space is the subject of an active, valid building permit for repair or rehabilitation and a responsible party provides proof to the Director, such as receipts, invoices or executed contracts, that the repair or rehabilitation is proceeding without significant delay.

17.41.040 Window Displays for Vacant Commercial Spaces

Each responsible party as to a vacant commercial space shall maintain at least one of the following types of displays on or inside all ground-floor windows visible from public rights-of-way or public places:

- A. Faux window dressings containing goods or services with the appearance of a vibrant business using background panels or other methods to screen views of the vacant commercial space from public rights-of-way and public places;
- B. Works of art, including paintings or sculptures or other displays of cultural, historical, or educational value, utilizing colorful and vibrant materials, and using background panels or other methods to screen views of the vacant commercial space from public rights of-way and public places;
- C. Paintings applied directly to the window surface featuring visually appealing, colorful, vibrant scenes, shapes, or images visible from public rights-of-way and public places; or
- D. Other measures approved by the Director in writing that achieve the purposes of this Chapter to avoid visual blight in the Town Core zone and to enliven pedestrian experiences there.

Displays should occupy at least 80% of window area. If the display does not cover the entire window area, the vacant commercial space shall be obscured from view from public rights-of-way or other public places.

No window display is required for a vacant commercial space when a responsible party has submitted an action plan or revised action plan for that vacant commercial space, and is otherwise in compliance with implementation requirements described in section 17.41.040 of this Code.

17.41.050 Updated Designs for Window Displays

A responsible party shall submit a renewed action plan every six months while the space remains vacant. Each renewed action plan shall propose a new window display design for the vacant commercial space that complies with section 17.41.040 of this chapter so as to freshen its appearance from public rights-of-way and public places.

17.41.60 Enforcement

- A. **Violations; Penalties.** The following steps are intended to provide a streamlined compliance process for responsible parties violating this Chapter. To the extent the provisions of this Chapter conflict with provisions elsewhere in the Grass Valley Development Code, the provisions in this Chapter shall control and take

precedence.

1. Violations and noncompliance. Failure by a responsible party to comply with any requirement imposed by this Chapter constitutes a violation of this Chapter and shall be grounds for the imposition of penalties as set forth in subdivision 5 below.
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 3. Right to Appeal. The responsible party has the right to appeal the Notice within 10 days of the date of the Notice. If the tenth day falls on a day that City Hall is closed, then the time to appeal expires on the next business day. An appeal shall be filed with the City Clerk and be accompanied by the filing fee identified in the City's Planning Fee Schedule.
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 - b. Oral evidence shall be taken only under oath or affirmation. The City Manager has the authority to administer oaths and to receive and rule on admissibility of evidence.
 - c. Formal rules governing presentation and consideration of evidence do not apply.
 5. Penalties.
 - a. Each day in which the property is used in violation of any part of this ordinance is a separate violation;
 - b. Any person who violates any provision of this Chapter is guilty of an infraction punishable under Chapter 1.12 of this Code.
 - c. The penalties set forth herein are cumulative and in addition to all other remedies, violations and penalties set forth in this code or any other provisions of law including, without limitation, administrative enforcement pursuant to Chapter 1.14 of this Code.
- B. If no responsible party performs an act this Chapter requires a responsible party

to perform as to a vacant commercial space, then each and every responsible party as to that vacant commercial space shall be liable for that failure. All responsible parties are jointly and severally responsible to comply with this Chapter and for any payments required by it, including, but not limited to, costs of enforcement, including reasonable attorneys' fees and costs. If a commercial space is subject to a written lease or license, the Director may enforce this Chapter against any or all owner(s), tenant(s), or licensee(s).

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"Occupied." A commercial space is deemed to be "occupied" when a person is lawfully operating or doing business in that space for at least 30 days and which meets the criteria of section 17.41.030 (F) of this code.

"Responsible party" is defined in section 1.10.030 of this code.

"Town Core zone" is defined in section 17.12.020(A) of this code.

"Vacant commercial space" means any commercial space that has not been occupied, leased, or rented for 30 days or more on the date the ordinance codified in Chapter 17.41 takes effect or at any time thereafter.

SECTION 3. CEQA Findings. This Ordinance is not a project within the meaning of Section 15378 of the California Environmental Quality Act (CEQA) Guidelines because it has no potential to result in physical change in the environment, directly or indirectly. This Ordinance is also exempt under CEQA Guideline 15061(b)(3) because it can be seen with certainty that there is no possibility that the Ordinance may have a significant effect on the environment and under CEQA Guidelines 15301 as maintenance of existing structures.

SECTION 4. Severability. If any section, subsection, sentence, clause, phrase or portion of this Ordinance or its application to any person or circumstance is held to be invalid or unconstitutional by the decision of any court of competent jurisdiction, such decision shall not affect the validity of the remaining portions of this Ordinance or its application to other persons and circumstances. The City Council of the City of Grass Valley

declares that it would have adopted this Ordinance and each section, subsection, sentence, clause, phrase or portion thereof despite the fact that any one or more sections, subsections, sentences, clauses, phrases, or portions be declared invalid or unconstitutional and, to that end, the provisions hereof are hereby declared to be severable.

SECTION 5. Effective Date. This Ordinance shall be in full force and effect 30 days after its adoption under Article VII, § 2 of the Grass Valley City Charter.

SECTION 6. Publication. The City Clerk shall certify to the passage and adoption of this Ordinance and shall cause the same to be published once in *The Union*, a newspaper of general circulation printed, published, and circulated within the City.

INTRODUCED and first read at a regular meeting of the City Council on the _____ day of _____, 2020.

FINAL PASSAGE AND ADOPTION by the City Council was at a meeting thereof held on the _____ day of _____, 2020, by the following vote:

AYES:
NOES:
ABSENT:
ABSTAINING:

Lisa Swarthout, Mayor

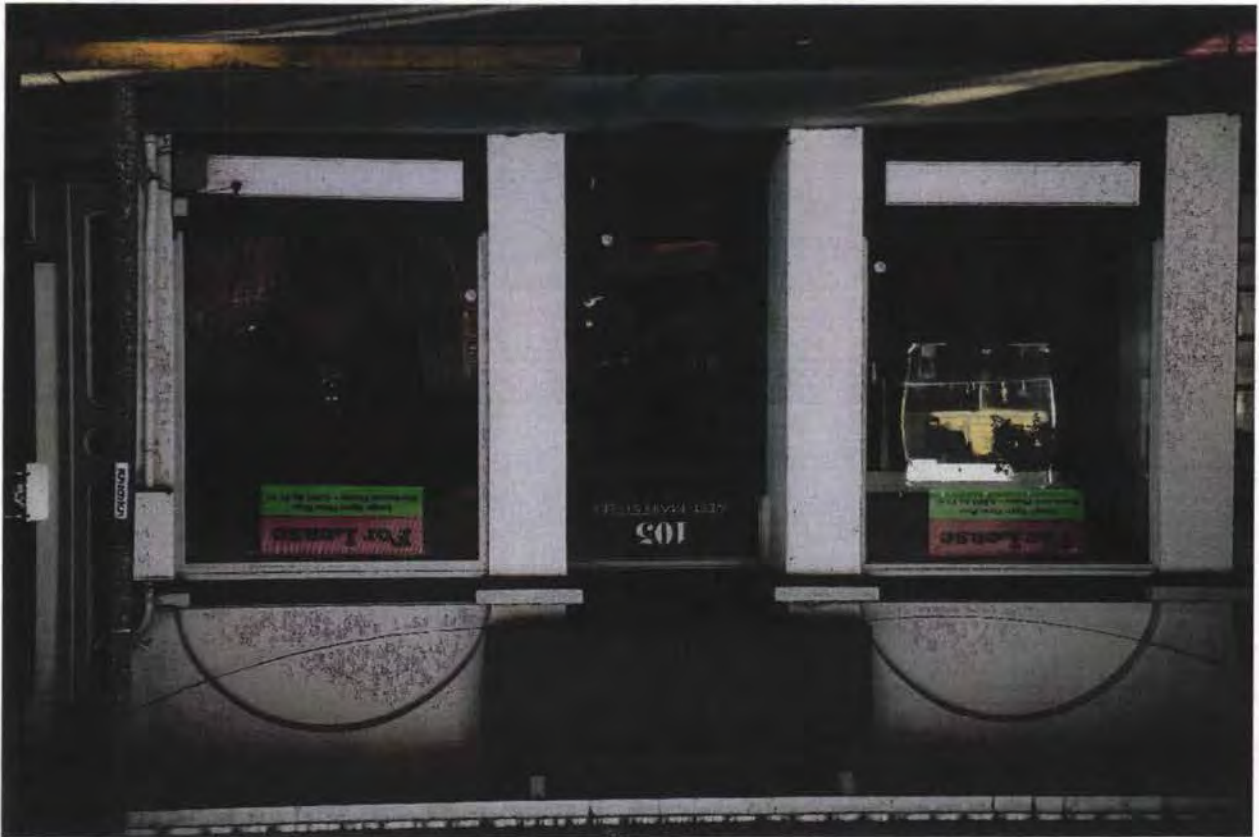
APPROVED AS TO FORM:

ATTEST:

Michael G. Colantuono, City Attorney

City Clerk

Attachment 2







Attachment 3

Tom Last

From: Bob Tonnies <call4500@gmail.com>
Sent: Thursday, January 30, 2020 3:53 PM
To: Tom Last; call4500@gmail.com; info@downtowngrassvalley.com
Subject: Vacant commercial space

Hi Tom, your letter was forwarded, and we just received your letter dated Jan 14th, 2020. When we reviewed the original draft, we called the director of the Downtown Association, Marnie Marshall, to express our concerns. Donna and I feel our interior space is attractive from street level. Our vacant space, 108 East Main, has had a lot of interest because they can view the space through the window, and we staged the space, keep the lights on using a timer. This has been an eating establishment, and blocking the windows, adding retail displays, or painting the windows will not be a benefit to leasing the space.

What we expressed to the Downtown Association was a request for an effort from them, to help find interested tenants. Unfortunately, our space has been vacant for a while, and we have never had a referral from the Director for a potential tenant. The requirements of environmental health, and the City, were stumbling blocks for most potential tenants, as the learning curve is eye opening for most. We have requested a more handholding process from the City and environmental health, to inform prospects, which would then escalate the approval process for eateries. Donna and I are well versed in the process, and most interested parties cannot afford the costs of architects, permits, and opening costs. This is not pointing fingers, but reaching out to the City and Downtown Association, that the step up from "I've always wanted to own my own business" to the reality of trying to get open, is expensive. And most applicants have no idea of the involvement, time and expense.

In closing, placing the burden on building owners to decorate and block windows does not seem productive. The interest in our space goes up when we have downtown events, more foot traffic, and folks can peer into the windows, and see the space. We hope you can recognize that tenant prospects appreciate our efforts to help them, with the opening process, and hopefully lease our space. We need them to be enticed by the view inside, the staging and layout, and the location. We feel this should be done on a space by space format, as a vacant building doesn't have to be an eyesore. More effort toward helping businesses get open, and stay open, would be better served with a helping hand, instead of adding expense to the business and building owner.

Some kind of incentive for folks to start a business, or help building owners improve the buildings, would be helpful. Our property insurance has "Doubled", Taxes have increased, & water and sewer costs are very high. We have no options. The cost of doing business is very high in Ca., and the expense of Brick n Mortar vs. on line, or Down the Hill Shopping, adds additional risks to startups in Grass Valley. Thus longer vacancies. Placing another burden on the building owners will not add relief, and help fill the vacant spaces....which hopefully is the ultimate goal.

Sincerely,

Bob Tonnies & Donna Alarie

Sent from my iPhone



**City of Grass Valley
City Council
Agenda Action Sheet**

Council Meeting Date: March 10, 2020

Date Prepared: March 4, 2020

Prepared by: Andy Heath, Finance Director

Title: 2020 CalPERS UAL Restructuring – Approval of Bond Purchase Agreement and Preliminary Official Statement for Issuance of Pension Obligation Bonds

Agenda: Administrative

Recommended Motions: It is recommended that the City Council adopt Resolution No. 2020-07 confirming the issuance of Pension Obligation Bonds and approving the Preliminary Official Statement and Bond Purchase Agreement and related actions.

BACKGROUND DISCUSSION

On October 22, 2019, the City Council of the City of Grass Valley (the “City”) approved a resolution authorizing the issuance of pension obligation bonds to refund a portion of the City’s obligation owed to CalPERS and a lease agreement with Umpqua Bank, and to initiate a judicial validation action. With the assistance of bond counsel Jones Hall, the validation action has successfully concluded, and it is therefore now appropriate and timely to approve the Official Statement and Bond Purchase Agreement related to the bonds so the bonds can be sold.

The City also recently completed a credit rating process with S&P Global Ratings and achieved a very strong “AA/Stable” credit rating. This strong credit rating is validation of the City’s good management practices, adopted policies, and very strong cash position.

Upon approval of the Official Statement and Bond Purchase Agreement, the City’s financing team will move forward with this financing with a goal of capitalizing on historically low interest rates.

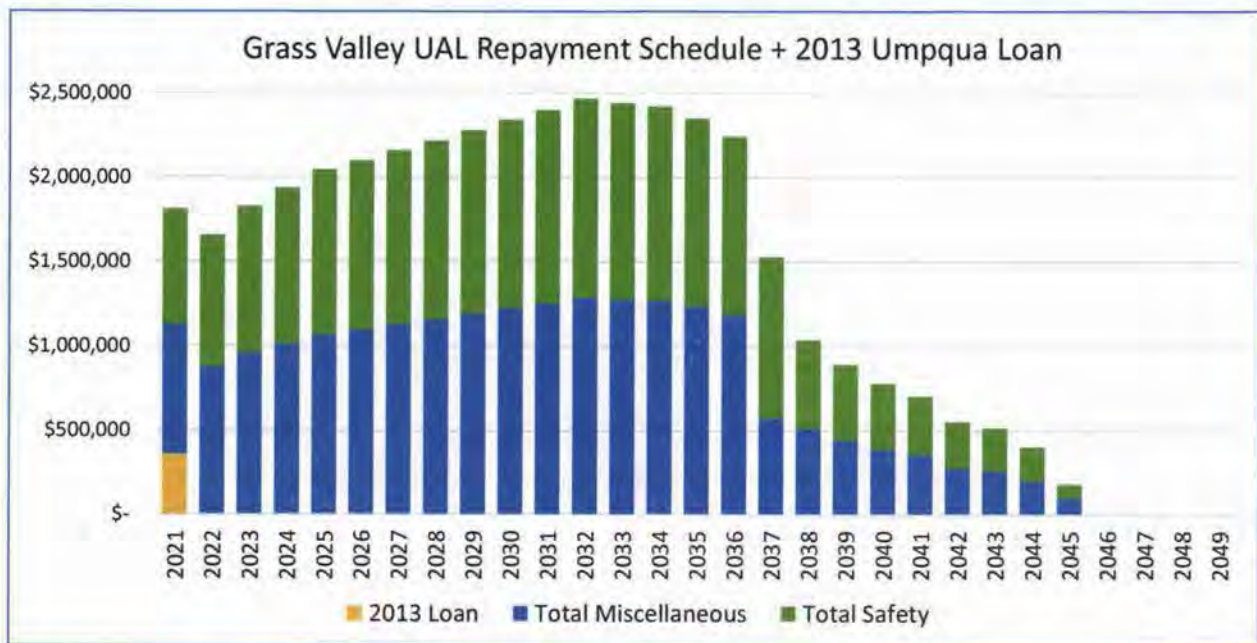
As discussed in the staff report for the October meeting, over the last four years, the City’s unfunded actuarial accrued liability (“UAL”) for its CalPERS Miscellaneous and Safety Plans has grown from \$12 million (June 30, 2016 estimate) to about \$22 million (estimated in the June 30, 2018 valuation). The UAL represents the shortfall/gap between what is needed to pay retiree benefits versus how much in current assets the City actually has in its accounts with CalPERS.



City of Grass Valley City Council Agenda Action Sheet

Annual payments made by the City to CalPERS to amortize the UAL have grown rapidly: from \$587,000 in FY 2015-16 to \$1.45 million in FY 2020-21; and projected to grow to \$2.0 million by FY 2024-25 and \$2.4 million by FY 2030-31. Pension cost increases are the largest financial challenge facing most cities throughout the state and are primarily due to factors outside of the cities' control, namely assumption changes made by CalPERS and below-average investment returns.

The chart below provides a current snapshot of the City's projected payments to amortize its \$22 million UAL. Using current CalPERS estimates, annual costs are projected to escalate rapidly from \$1.45 million to \$2.4 million, before dropping off in FY 2036-37 and then fully amortizing by FY 2044-45.



The City is considering issuing 2020 Pension Obligation Bonds (POBs) to pay off the Umpqua Side Fund Loan and to pay off a portion of its UAL. Paying off a portion of the UAL will help the City achieve several objectives:

- **Fiscal Sustainability Tool:** Ability to “re-shape” the City’s overall pension repayment in a way that creates enhanced long-term fiscal sustainability and budgetary predictability
- **Near-Term Budgetary Savings:** By modifying the current near term “peak” in scheduled payments into a more predictable (i.e. level or nearly level) structure, near term cash flow savings are created



**City of Grass Valley
City Council
Agenda Action Sheet**

- **Interest Rate Savings “Arbitrage”:** City can borrow at rates much lower (currently < 3%) than those CalPERS is charging on the UAL debt (7%)
- **Increase Funding Ratio:** Current CalPERS plan (city plans) ratios range from 69% (Miscellaneous) to 80% (Safety - Fire); estimated funding ration after the proposed POB will be over 90%

RESOLUTION 2020-07

The resolution (Exhibit A) being approved tonight authorizes staff to complete the pension obligation financing, and approves forms of the following documents:

1. Preliminary Official Statement (Exhibit B); and
2. Bond Purchase Agreement (Exhibit C).

DOCUMENTS FOR REVIEW AND APPROVAL

Preliminary Official Statement: Disclosure Counsel prepares a preliminary Official Statement with input from the financing team including tables relating to the City’s general fund finances. Following City Council authorization, the preliminary Official Statement will be distributed by the Underwriter and used as the primary marketing document to prospective bond purchasers. A table of contents identifies critical topics such as the plan of finance, security for the bonds, information on the City, information on the general fund of the City, the continuing disclosure requirements and the form of opinion of bond counsel. The agenda packet includes a draft of the preliminary Official Statement that the financing team considers to be essentially final. A final Official Statement will be made available shortly after the pension obligation bonds are sold; it will be identical to the preliminary Official Statement except that it will reflect the final bond sale information.

The distribution of the preliminary Official Statement and the final Official Statement is subject to the federal securities laws, including the Securities Act of 1933 and the Securities Exchange Act of 1934. These laws require the preliminary Official Statement to include all facts that would be material to an investor in the pension obligation bonds. Material information exists where there is a substantial likelihood that the information would have actual significance in the deliberations of the reasonable investor when deciding whether to buy or sell securities. The Securities and Exchange Commission (SEC), the agency with regulatory authority over compliance with the federal securities laws, has indicated that if a member of a legislative body, like the City Council, has knowledge of any facts or circumstances that an investor would want to know prior to investing



**City of Grass Valley
City Council
Agenda Action Sheet**

in securities, like the pension obligation bonds, whether relating to their repayment, tax-exempt status, undisclosed conflicts of interest with interested parties, or otherwise, he or she should endeavor to discover whether such facts are adequately disclosed in the preliminary Official Statement. The steps that a member of the City Council could take to fulfill this obligation include becoming familiar with the preliminary Official Statement and questioning staff and other members of the financing team about the disclosure of such facts.

Continuing Disclosure Certificate (Included with the Preliminary Official Statement): SEC Rule 15c2-12 requires the underwriter of an issue of municipal securities to obtain a commitment by the issuer of the securities to provide ongoing disclosure. The Continuing Disclosure Certificate -- which is attached to the preliminary Official Statement -- requires the City, as the obligated party with respect to the pension obligation bonds, to provide two types of ongoing disclosure – an annual report each year, and timely notices of certain types of events that are likely to be material to investors, if and when any occur.

Bond Purchase Agreement: An agreement between the City and Hilltop Securities Inc., as Underwriter, whereby the Underwriter will agree to purchase the pension obligation bonds contingent upon the City satisfying the obligations imposed within the agreement. The Underwriter agrees to make a bona-fide public offering of the bonds in an “arms-length” transaction.

ANTICIPATED SCHEDULE

Upon approval of the Preliminary Official Statement, legal documents, and Bonds Purchase Agreement, the City’s financing team will begin the process of marketing the POBs to investors. It is expected that the earliest the City will sell its POBs and close the financing is in mid-March or early April. However, it is important to note that the City’s financing team is actively monitoring current market conditions and other financing considerations in determining the best time to sell the bonds into the market. After City Council approves the resolution, the financing team is prepared to move quickly to sell the POBs at the optimal time and maximize the City’s benefit.

UPDATED SAVINGS ANALYSIS

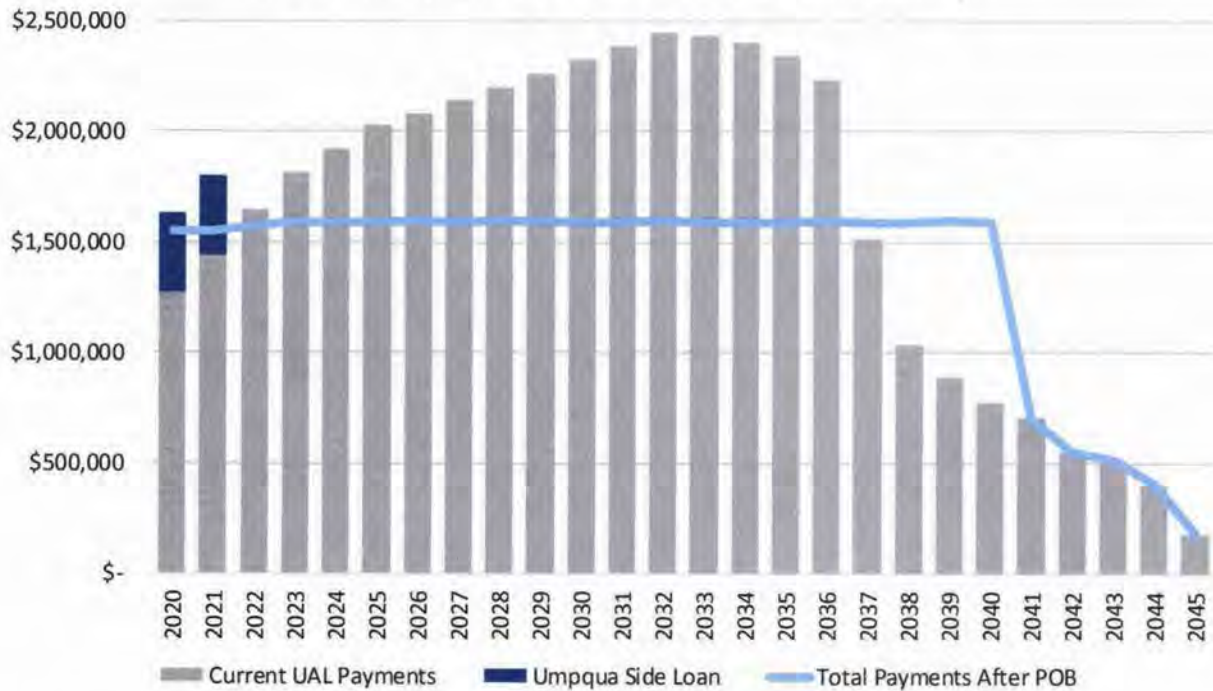
Due to the impacts the coronavirus is having on global markets, taxable bond interest rates have decreased significantly in the last month. Currently, it is estimated that the City’s 2020 Pension Obligation Bonds would achieve an average annual savings of approximately \$538,000 over fiscal



**City of Grass Valley
City Council
Agenda Action Sheet**

years 2020-2036. Cumulatively, from fiscal years 2020-2045, we anticipate over \$6.9 million in total savings, or \$5.6 million in present value terms (35% of refunded principal). In the graph below, the grey bars represent the City’s current repayment schedule for its UAL and the two blue bars in fiscal years 2020 and 2021 represent the remaining payments for the Umpqua Side Fund loan. The light blue line represents the debt service on the 2020 Pension Obligation Bonds. These bonds would pay down a significant portion of the City’s UAL balance, bringing it to approximately 92%, and would also refund the outstanding portions of the Umpqua Side Fund Loan. One key thing to note is that during the anticipated 20-year maturity, there would be a decrease of payments through fiscal year 2036 and then an increase in payments up to \$815,000 annually from 2037 to 2040.

Grass Valley: UAL Schedule vs. UAL Restructuring



CONCLUSION

Staff recommends the City Council approve this resolution so that staff and the financing team can finalize the issuance, sale and delivery of the pension obligation bonds.



**City of Grass Valley
City Council
Agenda Action Sheet**


COUNCIL GOALS / OBJECTIVES

Issuance of the Pension Obligation Bonds to restructure / pay-off the City's pension-related debts executes portions of the work tasks towards achieving / maintaining the Strategic Plan goal to maintain a High-Performance Government and Quality Service.

FISCAL IMPACT

Costs to execute the issuance of the POBs are included in the financing; and there is no impact to General Fund budget related to those costs. Savings for FY 2021 are estimated at \$250,000 and savings are projected to average \$538,000 for FY 2020 – 2036. Total net present value savings is approximately \$5.6 million over the 20-year term of the POBs.

REVIEWED BY

 City Manager

ATTACHMENTS

- Exhibit A – Resolution No. 2020-07
- Exhibit B – Preliminary Official Statement
- Exhibit C – Bond Purchase Agreement

RESOLUTION NO. 2020-07

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF GRASS VALLEY CONFIRMING THE ISSUANCE OF PENSION OBLIGATION BONDS TO REFINANCE OUTSTANDING OBLIGATIONS OF THE CITY, APPROVING AN OFFICIAL STATEMENT AND BOND PURCHASE AGREEMENT AND RELATED ACTIONS

WHEREAS, the City of Grass Valley (the "City") has previously elected to become a contracting member of the California Public Employees' Retirement System ("PERS"), and as such the City is obligated by Sections 20000 *et seq.* of the California Government Code (the "Retirement Law"), to make payments to PERS relating to pension benefits accruing to current and former City employees who are PERS members, including retired employees (the "PERS Obligations"); and

WHEREAS, the City currently has an unfunded actuarial accrued liability in respect of the PERS Obligations; and

WHEREAS, the City and the Grass Valley Capital Improvements Authority entered into a Lease Agreement dated as of May 1, 2013 under which payments to be made by the City were assigned to Umpqua Bank (the "Umpqua Obligation") in the total principal amount of \$2,437,000 to finance then-unfunded PERS Obligations related to the City's miscellaneous, fire-safety and police-safety pension groups; and

WHEREAS, the City is authorized under the provisions of Articles 10 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code, commencing with Section 53570 of said Code (the "Bond Law"), to issue its bonds for the purpose of refunding certain outstanding obligations of the City, including the PERS Obligations and the Umpqua Obligation; and

WHEREAS, pursuant to Resolution No. 2019-66, adopted by the City Council on October 22, 2019, the City Council authorized the issuance of pension obligation bonds (the "Bonds") pursuant to an Indenture of Trust between the City and MUFG Union Bank, N.A., as trustee (the "Indenture") and the Bond Law for the purpose of refinancing the PERS Obligations and the Umpqua Obligation in whole or in part, and to pursue a judicial validation action with respect to such issuance; and

WHEREAS, the judicial validation action has been successfully completed and City staff, with the aid of outside consultants, have prepared drafts of a Preliminary Official Statement and Bond Purchase Agreement related to the Bonds for approval by the City Council; and

WHEREAS, the City Council wishes at this time to confirm the issuance of the Bonds and approve the forms of the Preliminary Official Statement and Bond Purchase Agreement;

NOW, THEREFORE, be it resolved by the City Council of the City of Grass Valley, as follows:

1. Confirmation of Issuance of Bonds. The City Council hereby confirms its actions in Resolution No. 2019-66, authorizing the issuance of the Bonds pursuant to the Indenture and

the Bond Law for the purpose of refinancing the PERS Obligations and the Umpqua Obligation, and paying the costs of issuance of the Bonds. The aggregate principal amount of the Bonds shall not exceed a portion of the aggregate amount of the unfunded accrued actuarial liability represented by the PERS Obligations, as reported to the City by PERS and determined by the City Manager or the Finance Director, plus an amount required to prepay the Umpqua Obligation, plus an amount required to pay all costs of issuing the Bonds, which total amount is currently estimated not to exceed \$24,000,000.

2. Approval of Official Statement. The City Council hereby approves the preliminary Official Statement in substantially the form on file with the City Clerk. Distribution of the preliminary Official Statement by the City and Hilltop Securities, Inc., as underwriter (the "Underwriter"), is hereby approved, and, prior to the distribution of the preliminary Official Statement, each of the City Manager and the Finance Director (each, an "Authorized Officer") is hereby authorized and directed, on behalf of the City, to deem the preliminary Official Statement "final" pursuant to Rule 15c2-12 under the Securities Exchange Act of 1934 (the "Rule"). The execution of the final Official Statement, which shall include such changes and additions thereto deemed advisable by the Authorized Officer executing the same, and such information permitted to be excluded from the preliminary Official Statement pursuant to the Rule, is hereby approved for delivery to the purchasers of the Bonds, and each Authorized Officer, acting alone, is authorized and directed to execute and deliver the final Official Statement for and on behalf of the City, to deliver to the Underwriter a certificate with respect to the information set forth therein and to deliver to the Underwriter a continuing disclosure undertaking substantially in the form appended to the final Official Statement.

3. Approval of Bond Purchase Agreement. The City Council hereby approves the Bond Purchase Agreement prescribing the provisions for sale of the Bonds by the City to the Underwriter. Each Authorized Officer is hereby authorized and directed to execute and deliver, for and in the name and on behalf of the City, in substantially the form on file with the City Clerk, with such changes therein, deletions therefrom and additions thereto as the Authorized Officer shall approve, such approval to be conclusively evidenced by the execution and delivery of the Bond Purchase Agreement. The City Council hereby authorizes the delivery and performance of the Bond Purchase Agreement by the City.

4. Official Actions. The Authorized Officers and any and all other officers of the City are hereby authorized and directed, for and in the name and on behalf of the City, to do any and all things and take any and all actions, which they, or any of them, may deem necessary or advisable in connection with the issuance, sale and delivery of the Bonds. Whenever in this Resolution any officer of the City is directed to execute or countersign any document or take any action, such execution, countersigning or action may be taken on behalf of such officer by any person designated by such officer to act on his or her behalf in the case such officer is absent or unavailable.

5. Effective Date. This Resolution shall take effect from and after the date of approval and adoption thereof.

ADOPTED as a Resolution by the City Council of the City of Grass Valley at a regular meeting thereof held on the 10th day of March, 2020, by the following vote.

AYES:

NOES:

ABSTAINED:

ABSENT:

MAYOR

ATTEST:

CITY CLERK

APPROVED AS TO FORM:

CITY ATTORNEY / BOND COUNSEL

EXHIBIT B

PRELIMINARY OFFICIAL STATEMENT DATED MARCH ____, 2020

NEW ISSUE — BOOK-ENTRY ONLY

RATING: S&P:
" " "

See "RATING"

In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, interest on the Bonds is exempt from State of California personal income taxes. Bond Counsel observes that interest on the Bonds is not excluded from gross income for federal income tax purposes. Bond Counsel expresses no opinion regarding any other tax consequences caused by the ownership or disposition of, or the accrual or receipt of interest on, the Bonds. See "TAX MATTERS."

\$ _____ *

**CITY OF GRASS VALLEY
2020 TAXABLE PENSION OBLIGATION BONDS**

Dated: Date of Delivery

Due: June 1; see inside cover

The Bonds. The above-captioned bonds (the "Bonds") are being issued by the City of Grass Valley (the "City") as fully registered bonds in book-entry form only, initially registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"). Individual purchases of the Bonds will be in principal amounts of \$5,000 or in any integral multiples of \$5,000. Interest on the Bonds will be payable on June 1 and December 1 of each year, commencing June 1, 2020, and principal payable on the Bonds will be paid on June 1 in the years set forth on the maturity schedule on the inside cover of this Official Statement. Payments of principal of and interest on the Bonds will be paid by MUFG Union Bank, N.A., San Francisco, California, as trustee (the "Trustee") under an Indenture of Trust, dated as of March 1, 2020 (the "Indenture") between the City and the Trustee, to DTC for subsequent disbursement to DTC Participants who will remit such payments to the Beneficial Owners of the Bonds. See "THE BONDS".

Purpose. The Bonds are being issued to (i) refund certain obligations of the City owed to the California Public Employees' Retirement System ("PERS") with respect to pension benefits accruing to current and former City employees (the "PERS Obligations"), (ii) prepay, in full, a Lease Agreement dated as of May 1, 2013 between the refund the Grass Valley Capital Improvements Authority and the City, assigned to Umpqua Bank (the "Umpqua Lease") previously entered into by the City to refund certain of its PERS Obligations, and (iii) pay costs of issuing the Bonds. See "PLAN OF FINANCING".

Redemption. The Bonds are subject to redemption prior to maturity. See "THE BONDS – Redemption."

Security. Payment of the principal of and interest on the Bonds is not limited to any special source of funds and is payable from all legally available moneys or funds of the City. The City is not empowered or obligated to levy or pledge taxes to make payments on the Bonds. However, the City covenants pursuant to the Indenture to take such action as may be necessary to include in each of its annual budgets the payments required to be made by the City under the Indenture, and to make the necessary annual appropriations for all such payments. If any payment of debt service on the Bonds requires the adoption by the City of a supplemental budget or appropriation, the City covenants to promptly adopt the same. See "SECURITY FOR THE BONDS" and "RISK FACTORS."

MATURITY SCHEDULE

(See inside cover)

THIS COVER PAGE CONTAINS INFORMATION FOR GENERAL REFERENCE ONLY. IT IS NOT A SUMMARY OF THE SECURITY OR TERMS OF THIS ISSUE. INVESTORS MUST READ THE ENTIRE OFFICIAL STATEMENT, INCLUDING THE SECTION ENTITLED "RISK FACTORS", FOR A DISCUSSION OF SPECIAL FACTORS WHICH SHOULD BE CONSIDERED, IN ADDITION TO THE OTHER MATTERS SET FORTH IN THIS OFFICIAL STATEMENT, IN CONSIDERING THE INVESTMENT QUALITY OF THE BONDS. CAPITALIZED TERMS USED ON THIS COVER PAGE AND NOT OTHERWISE DEFINED SHALL HAVE THE MEANINGS SET FORTH IN THIS OFFICIAL STATEMENT.

The Bonds are offered when, as and if sold and issued, subject to the approval as to their legality by Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel. Jones Hall is also serving as Disclosure Counsel to the City. Certain legal matters will be passed upon for the City by the City Attorney and for the Underwriter by Quint & Thimmig LLP, Larkspur, California. It is anticipated that the Bonds in book-entry form, will be available for delivery to DTC on or about March __, 2020.

[Hilltop Logo]

Dated: March __, 2020.

*Preliminary; subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. 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 such jurisdiction.

MATURITY SCHEDULE

(Base CUSIP†: _____)

<u>Maturity Date</u> <u>(June 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>Price</u>	<u>CUSIP†</u>
2020					
2021					
2022					
2023					
2024					
2025					
2026					
2027					
2028					
2029					
2030					
\$ _____ % Term Bonds due June 1, 2034, Price: ____% CUSIP:† _____					
\$ _____ % Term Bonds due June 1, 2040, Price: ____% CUSIP:† _____					

† Copyright 2020, American Bankers Association. CUSIP data are provided by Standard & Poor's CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc., and are provided for convenience of reference only. Neither the City nor the Underwriter assume any responsibility for the accuracy of these CUSIP data.

CITY OF GRASS VALLEY
(NEVADA COUNTY, CALIFORNIA)

CITY COUNCIL

Linda Swarthout, *Mayor*
Ben Aguilar, *Vice Mayor*
Jan Arbuckle, *Council Member*
Hilary Hodge, *Council Member*
Howard Levine, *Council Member*

CITY STAFF

Tim Kiser, *City Manager*
Andy Heath, *Finance Director*
Michael G. Colantuono of Colantuono, Highsmith & Whatley, P.C., *City Attorney*

SPECIAL SERVICES

Municipal Advisor

NHA Advisors LLC
San Rafael, California

Bond Counsel and Disclosure Counsel

Jones Hall, A Professional Law Corporation
San Francisco, California

Trustee

MUFG Union Bank, N.A.,
San Francisco, California

GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

No Offering May Be Made Except by this Official Statement. No dealer, broker, salesperson or other person has been authorized to give any information or to make any representations with respect to the Bonds other than as contained in this Official Statement, and if given or made, such other information or representation must not be relied upon as having been authorized.

No Unlawful Offers or Solicitations. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

Effective Date. This Official Statement speaks only as of its date, and the information and expressions of opinion contained in this Official Statement are subject to change without notice. Neither the delivery of this Official Statement nor any sale of the Bonds will, under any circumstances, create any implication that there has been no change in the affairs of the City or any other parties described in this Official Statement.

Use of this Official Statement. This Official Statement is submitted in connection with the sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose. This Official Statement is not a contract with the purchasers of the Bonds.

Preparation of this Official Statement. The information contained in this Official Statement has been obtained from sources that are believed to be reliable, but this information is not guaranteed as to accuracy or completeness.

Underwriter Statement. 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 part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

Document References and Summaries. All references to and summaries of the Indenture of Trust or other documents contained in this Official Statement are subject to the provisions of those documents and do not purport to be complete statements of those documents.

Bonds are Exempt from Securities Laws Registration. The issuance and sale of the Bonds have not been registered under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, in reliance upon exemptions for the issuance and sale of municipal securities provided under Section 3(a)(2) of the Securities Act of 1933 and Section 3(a)(12) of the Securities Exchange Act of 1934.

Stabilization of Prices. In connection with this offering, the Underwriter may overallocate or effect transactions which stabilize or maintain the market price of the Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The Underwriter may offer and sell the Bonds to certain dealers and others at prices lower than the public offering prices set forth on the cover page hereof and said public offering prices may be changed from time to time by the Underwriter.

Estimates and Projections. Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "budget" or other similar words.

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE CITY DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THOSE FORWARD-LOOKING STATEMENTS IF OR WHEN ITS EXPECTATIONS, OR EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH SUCH STATEMENTS ARE BASED OCCUR.

City Website. The City maintains a website. However, the information presented there is not a part of this Official Statement and should not be relied upon in making an investment decision with respect to the Bonds.

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- [APPENDIX F - Specimen Municipal Bond Insurance Policy]

Location Map

OFFICIAL STATEMENT

\$ _____ *

CITY OF GRASS VALLEY 2020 TAXABLE PENSION OBLIGATION BONDS

INTRODUCTION

This introduction contains only a brief summary of certain of the terms of the Bonds being offered, and a brief description of the Official Statement. All statements contained in this introduction are qualified in their entirety by reference to the entire Official Statement. Certain defined terms used herein are set forth in APPENDIX B – Summary of Indenture.

General

The purpose of this Official Statement (which includes the cover page and the Appendices) is to provide information concerning the issuance of the above-captioned bonds (the "**Bonds**").

The City

The City of Grass Valley (the "**City**") is located in western Nevada County (the "**County**") in the western foothills of the Sierra Nevada mountain range, approximately 57 miles from Sacramento and 88 miles west of Reno and 143 miles northeast of San Francisco. The City was established in 1851 in connection with the California gold rush, and was incorporated in 1860 under the general laws of the State of California and has a council-manager form of government. The population as of January 2019 was estimated at 12,769.

The City maintains five Council Members who serve overlapping terms of four years, and the Council, in turn, selects one of the Council Members to serve as Mayor for one year. The legislative body selects a City Manager to administer the affairs of the City. The City provides public safety (police and fire), highways and street, sanitation, health and social services, culture/recreation, public improvements, planning and zoning and general administrative services.

Authority for the Bonds

The Bonds are being issued pursuant to the provisions of an Indenture of Trust, dated as of March 1, 2020 (the "**Indenture of Trust**"), between the City and MUFG Union Bank, N.A., as trustee (the "**Trustee**").

* Preliminary; subject to change.

Purpose

The proceeds of the sale of the Bonds will be used to (i) refund certain obligations of the City owed to the California Public Employees' Retirement System ("**PERS**") with respect to pension benefits accruing to current and former City employees (the "**PERS Obligations**"), (ii) prepay, in full, a Lease Agreement dated as of May 1, 2013 between Grass Valley Capital Improvements Authority and the City, assigned to Umpqua Bank (the "**Umpqua Lease**") previously entered into by the City to refund certain of its PERS Obligations, and (iii) pay costs of issuing the Bonds. See "PLAN OF FINANCING."

Security for the Bonds

The obligations of the City under the Bonds, including the obligation to make all payments of principal of and interest on the Bonds when due, and the obligation of the City to make the deposits required for the security of the Bonds, are obligations of the City imposed by law and are absolute and unconditional, without any right of set-off or counterclaim. The Bonds do not constitute an obligation of the City for which the City is obligated to levy or pledge any form of taxation. Neither the Bonds nor the obligations of the City to make payments on the Bonds constitute an indebtedness of the City, the State of California, or any of its political subdivisions within the meaning of any constitutional or statutory debt limitation or restriction.

The City covenants pursuant to the Indenture to take such action as may be necessary to include in each of its annual budgets the payments required to be made by the City under the Indenture, and to make the necessary annual appropriations for all such payments. If any payment of Debt Service requires the adoption by the City of a supplemental budget or appropriation, the City covenants to promptly adopt the same. See "SECURITY FOR THE BONDS" and "APPENDIX B – Summary of Indenture."

Redemption

The Bonds are subject to redemption prior to maturity as described herein. See "THE BONDS – Redemption".

Summaries Not Definitive

The summaries and references of documents, statutes, reports and other instruments referred to in this Official Statement do not purport to be complete, comprehensive or definitive, and each such summary and reference is qualified in its entirety by reference to each document, statute, report, or instrument. The capitalization of any word not conventionally capitalized, or otherwise defined in this Official Statement, indicates that such word is defined in a particular agreement or other document and, as used in this Official Statement, has the meaning given it in such agreement or document. See "APPENDIX B – Summary of Indenture" for summaries of certain of such definitions.

Copies of the documents described in this Official Statement will be available at the City Manager's office, City of Grass Valley, 125 East Main Street, Grass Valley, CA 95945.

PLAN OF FINANCING

General

The Bonds are being issued to: (i) to make payments relating to the PERS Obligations, (ii) to prepay the Umpqua Lease, and (iii) pay the costs of issuance of the Bonds.

With respect to the payments on the PERS Obligations, a portion of the proceeds of the Bonds will be used to provide funds to allow the City to refund a portion of its unfunded accrued actuarial liability ("**Unfunded Liability**") with respect to certain retirement benefits accruing to members of PERS under the Contract between the City and the Board of Administration of PERS, effective May 1, 1965, as amended, including as of November 5, 2017 (as so amended, the "**PERS Contract**").

PERS prepared seven actuarial valuation reports for the City (collectively, the "**Actuarial Valuations**"), setting forth the Unfunded Liability of the City with respect to each of its retirement plans as of June 30, 2019 and projected as of June 30, 2020. As shown in the Actuarial Valuations, the combined total Unfunded Liability of the City as of June 30, 2019 is \$21,722,621, representing the sum of the following plans (collectively, the "Plans"): (i) \$11,290,681 for the Miscellaneous Plan, (ii) \$31,741 for the PEPRA Miscellaneous Plan, (iii) \$8,532,131 for the Safety Police Plan, (iv) \$12,886 for the Safety Police Second Tier Plan, (v) \$1,766,408 for the Safety Fire Plan, (vi) \$48,757 for the PEPRA Safety Fire Plan, and (vii) \$40,017 for the PEPRA Safety Police Plan.

More recently, PERS has provided to the City a "pay-off" letter with respect to the Plans, dated _____, 2020, stating that the Unfunded Liability of the City with respect to the Plans would be paid off with the payment of \$_____ on or before _____, 2020. The Bonds have been structured to produce a more sustainable projected annual pension cost schedule, wrapping around the unrefunded Unfunded Liability to generate level payments through 2040, and annual debt service savings in certain years.

Estimated Sources and Uses of Funds

The proceeds to be received from the sale of the Bonds are anticipated to be applied as follows:

SOURCES OF FUNDS:

Principal Amount of Bonds	\$
Plus [Net] Original Issue Premium/Discount	
Total Sources:	\$

USES OF FUNDS:

Payment to PERS	\$
Prepayment of Umpqua Lease	
Costs of Issuance ⁽¹⁾	
Total Uses:	\$

(1) Includes Underwriter's discount, legal fees, Trustee fees, printing expenses, and other costs of issuing the Bonds.

THE BONDS

General

The Bonds will be issued in the form of fully registered bonds, without coupons, in denominations of \$5,000 or any integral multiple of \$5,000, and will be dated the date of delivery to the original purchaser. The Bonds will mature on the dates and in the amounts set forth on the inside front cover of this Official Statement.

The Bonds, when issued, will be registered in the name of Cede & Co., as registered owner and nominee of The Depository Trust Company ("DTC"). So long as DTC, or Cede & Co. as its nominee, is the registered owner of all Certificates, all payments on the Bonds will be made directly to DTC, and disbursement of such payments to the DTC "Participants" (as defined in APPENDIX E) will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners (as defined in APPENDIX E) will be the responsibility of the Participants, as more fully described in "– Book-Entry Only System" below.

Interest on the Bonds is payable on June 1 and December 1 of each year, commencing June 1, 2020, and continuing to and including the date of maturity or redemption, whichever is earlier. Principal represented by the Bonds is payable on June 1 in each of the years and in the amounts set forth on the inside front cover of this Official Statement. Any Bond may be transferred upon the registration books kept by the Trustee by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of the Bond for cancellation, accompanied by delivery of a written instrument of transfer in a form approved by the Trustee, duly executed and the payment of such reasonable transfer fees as the Trustee may establish.

Bonds may be exchanged at the corporate trust office of the Trustee for a like aggregate principal amount of Bonds of other authorized denominations of the same maturity. The Trustee may charge the Owner a reasonable sum for each new Bond issued upon any exchange and the Trustee may require the payment by the Owner requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange. The Trustee is not required to register the transfer or exchange of any Bond during the period the Trustee is selecting Bonds for redemption or any Bond selected for redemption.

Redemption

Optional Redemption. The Bonds maturing on or before June 1, 20___, are not subject to redemption prior to their respective stated maturities. The Bonds maturing on or after June 1, 20___, are subject to redemption in whole, or in part among maturities on such basis as set forth in a Request of the City, and within a maturity on a pro rata basis among the Beneficial Owners of the Bonds of such maturity, at the option of the City, on any date on or after June 1, 20___, from any available source of funds, at a redemption price equal to the principal amount thereof to be redeemed together with accrued interest thereon to the redemption date, without premium.

Mandatory Sinking Fund Redemption. The Bonds maturing on June 1, 20__ and June 1, 20__ (the "Term Bonds") are subject to mandatory redemption, within a maturity on a pro rata basis among the Beneficial Owners of the Term Bonds of such maturity, at a redemption price equal to 100% of the principal amount thereof to be redeemed, without premium, in the aggregate respective principal amounts and on June 1 in the respective years as set forth in the

following tables. If some but not all of the Term Bonds have been redeemed under subsection (a) of this Section, the total amount of all future sinking fund payments will be reduced by the aggregate principal amount of the Term Bonds so redeemed, to be allocated among such sinking fund payments on a pro rata basis in integral multiples of \$5,000 (as set forth in a schedule provided by the City to the Trustee).

**Term Bonds Maturing
June 1, 20__**

Sinking Fund Redemption Date (<u>June 1</u>)	<u>Principal Amount To Be Redeemed</u>
--	--

**Term Bonds Maturing
June 1, 20__**

Sinking Fund Redemption Date (<u>June 1</u>)	<u>Principal Amount To Be Redeemed</u>
--	--

Selection of Bonds for Redemption. Whenever provision is made in the Indenture for the redemption of less than all of the Bonds of a maturity, the Trustee shall select the Bonds of such maturity to be redeemed on a pro rata basis among the Beneficial Owners of the Bonds of such maturity. For purpose of such selection, all Bonds will be deemed to be comprised of separate \$5,000 denominations and such separate denominations will be treated as separate Bonds which may be separately redeemed.

If only a portion of a Bond is called for redemption, then upon surrender of such Bond the City will execute and the Trustee shall authenticate and deliver to the Owner thereof, at the expense of the City, a new Bond or Bonds of the same series and maturity date, of authorized denominations in aggregate principal amount equal to the unredeemed portion of the Bond to be redeemed.

Notice of Redemption. The Trustee on behalf and at the expense of the City will mail (by first class mail) notice of any redemption to the respective Owners of Bonds designated for redemption at their respective addresses appearing on the Registration Books, the Securities Depositories and the Municipal Securities Rulemaking Board, at least 20 but not more than 60 days prior to the date fixed for redemption; *provided, however*, that neither failure to receive any such notice so mailed nor any defect therein will affect the validity of the proceedings for the redemption of such Bonds or the cessation of the accrual of interest thereon. Such notice must state the date of the notice, the redemption date, the redemption place and the redemption price and must designate the CUSIP numbers, the Bond numbers and the maturity or maturities (in the event of redemption of all of the Bonds of such maturity or maturities in whole) of the Bonds to be redeemed, and must require that such Bonds be then surrendered at the Office of the

Trustee identified in such notice for redemption at the redemption price, giving notice also that further interest on such Bonds will not accrue from and after the redemption date.

Right to Rescind Notice of Optional Redemption. The City may rescind any notice of the optional redemption of Bonds by written notice to the Trustee on or prior to the dated fixed for redemption. Any notice of optional redemption will be cancelled and annulled if for any reason funds will not be or are not available on the date fixed for redemption for the payment in full of the Bonds then called for redemption, and such cancellation will not constitute an Event of Default. The City and the Trustee have no liability to the Owners or any other party related to or arising from such rescission of redemption. The Trustee will mail notice of such rescission of redemption in the same manner as the original notice of redemption was sent as described above for the original notice.

Effect of Redemption. From and after the date fixed for redemption, if notice of redemption has been duly mailed and funds available for the payment of the principal of and interest on the Bonds so called for redemption have been duly provided, such Bonds so called shall cease to be entitled to any benefit under the Indenture other than the right to receive payment of the redemption price, and no interest shall accrue thereon from and after the redemption date specified in such notice.

Book-Entry System

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered certificates registered in the name of Cede & Co. (DTC's partnership nominee). One fully-registered Bond will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC. See "APPENDIX E – Book-Entry Provisions."

The City and the Trustee cannot and do not give any assurances that DTC, DTC Participants or others will distribute payments of principal, interest or premium, if any, with respect to the Bonds paid to DTC or its nominee as the registered owner, or will distribute any redemption notices or other notices, to the Beneficial Owners, or that they will do so on a timely basis or will serve and act in the manner described in this Official Statement. The City and the Trustee are not responsible or liable for the failure of DTC or any DTC Participant to make any payment or give any notice to a Beneficial Owner with respect to the Bonds or an error or delay relating thereto. See "APPENDIX E – Book-Entry Provisions."

SECURITY FOR THE BONDS

Source of Payment

The City is obligated to satisfy its obligations under the Bonds from all legally available funds. The obligations of the City under the Bonds, including the obligation to make all payments of principal of and interest on the Bonds when due and the obligation of the City to make the deposits required under the Indenture for the security of the Bonds, are obligations of the City imposed by law and are absolute and unconditional, without any right of set-off or counterclaim. The City has other obligations payable from its General Fund, and the Indenture does not limit the amount of General Fund obligations that the City may incur.

The Bonds do not constitute an obligation of the City for which the City is obligated to levy or pledge any form of taxation. Neither the Bonds nor the obligations of the City to make payments on the Bonds constitute an indebtedness of the City, the State of California, or any of its political subdivisions in contravention of any constitutional or statutory debt limitation or restriction. See "LEGAL MATTERS – Validation Proceedings."

Pursuant to the Indenture, the City covenants to take such action as may be necessary to include in each of its annual budgets the payments required to be made by the City to pay principal of and interest on the Bonds, and to make the necessary annual appropriations for all such payments. If any payment of Debt Service requires the adoption by the City of a supplemental budget or appropriation, the City has covenanted in the Indenture to promptly adopt the same. The covenants on the part of the City are deemed to constitute duties imposed by law and it is the duty of each and every public official of the City to take such action and do such things as are required by law in the performance of the official duty of such officials to enable the City to carry out and perform the covenants and agreements in the Indenture.

The assets of PERS are not available for payment of the Bonds and the Bonds do not constitute an obligation of PERS.

Debt Service Fund

Pursuant to the Indenture, the City will transfer an amount of legally available funds to the Trustee for deposit in the debt service fund established pursuant to the Indenture (the "**Debt Service Fund**") at the times and in the amounts sufficient to pay debt service on the Bonds. The Debt Service Fund will be held by the Trustee and so long as any Bonds are outstanding, the amounts on deposit therein will be used to pay principal and interest on the Bonds.

Not later than the 5th Business Day preceding each Interest Payment Date, the City is required to transfer to the Trustee for deposit in the Interest Account and the Principal Account, as applicable, of the Debt Service Fund, an amount which, when added to the amount then on deposit in the such account, equals the aggregate amount of interest or principal, as applicable, coming due and payable on the Bonds on such date.

Funds held by the Trustee may be invested in Permitted Investments (as defined in the Indenture) specified by the City.

THE CITY

General

The City is located in the County in the western foothills of the Sierra Nevada mountain range, approximately 57 miles from Sacramento and 88 miles west of Reno and 143 miles northeast of San Francisco. The City was established in 1851 in connection with the California gold rush, and was incorporated in 1893 and became a charter city under the general laws of the State of California and has a council-manager form of government. The population as of January 2019 was estimated at 12,769.

Municipal Government

The City has a council-manager form of government. There are five Council Members who serve overlapping terms of four years, and the Council, in turn, selects one of the Council Members to serve as Mayor for one year. The legislative body selects a City Manager to administer the affairs of the City. The City provides the following services: public safety (police, fire and civil defense), highways and street, sanitation, health and social services, culture/recreation, public improvements, planning and zoning and general administrative services.

Population

As of January 1, 2019, the population of the City was estimated to be 12,769, an decrease of approximately 0.1% percent over the estimated population of the City in 2018. The following table presents population data for both the City and County, as well as the State.

Table 1
CITY OF GRASS VALLEY
Population of the City, County and State

Year	City of Grass Valley	Nevada County	State of California
2000	10,922	92,033	33,873,086
2010	12,860	98,764	37,253,956
2011	12,862	98,695	37,594,781
2012	12,831	98,472	37,971,427
2013	12,822	98,085	38,321,459
2014	12,807	98,077	38,622,301
2015	12,804	98,448	38,952,462
2016	12,805	98,710	39,214,803
2017	12,766	98,692	39,504,609
2018	12,785	99,024	39,740,508
2019	12,769	98,904	39,927,315

Source: California Department of Finance (Demographic Research Unit)

Major Employers

The following table lists the major employers within the City as of June 30, 2019.

Table 2
CITY OF GRASS VALLEY
Principal Employers as of June 30, 2019

Employer Name	Industry	Estimated # of Employees
Sierra NV Memorial Hospital	Hospitals	500-999
Safeway	Grocers-Retail	250-499
Interfaith Food Ministry	Non-Profit Organizations	200-499
AJA Video	Television Station Equipment-Mfrs	100-249
Briarpatch Community Market	Health & Diet Foods-Retail	100-249
Golden Empire Nurse & Rehab	Nursing & Convalescent Homes	100-249
Kmart	Department Stores	100-249
Nevada Irrigation District	Water & Sewage Companies-Utility	100-249
Nevada Union High School	Schools	100-249
Raley's	Grocers-Retail	100-249
Spring Hill Manor Rehab	Skilled Nursing Care Facilities	100-249

Source: Nevada County Economic Resource Council, sorted by number of employees and then alphabetically.

CITY FINANCIAL INFORMATION

City Accounting Policies and Financial Reporting

The City identifies major governmental funds and presents them separately in its fund financial statements. All other governmental funds (non-major) are combined and reported in a single column in the financial statements, regardless of the fund type. The funds are reported using the economic resource measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned, while expenses are recognized in the period in which the liability is incurred, regardless of when the related cash flows take place. The basis of accounting for all funds is more fully explained in APPENDIX A hereto.

The City Council employs, at the beginning of each fiscal year, an independent certified public accountant who, at such time or times as specified by the City Council, at least annually, and at such other times as he or she shall determine, examines the combined financial statements of the City in accordance with generally accepted auditing standards, including such tests of the accounting records and such other auditing procedures as such accountant considers necessary. As soon as practicable after the end of the fiscal year, a final audit and report is submitted by such accountant to the City Council and a copy of the financial statements as of the close of the fiscal year is published.

The City's budget is presented to the City Council twice each year – when adopted, and again at mid-year. The budget is based on a dynamic model prepared by the City's Finance Director that is updated as part of each year's budget cycle, and incorporates multi-year budget projections. The City budget process also benefits from input from outside consults at HdL.

The City has adopted an investment policy (most recently as of February 2020), debt management and disclosure policies, a pension funding policy and a reserve policy. The reserve policy provides that the City shall maintain (1) a minimum unrestricted reserve equal to 2 months (approximately 15%) of operating expenses, and (2) a budget stabilization reserve equal to 25% of the operating budget (net of budgeted capital outlays and debt service). Currently, the City's unrestricted reserve levels far exceed the 2-month minimum required by the Reserve Policy. See "– General Fund – Fund Balances" for additional details.

The City's current auditor (the "**Auditor**") is the firm of _____, _____, California. The audited financial statements of the City for fiscal year 2018-19 are contained in APPENDIX A. *The City's financial statements are public documents and are included within this Official Statement without the prior approval of the Auditor. Accordingly, the Auditor has not performed any post-audit of the financial condition of the City.*

The City's General Fund finances the legally authorized activities of the City not provided for in other restricted funds. General Fund revenues are derived from such sources as taxes and assessments, fines and forfeitures, intergovernmental revenues, charges for services, and other revenue. General Fund expenditures are classified by the functions of general government, public safety, public ways and facilities, community development, recreation and culture, capital outlays, and debt service.

General Fund Financial Summary

Set forth below are excerpts from the City's general fund financial statements for fiscal years 2014-15 through 2018-19.

Table 3
CITY OF GRASS VALLEY
Revenues, Expenditures and Fund Balances (General Fund)
For Fiscal Years 2014-15 through 2018-19 (Audited)

	Audited 2014-15	Audited 2015-16	Audited 2016-17	Audited 2017-18	Audited 2018-19
REVENUES					
Taxes and Assessments ⁽¹⁾	\$11,771,636	\$12,614,319	\$12,323,546	\$12,840,403	\$15,584,077
Fines and Forfeitures	34,131	-	-	42,884	74,901
Intergovernmental	1,155,321	1,209,697	1,283,437	1,391,142	1,385,608
Use of Money and Property	24,817	50,521	39,073	87,653	318,264
Charges for Services	835,256	726,473	640,000	687,209	716,070
Reimbursements	88,808	104,498	48,406	-	-
Other Revenues	433,827	541,706	293,587	189,288	312,347
Total Revenues	14,343,796	15,247,214	14,628,049	15,238,579	18,391,267
EXPENDITURES:					
General Government	1,906,893	2,198,101	2,333,257	2,628,863	3,453,989
Public Safety	6,785,062	7,268,454	7,446,927	8,069,068	8,297,298
Public Ways and Facilities	731,432	791,905	783,494	874,466	941,326
Community Development	929,019	790,292	750,245	846,279	705,360
Recreation and Culture	268,584	223,920	300,033	314,243	378,392
Capital Outlay	-	103,036	333,055	323,339	898,496
Debt Service:					
Principal	367,256	307,510	356,061	365,759	386,763
Interest and fiscal charges	106,213	123,297	112,584	101,535	91,899
Total Expenditures	11,094,459	11,806,515	12,415,656	13,523,552	15,153,523
REVENUE OVER (UNDER) EXPENDITURES	3,249,337	3,440,699	2,212,393	1,715,027	3,237,744
OTHER FINANCIAL SOURCES (USES)					
Proceeds from issuance of debt	1,457,916	-	124,410	-	-
Proceeds from sales of assets	-	6,000	2,082	21,112	3,000
Transfers In	65,912	17,813	2,860	59,299	3,000
Transfers Out ⁽²⁾	(1,856,331)	(1,967,262)	(1,607,732)	(1,330,592)	(452,272)
Total Other Financing Sources (Uses)	(332,503)	(1,943,449)	(1,478,380)	(1,250,181)	(446,272)
Net Change in Fund Balances	2,916,834	1,497,250	734,013	464,846	2,791,472
Fund Balance – Beg.	5,663,435	8,580,269	10,077,519	10,811,532	11,276,378
Fund Balance – Ending	\$8,580,269	\$10,077,519	\$10,811,532	\$11,276,378	\$14,067,850

(1) Includes revenues from Measure E sales tax approved by voters in the City on June 5, 2018, and expected to generate approximately \$5.4 million annually.

(2) Transfer Out represents General Fund's share of capital projects which are reflected in other funds/enterprises of the City.

Source: *City of Grass Valley Annual Financial Reports 2014-15 through 2018-19.*

Taxes and Other Revenue

The General Fund receives the following local taxes and revenue. In the following sections, each of these sources of local tax revenue is described in greater detail.

**Table 4
CITY OF GRASS VALLEY
General Fund Tax Revenues By Source
Fiscal Years 2014-15 to 2018-19**

	Fiscal Year				
	<u>2015-16</u> <u>(Actual)</u>	<u>2016-17</u> <u>(Actual)</u>	<u>2017-18</u> <u>(Actual)</u>	<u>2018-19</u> <u>(Actual)</u>	<u>2019-20</u> <u>(Budget)</u>
Property Taxes	\$	\$	\$	\$	\$
Sales & Use Taxes					
Other Taxes					
Intergovernmental					
Charges for Service/Other					
Total					

Source: City of Grass Valley.

Ad Valorem Property Taxes

Ad valorem property taxes represent the second largest source of general fund revenue for the City, representing approximately 36% of overall general fund budget revenues for Fiscal Year 2019-20. This section describes property tax levy and collection procedures and certain information regarding historical assessed values and major property taxpayers in the City.

General. In California, property which is subject to *ad valorem* taxes is classified as “secured” or “unsecured.” Secured and unsecured property are entered on separate parts of the assessment roll maintained by the county assessor. The secured classification includes property on which any property tax levied by the County becomes a lien on that property sufficient, in the opinion of the County assessor, to secure payment of the taxes. Every tax which becomes a lien on secured property has priority over other liens (except certain federal claims) on the secured property, regardless of the time of the creation of other liens. A tax levied on unsecured property does not become a lien against the taxes on unsecured property, but may become a lien on certain other property owned by the taxpayer.

Property taxes on the secured roll are due in two installments, on November 1 and February 1. If unpaid, such taxes become delinquent on December 10 and April 10, respectively, and a 10% penalty attaches to any delinquent payment. If such taxes remain unpaid as of June 30 of the fiscal year in which the taxes are levied, the property securing the taxes may only be redeemed by a payment of the delinquent taxes and the delinquency penalty, plus costs and a redemption penalty of 1-1/2% per month from the original June 30th date to the time of redemption. If taxes are unpaid for a period of five years or more, the tax-defaulted properties are thereafter subject to sale by the county tax collector as provided by law.

Property taxes on the unsecured roll are due as of the January 1 lien date and become delinquent if unpaid by August 31. A 10% penalty attaches to delinquent taxes on property on the unsecured roll, and an additional penalty of 1-1/2% per month begins to accrue on

November 1. The taxing authority has four ways of collecting unsecured personal property taxes: (1) a civil action against the taxpayer; (2) filing of a certificate in the office of the county clerk specifying certain facts in order to obtain a judgment lien on certain property of the taxpayer; (3) filing a certificate of delinquency for record in the county recorder's office in order to obtain a lien on certain property of the taxpayer; and (4) secure and sale of personal property, improvements or possessory interests belonging or assessed to the assessee.

Assessed Valuations. The City experienced a decline in assessed valuation of \$82,461,529, or approximately 1.8%, for the fiscal year 2009-10, and the assessed valuation in subject to appeal by property owners. The following table shows historical assessed valuations and tax levies. Because the City participates in the Teeter Plan, the City receives one hundred percent of taxes levied.

Table 5
CITY OF GRASS VALLEY
Assessed Value of Taxable Property
Fiscal Years 2009-10 through 2019-20

Fiscal Year	Local Secured	Utility	Unsecured	Total	% Change
2009-10	\$1,406,068,851	\$0	\$98,185,346	\$1,504,254,197	—%
2010-11	1,325,428,149	0	103,334,186	1,428,762,335	(5.0)
2011-12	1,301,688,773	0	99,791,319	1,401,480,092	(1.9)
2012-13	1,297,940,358	0	91,972,144	1,389,912,502	(0.8)
2013-14	1,278,788,253	0	87,541,290	1,366,329,543	(1.7)
2014-15	1,346,458,332	0	84,767,014	1,431,225,346	4.7
2015-16	1,395,751,924	0	78,792,402	1,474,544,326	3.0
2016-17	1,472,868,148	0	76,833,595	1,549,701,743	5.1
2017-18	1,558,208,912	0	76,616,042	1,634,824,954	5.5
2018-19	1,650,937,839	0	81,074,281	1,732,012,120	5.9
2019-20	1,697,491,492	0	86,262,090	1,783,753,582	3.0

Source: California Municipal Statistics, Inc.

More than [81]% of the City has residential uses. The following table shows assessed valuations and parcels by land use for fiscal year 2019-20.

**Table 6
CITY OF GRASS VALLEY
Assessed Valuation and Parcels by Land Use
Fiscal Year 2019-20**

	2019-20 Assessed Valuation ⁽¹⁾	% of Total	No. of Parcels	% of Total
Non-Residential:				
Agricultural/Rural	\$ 494,212	0.03%	1	0.02%
Commercial/Office	426,338,154	25.12	453	8.83
Hotel/Motel	31,222,462	1.84	19	0.37
Industrial	93,754,432	5.52	74	1.44
Recreational	7,425,667	0.44	4	0.08
Government/Social/Institutional	49,694,695	2.93	42	0.82
Miscellaneous	<u>802,219</u>	<u>0.05</u>	<u>34</u>	<u>0.66</u>
Subtotal Non-Residential	\$609,731,841	35.92%	627	12.22%
Residential:				
Single Family Residence	\$ 844,128,724	49.73%	3,166	61.68%
Condominium	85,341,543	5.03	412	8.03
Mobile Home	7,742,539	0.46	432	8.42
Mobile Home Park	15,436,496	0.91	7	0.14
2+ Residential Units	9,685,594	4.69	101	1.97
Miscellaneous Residential	<u>2,876,589</u>	<u>0.17</u>	<u>57</u>	<u>1.11</u>
Subtotal Residential	\$1,035,211,485	60.98%	4,175	81.34%
Vacant Parcels	\$52,548,166	3.10%	331	6.45%
Total	\$1,697,491,492	100.00%	5,133	100.00%

(1) Local Secured Assessed Valuation; excluding tax-exempt property.
Source: California Municipal Statistics, Inc.

Of residential properties in the City, over 10% of the parcels have assessed valuations exceeding \$500,000. The following table shows the 2019-20 per parcel assessed valuation of single-family homes in the City.

**Table 7
CITY OF GRASS VALLEY
Per Parcel 2019-20 Assessed Valuation of Single-Family Homes**

Single Family Residential	No. of Parcels	2019-20 Assessed Valuation	Average Assessed Valuation	Median Assessed Valuation
	3,166	\$844,128,724	\$266,623	\$257,845

2019-20 Assessed Valuation	No. of Parcels ⁽¹⁾	% of Total	Cumulative % of Total	Total Valuation	% of Total	Cumulative % of Total
\$0 - \$24,999	17	0.537%	0.537%	\$ 332,994	0.039%	0.039%
\$25,000 - \$49,999	102	3.222	3.759	3,947,704	0.468	0.507
\$50,000 - \$74,999	79	2.495	6.254	4,848,502	0.574	1.081
\$75,000 - \$99,999	109	3.443	9.697	9,581,480	1.135	2.217
\$100,000 - \$124,999	163	5.148	14.845	18,423,928	2.183	4.399
\$125,000 - \$149,999	202	6.380	21.226	27,657,103	3.276	7.676
\$150,000 - \$174,999	202	6.380	27.606	32,888,044	3.896	11.572
\$175,000 - \$199,999	204	6.443	34.049	38,134,406	4.518	16.089
\$200,000 - \$224,999	213	6.728	40.777	45,318,343	5.369	21.458
\$225,000 - \$249,999	226	7.138	47.915	53,807,113	6.374	27.832
\$250,000 - \$274,999	234	7.391	55.306	61,460,739	7.281	35.113
\$275,000 - \$299,999	230	7.265	62.571	66,172,110	7.839	42.952
\$300,000 - \$324,999	189	5.970	68.541	59,210,309	7.014	49.967
\$325,000 - \$349,999	192	6.064	74.605	64,773,385	7.673	57.640
\$350,000 - \$374,999	179	5.654	80.259	64,740,083	7.669	65.309
\$375,000 - \$399,999	146	4.611	84.870	56,398,926	6.681	71.991
\$400,000 - \$424,999	109	3.443	88.313	44,970,052	5.327	77.318
\$425,000 - \$449,999	88	2.780	91.093	38,434,471	4.553	81.871
\$450,000 - \$474,999	73	2.306	93.399	33,734,421	3.996	85.868
\$475,000 - \$499,999	55	1.737	95.136	26,798,810	3.175	89.042
\$500,000 and greater	<u>154</u>	<u>4.864</u>	100.000	<u>92,495,801</u>	<u>10.958</u>	100.000
	3,166	100.000%		\$844,128,724	100.000%	

(1) Improved single-family residential parcels. Excludes condominiums and parcels with multiple family units.
Source: California Municipal Statistics, Inc.

Proposition 8 Reductions in Assessed Valuation. The Nevada County Assessor (the "County Assessor") assesses property as of its assessed valuation on January 1 of each year. If the market value as of January 1 is less than its base year value, annually adjusted by the inflation factor (generally 2 percent) pursuant to Article XIII A of the State Constitution, then Proposition 8, adopted in November, 1978, allows for a temporary reduction in assessed value. In these cases, the County Assessor may lower the assessed valuation of any such real property. See "RISK FACTORS – Appeals of Assessed Values" for additional information.

Largest Taxpayers. The 20 largest secured property taxpayers for fiscal year 2019-20, which comprise less than 14% of the total secured assessed valuation, are as follows:

**Table 8
CITY OF GRASS VALLEY
2019-20 Top Twenty Local Secured Taxpayers**

	Property Owner	2019-20 Primary Land Use	% of Assessed Valuation	Total ⁽¹⁾
1.	Pine Creek Owner LLC	Commercial	\$40,060,600	2.36%
2.	RI-Grass Valley LLC	Commercial	22,766,612	1.34
3.	GVSC LLC	Commercial	17,319,626	1.02
4.	VTR Quail Ridge LP	Assisted Living Facility	13,736,465	0.81
5.	Gold Miners Inn LLC	Hotel	13,101,129	0.77
6.	WGGV LLC	Commercial	10,978,347	0.65
7.	Grass Valley Glade MHP Association LP	Mobile Home Park	10,688,000	0.63
8.	Mahogany Investments LLC	Commercial	9,860,641	0.58
9.	Nine Plus LLC	Industrial	9,647,433	0.57
10.	Fowler Center LLC	Commercial	9,599,255	0.57
11.	CP Grass Valley LLC	Industrial	9,120,620	0.54
12.	GVC Property 18 LLC	Vacant	8,936,022	0.53
13.	Belden Inc.	Office Building	8,601,766	0.51
14.	Briarpatch Cooperative of Nevada County	Grocery Store	8,392,388	0.49
15.	KRE Tiger Grass Valley LLC	Assisted Living Facility	7,945,170	0.47
16.	RMP Properties LLC	Grocery Store	7,438,200	0.44
17.	9 Miller Court LLC	Office Building	7,208,301	0.42
18.	James B. and Alma O. Conley	Residential Properties	6,902,633	0.41
19.	Francis J and Patricia Lastufka	Residential Properties	6,668,173	0.39
20.	Grass Valley SH LLC	Assisted Living Facility	<u>6,330,070</u>	<u>0.37</u>
			\$235,301,451	13.86%

(1) 2019-20 Local Secured Assessed Valuation: \$1,697,491,492.

Source: California Municipal Statistics, Inc.

Current and Proposed Development in the City. There are various projects in the City currently underway or proposed for future development, which are anticipated to further increase assessed valuations in the future. However, no assurance can be given that any planned development will actually take place. Certain examples of planned developments in the City are:

- Gold Country Village (under construction). This senior affordable apartment complex is planned for 108 total units, of which 28 units were added in 2019.
- Loma Rica Ranch (approved for development). This project is planned for approximately 700 dwelling units, 25,000 square feet of commercial uses, and 364,000 square feet of business park/light industrial uses. It is located on 452 acres, 1.5 miles east of the downtown area of the City. A tentative subdivision map for the first phase of the residential development (known as the "Creeks Neighborhood") planned for 235 units has been approved.
- Dorsey Marketplace (proposed for development). This project is planned as a fully-integrated mixed-used project, including residential, commercial and community uses in the City's "core area." It is currently envisioned to contain a

172-unit apartment complex and approximately 104,000 square feet of retail, service, and community uses.

Sales and Use Taxes

Sales and use taxes represent the largest source of revenues to the City's general fund, at approximately 55% of general fund budgeted revenue to the City (excluding Measure E sales tax revenues) for Fiscal Year 2019-20. This section describes the current system for levying, collecting and distributing sales and use tax revenues in the State.

Background on Sales and Use Taxes. The City collects a percentage of taxable sales in the City (minus certain administrative costs imposed by the CDTFA (defined below)) pursuant to the Bradley-Burns Uniform Local Sales and Use Tax (the "**Sales Tax Law**"), as shown in the following table.

Taxable transactions in the City are subject to the following sales and use tax, of which the City's share is only a portion. The State collects and administers the tax, and makes distributions on taxes collected within the City, as follows:

**Table 9
CITY OF GRASS VALLEY
Sales Tax Rates
Effective January 1, 2020**

Statewide Rate	7.250%
Nevada County Public Library Trans. and Use Tax (NEVL)	0.250
City of Grass Valley 2018 Trans. and Use Tax (GRVG) ⁽¹⁾	<u>1.000</u>
Total	8.500%

(1) Represents Measure E sales and use tax approved by the voters in the City on June 5, 2018. See below for additional details.

Source: California Department of Tax and Fee Administration.

Local Sales Tax Measures (Measures N/E). On November 6, 2012, voters in the City approved Measure N, which was a 1/2-cent sales tax on the purchase of goods and services in the City for 10-years. The tax revenues were deposited into the City's general fund, available for all general fund purposes. The Measure N sales tax was set to expire, in accordance with its terms, at the end of 2023.

On June 5, 2018, voters in the City approved Measure E, which was a 1-cent sales tax on the purchase of goods and services in the City that superseded and replaced Measure N (described above) and which does not have an expiration date. The tax revenues are deposited into the City's general fund, and available for all general fund purposes. At the time of adoption, Measure E was projected to raise approximately \$5.4 million annually. There is no expiration or sunset date for Measure E, although citizens in the City could use the initiative process to petition for a repeal in the future. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS."

State-Wide Sales Tax Law. Sales and use taxes are complementary taxes; when one applies, the other does not. In general, the statewide sales tax applies to gross receipts of retailers from the sale of tangible personal property in the State. The use tax is imposed on the purchase, for storage, use or other consumption in the State of tangible personal property from

any retailer. The use tax generally applies to purchases of personal property from a retailer outside the State where the use will occur within the State. The sales tax is imposed upon the same transactions and items as the statewide sales tax and the statewide use tax.

Certain transactions are exempt from the State sales tax, including sales of the following products:

- food products for home consumption;
- prescription medicine;
- newspapers and periodicals;
- edible livestock and their feed;
- seed and fertilizer used in raising food for human consumption; and
- gas, electricity and water when delivered to consumers through mains, lines and pipes.

This is not an exhaustive list of exempt transactions. A comprehensive list can be found in the State Board of Equalization's Publication No. 61 (February 2017) entitled "Sales and Use Taxes: Exemptions and Exclusions," which can be found on the State Board of Equalization's website at <http://www.boe.ca.gov/>. *The reference to this Internet website is provided for reference and convenience only. The information contained within the website may not be current, has not been reviewed by the City and is not incorporated in this Official Statement by reference.*

Sales Tax Collection Procedures. Collection of the sales and use tax is administered by the California Department of Tax and Fee Administration (the "CDTFA"). This process was formerly administered by the State Board of Equalization. The Taxpayer Transparency and Fairness Act of 2017, which took effect July 1, 2017, restructured the State Board of Equalization and separated its functions among three separate entities: the State Board of Equalization, the CDTFA and the Office of Tax Appeals. The State Board of Equalization will continue to perform the duties assigned to it by the state Constitution, while all other duties will be transferred to the newly established CDTFA and the Office of Tax Appeals. CDTFA will handle most of the taxes and fees previously collected by the State Board of Equalization, including sales and use tax.

According to the CDTFA, it distributes quarterly tax revenues to cities, counties and special districts using the following method:

Using the prior year's like quarterly tax allocation as a starting point, the CDTFA first eliminates nonrecurring transactions such as fund transfers, audit payments and refunds, and then adjusts for growth, in order to establish the estimated base amount. The CDTFA disburses 90% to each local jurisdiction in three monthly installments (advances) prior to the final computation of the quarter's actual receipts. Ten percent is withheld as a reserve against unexpected occurrences that can affect tax collections (such as earthquakes, fire or other natural disaster) or distributions of revenue such as unusually large refunds or negative fund transfers. The first and second advances each represent 30% of the 90% distribution, while the third advance represents 40%. One advance payment is made each month, and the quarterly reconciliation payment (clean-up) is distributed in conjunction with the first advance for the subsequent quarter. Statements showing total collections, administrative costs, prior advances and the current advance are provided with each quarterly clean-up payment.

Under the Sales and Use Tax Law, all sales and use taxes collected by the CDTFA under a contract with any city, city and county, or county are required to be transmitted by the CDTFA to such city, city and county, or county periodically as promptly as feasible. These transmittals are required to be made at least twice in each calendar quarter.

Under its procedures, the CDTFA projects receipts of the sales and use tax on a quarterly basis and remits an advance of the receipts of the sales and use tax to the City on a monthly basis. The amount of each monthly advance is based upon the CDTFA's quarterly projection. During the last month of each quarter, the CDTFA adjusts the amount remitted to reflect the actual receipts of the sales and use tax for the previous quarter.

The CDTFA receives an administrative fee based on the cost of services provided by the Board to the City in administering the City's sales tax, which is deducted from revenue generated by the sales and use tax before it is distributed to the City.

History of Taxable Transactions. A summary of historic taxable sales within the City for calendar years 2014 through 2018 is shown in the following table. Total taxable sales during the first two quarters of calendar year 2019 in the City were reported to be \$246,907,321, a 2.49% increase from the total taxable sales of \$240,913,906 reported during the first two quarters of calendar year 2018. Annual figures for 2019 are not yet available.

Table 10
CITY OF GRASS VALLEY
Taxable Transactions
For Calendar Years 2014 Through 2018
(Dollars in Thousands)

	Retail Stores		Total All Outlets	
	Number of Permits as of July 1	Taxable Transactions	Number of Permits as of July 1	Taxable Transactions
2014	680	\$380,078	953	\$444,403
2015 ⁽¹⁾	661	396,630	1,035	475,633
2016	714	409,026	1,116	479,034
2017	720	415,343	1,113	490,982
2018	683	424,938	1,085	509,831

(1) Permit figures for calendar year 2015 are not comparable to that of prior years due to outlet counts in these reports including the number of outlets that were active during the reporting period. Retailers that operate part-time are now tabulated with store retailers.

Source: State Department of Tax and Fee Administration.

Other Taxes

"Other Taxes" represent approximately []% of general fund revenue to the City for Fiscal Year 2018-19. Other Taxes include: franchise taxes, transient occupancy tax, business license tax, utility users tax, public safety sales tax, and supplemental property tax In-Lieu payments.

General Fund Long-Term Obligations

The City currently has \$4.8 million of General Fund obligations outstanding. The total amount of long-term obligations represents approximately 4.4% of budgeted expenses of the General Fund for Fiscal Year 2019-20.

Table 11
CITY OF GRASS VALLEY
Long-Term Obligations of the General Fund
As of January 1, 2020

Name of Obligation	Outstanding Amount	Coupon/Rate	Final Maturity
2014 Lease Obligation	\$4,122,276	3.90%	Sept. 24, 2035
2014 Umpqua Lease	<u>685,000</u>	3.45	May 1, 2021
Total	4,807,276	--	--

(1) The Umpqua Lease will be prepaid, in full, with a portion of the proceeds of the Bonds. See "PLAN OF FINANCING."

Source: City of Grass Valley.

2014 Lease Obligation. In fiscal year 2014-15, the City entered into an agreement with Municipal Finance Corporation for 20 years in the amount of \$4,288,000. The principal and interest are payable in quarterly installments beginning in March 2015. The last installment is due on September 24, 2035. The City is making a portion of the payments from the General Fund, Water Fund, and Sewer Fund. The lease obligation has an interest rate of 3.90%, as shown in the table above. **[NOTE: Add % of payments allocated to General Fund]**

2014 Umpqua Lease. On May 1, 2014, the City entered into an agreement to obtain financing from Umpqua Bank in the amount of \$2,437,000 to fund the City's unfunded liability to CalPERS related to the City's miscellaneous, fire-safety and police-safety pension groups. The principal is payable annually starting from May 1, 2017 in an amount ranging from \$247,000 to \$348,000. The last principal payment is due on May 1, 2021. The bonds bear an interest rate of 3.45% per annum. Interest is payable semiannually on November 1 and May 1. The first interest payment was made on November 1, 2014 and the final payment is due on May 1, 2021, as shown in the table above.

Direct and Overlapping Bonded Debt

The ability of land-owners within the City to pay property tax installments as they come due could be affected by the existence of other taxes and assessments imposed upon the land.

The statement of direct and overlapping debt (the "Debt Report") set forth below was prepared by California Municipal Statistics, Inc. as of February 1, 2020. The Debt Report includes only such information as has been reported to California Municipal Statistics, Inc. by the issuers of the debt described therein and by others. The Debt Report is included for general information purposes only. The City takes no responsibility for its completeness or accuracy.

**Table 12
CITY OF GRASS VALLEY
Direct and Overlapping Bonded Debt
(As of February 1, 2020)**

2019-20 Assessed Valuation: \$1,783,753,582

<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 2/1/20</u>
Sierra Joint CCD School Facilities Improvement District No. 2	13.636%	\$ 3,527,305
Nevada Joint Union High School District	13.556	7,306,006
Grass Valley School District	43.834	7,901,079
City of Grass Valley 1915 Act Bonds	100.000	<u>676,000</u>
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT		\$19,410,390
<u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>		
Nevada County Certificates of Participation	8.654%	\$2,774,852
Nevada County Board of Education Certificates of Participation	8.654	83,675
Sierra Joint Community College District Certificates of Participation	1.683	53,789
City of Grass Valley General Fund Obligations	100.000	4,122,276 ⁽¹⁾
City of Grass Valley Pension Obligation Bonds	100.000	<u>685,000</u>
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT		\$7,719,592
<u>OVERLAPPING TAX INCREMENT DEBT (Successor Agency):</u>		\$8,220,000
COMBINED TOTAL DEBT		\$35,349,982 ⁽²⁾

Ratios to 2019-20 Assessed Valuation:

Combined Direct Debt (\$4,807,276)	0.27%
Total Direct and Overlapping Tax and Assessment Debt	1.09%
Combined Total Debt	1.98%

Ratio to Redevelopment Incremental Valuation (\$278,742,354):

Total Overlapping Tax Increment Debt	2.95%
--	-------

(1) Excludes issue to be sold.

(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

Source: California Municipal Statistics, Inc.

Employee Relations

The City currently has 102 employees, 95 of which are represented by labor groups, plus 7 executive management employees that are un-represented. The labor union employees operate under memorandums of understanding with the City, which expire June 30, 2021. The City has begun the process of bargaining extension terms with each of the unions. The City believes its relations with its employees are good, and has not experienced a labor-related work stoppage in the past 5 years.

Table 13
CITY OF GRASS VALLEY
Negotiated Employee Agreements
As of July 1, 2019

Labor Group	Number of Employees
Executive Management	7
Mid-Management	14
Local 39 (OE3) (Miscellaneous)	32
Police Department - Grass Valley POA	29
Fire Department	20
Total	102

Source: City of Grass Valley.

PERS Pension Plans

General. The following information concerning the California Public Employees' Retirement System ("PERS") is excerpted from publicly available sources, which the City believes to be accurate. PERS is not obligated in any manner for payment of debt service on the Bonds, and the assets of PERS are not available for such payment. PERS should be contacted directly at CalPERS, Lincoln Plaza, 400 P Street Sacramento, California 95814 or (888) 225-7377 for other information, including information relating to its financial position and investments.

The City provides retirement benefits to certain of their employees through contracts with PERS, a multiple-employer public sector employee defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to PERS members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State. PERS is a contributory plan deriving funds from employee contributions as well as from employer contributions and earnings from investments.

PERS maintains more than one pension plan (each, a "PERS Plan" or a "Plan") for cities based on the type of employee (i.e. a city may have a PERS Plan for "Safety Employees" and a separate PERS Plan for "Miscellaneous Employees"). The City contributes to PERS amounts equal to the recommended rates for the PERS Plans multiplied by the payroll of those employees of the City who are eligible under PERS.

Actuarial Valuations. The staff actuaries at PERS prepare annually an actuarial valuation which covers a Fiscal Year ending approximately 15 months before the actuarial

valuation is prepared. The actuarial valuations express the City's required contribution rates in percentages of payroll, which percentages the City must contribute in the Fiscal Year immediately following the Fiscal Year in which the actuarial valuation is prepared. PERS rules require the City to implement the actuary's recommended rates. See "PLAN OF FINANCING" for additional details on the City's current funding status and plan to pay down a portion of its Unfunded Liability.

In calculating the annual actuarially recommended contribution rates, the PERS actuary calculates on the basis of certain assumptions the actuarial present value of benefits that PERS will fund under the PERS Plans, which includes two components, the normal cost and the UAAL. The normal cost represents the actuarial present value of benefits that PERS will fund under the PERS Plans that are attributed to the current year, and the UAAL represents the actuarial present value of benefits that PERS will fund that are attributed to past years. The UAAL represents an estimate of the actuarial shortfall between assets on deposit at PERS and the present value of the benefits that PERS will pay under the PERS Plans to retirees and active employees upon their retirement. The UAAL is based on several assumptions such as, among others, the rate of investment return, average life expectancy, average age of retirement, inflation, salary increases and occurrences of disabilities. In addition, the UAAL includes certain actuarial adjustments such as, among others, the actuarial practice of smoothing losses and gains over multiple years. As a result, the UAAL may be considered an estimate of the unfunded actuarial present value of the benefits that PERS will fund under the PERS Plans to retirees and active employees upon their retirement and not as a fixed expression of the liability the City owe to PERS under its respective PERS Plans.

In each actuarial valuation, the PERS actuary estimates the actuarial value of the assets of the PERS Plans at the end of the Fiscal Year. The PERS actuary uses a smoothing technique to determine actuarial value that is calculated based on certain policies.

PERS Actuarial Assumptions and Policies. The Board of Administration has adopted policies aimed at stabilizing rising employer costs and mitigating the impact of recent investment declines. These policies are used to set employer contribution rates for each city. In recent years the Board of Administration has made significant changes to its actuarial assumptions and policies.

On December 21, 2016, the Board of Administration voted to lower its discount rate to 7.0% over the next three years according to the following schedule.

<u>Fiscal Year</u>	<u>Discount Rate</u>
2018-19	7.375%
2019-20	7.250
2020-21	7.000

For public agencies like the City, the new discount rate took effect on July 1, 2018. Lowering the discount rate means employers that contract with PERS to administer their pension plans will see increases in their normal costs and unfunded actuarial liabilities. Active members hired after January 1, 2013 will also see their contribution rates rise. The three-year reduction of the discount rate will result in average employer rate increases of about 1 percent to 3 percent of normal cost as a percent of payroll for most miscellaneous retirement plans, and a 2 percent to 5 percent increase for most safety plans. Additionally, many PERS employers will see a 30 to 40 percent increase in their current unfunded accrued liability payments. These

payments are made to amortize unfunded liabilities over 20 years to bring the pension fund to a fully funded status over the long-term.

On February 13, 2018, the Board of Administration voted to shorten the period over which PERS will amortize actuarial gains and losses from 30 years to 20 years for new pension liabilities, effective for the June 30, 2019 actuarial valuations. Amortization payments for all unfunded accrued liability bases will be computed to remain a level dollar amount throughout the amortization period, and certain 5-year ramp-up and ramp-down periods will be eliminated. As a result of the shorter amortization period and elimination of certain 5-year ramp-up and ramp-down periods, the contributions required to be made by employers, including the City with respect to the Plans, are anticipated to increase further beginning in fiscal year 2020-21.

PEPRA. On September 12, 2012, the California Governor signed AB 340, a bill that enacted the California Public Employees' Pension Reform Act of 2012 ("**PEPRA**") and that also amended various sections of the California Education and Government Codes, including the County Employees Retirement Law of 1937. Effective January 1, 2013, PEPRA: (i) requires public retirement systems and their participating employers to share equally with employees the normal cost rate for such retirement systems; (ii) prohibits employers from paying employer-paid member contributions to such retirement systems for employees hired after January 1, 2013; (iii) establishes a compulsory maximum non-safety benefit formula of 2.5% at age 67; (iv) defines final compensation as the highest average annual pensionable compensation earned during a 36-month period; and (v) caps pensionable income at \$110,100 (\$132,120 for employees not enrolled in Social Security) subject to Consumer Price Index increases. Other provisions reduce the risk of the City incurring additional unfunded liabilities, including prohibiting retroactive benefits increases, generally prohibiting contribution holidays, and prohibiting purchases of additional non-qualified service credit.

Unfunded Liability of PERS Plans. The PERS Contract represents the City's contractual and statutory obligation to make such payments to PERS on behalf of Plan participants. Payments under the PERS Contract are an absolute and unconditional obligation imposed upon the City and enforceable against the City and are not limited as to payment as to any special source of funds of the City. PERS prepared seven actuarial valuation reports for the City (collectively, the "**Actuarial Valuations**"), setting forth the Unfunded Liability of the City with respect to each of its retirement plans as of June 30, 2019 and projected as of June 30, 2020. As shown in the Actuarial Valuations, the combined total Unfunded Liability of the City as of June 30, 2019 is \$21,722,621, representing the sum of the Plans, as shown in the following table.

Table 14
CITY OF GRASS VALLEY
Unfunded Liability of PERS Plans
As of June 30, 2019

<u>Plan</u>	<u>Unfunded Liability</u>
Miscellaneous	\$11,290,681
Safety Police	8,532,131
Safety Fire	1,766,408
PEPRA Safety Fire	48,757
PEPRA Safety Police	40,017
PEPRA Miscellaneous	31,741
Safety Police Second Tier	12,886

Source: PERS actuarial valuations dated as of June 30, 2019.

See "PLAN OF FINANCING" for additional details on the City's current funding status and plan to pay down a portion of its Unfunded Liability. Following the payment to PERS from a portion of the proceeds of the Bonds, the City anticipates its funded ratio will increase to 92%. In addition, the Bonds have been structured to produce a more sustainable projected annual pension cost schedule, wrapping around the unrefunded Unfunded Liability to generate level payments through 2040, and annual debt service savings in certain years.

Other Post-Employment Benefits (OPEB)

The City provides post-employment healthcare benefits to retired employees. As of June 30, 2019, the City's OPEB plan had 139 participants (82 active, 44 inactive and receiving benefits and 13 inactive and not receiving benefits). For Fiscal Years 2017-18 and 2018-19, the City contributed the actuarially determined contribution amount, which for Fiscal Year 2018-19 was approximately \$172,000. As of June 30, 2019, the City recorded a \$7.1 million net OPEB liability in its audited financial statements.

In order to begin to reduce its net OPEB liability, the City has set-aside \$500,000 into an OPEB Stabilization Reserve, which is part of the Unassigned Fund Balance shown earlier.

See APPENDIX A for additional details.

Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has joined together with other municipalities to participate in the Public Agency Risk Sharing Authority of California ("**PARSAC**") for general liability, auto liability, and errors and omissions purposes. PARSAC is a public entity risk pool which serves as a common risk management and insurance program for 37 member cities. The City pays an annual premium to PARSAC for its insurance coverage. The agreements with PARSAC provide that they will be self-sustaining through member premiums and will reinsure through commercial companies for excess coverage.

The City continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance in any of the past three fiscal years. There is no claims liability to be reported based on the requirements of

Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. For more information, see Note [10] to the City's Audited Financial Statements for the Fiscal Year Ended June 30, 2019 attached as APPENDIX A.

General Fund – Fund Balances

The following table shows the fund balances in the City's General Fund for the year's shown. For Fiscal Year 2018-19, unassigned fund balance was more than \$12.4 million, representing 82% of operating expenditures for such fiscal year, and an increase of 45% from the unassigned fund balance for Fiscal Year 2014-15. The current level of unassigned fund balance reserves strongly exceeds the City's Reserve Policy target of maintaining the unassigned reserve at a level at least equal to 2 months of operating expenses.

Table 15
CITY OF GRASS VALLEY
Fund Balances (General Fund)
For Fiscal Years 2014-15 through 2018-19 (Audited)

	Audited 2014-15	Audited 2015-16	Audited 2016-17	Audited 2017-18	Audited 2018-19
FUND BALANCES					
Nonspendable	\$2,514	\$3,368	\$6,011	\$2,849	\$1,909
Restricted	--	1,631,530	1,631,530	1,631,530	1,631,530
Assigned	--	--	--	--	--
Unassigned	8,577,755	8,442,621	9,173,991	9,641,999	12,434,411
Total Fund Balances	\$8,580,269	\$10,077,519	\$10,811,532	\$11,276,378	\$14,067,850

Source: Audited Financial Statements for Fiscal Years 2014-15 through 2018-19.

City Investment Policy and Portfolio

The City administers a pooled investment program, except for those funds which are managed separately by trustees appointed under bond indentures. This program enables the City to combine available cash from all funds and to invest cash that exceeds current needs. The City's pooled investment portfolio as of December 31, 2019, had a market value of \$_____ (including cash). The following table illustrates the current composition of investments.

Table 16
CITY OF GRASS VALLEY
Investment Portfolio as of December 31, 2019

Type	% of Portfolio
------	----------------

Source: City of Grass Valley.

Capital Improvement Program

The City maintains a robust annual capital improvement program ("CIP") in its annual budgets, which includes certain projects that span multiple years. The CIP is funded from multiple different sources, including Measure E funds earmarked for streets, sidewalks and park projects and unassigned General Fund reserve fund balances which includes an amount planned for capital and deferred maintenance projects.

**Table 17
CITY OF GRASS VALLEY
Sample Capital Improvement Program Items**

Capital Projects Over \$400,000	Budget
Street Rehabilitation	\$1,200,000
Park Projects	900,000
East Main/Murphy Improvements	800,000
Minnie Park Project	560,000
Peabody Creek Restoration	510,000
Street Rehabilitation Projects	465,000
Total Projects Over \$400,000	\$4,435,000
Total FY2019-20 CIP Projects	\$6,866,000

Source: City of Grass Valley.

Effective Buying Income

"Effective Buying Income" is defined as personal income less personal tax and nontax payments, a number often referred to as "disposable" or "after-tax" income. Personal income is the aggregate of wages and salaries, other labor-related income (such as employer contributions to private pension funds), proprietor's income, rental income (which includes imputed rental income of owner-occupants of non-farm dwellings), dividends paid by corporations, interest income from all sources, and transfer payments (such as pensions and welfare assistance). Deducted from this total are personal taxes (federal, state and local), nontax payments (fines, fees, penalties, etc.) and personal contributions to social insurance. According to U.S. government definitions, the resultant figure is commonly known as "disposable personal income."

The following table summarizes the total effective buying income for the City, the County, the State and the United States for the period 2016 through 2020.

Table 18
CITY OF GRASS VALLEY
Personal Income
For Calendar Years 2016 through 2020

<u>Year</u>	<u>Area</u>	<u>Total Effective Buying Income (000's Omitted)</u>	<u>Median Household Effective Buying Income</u>
2016	City of Grass Valley	\$295,978	\$35,248
	Nevada County	2,719,523	49,691
	California	981,231,666	53,589
	United States	7,757,960,399	46,738
2017	City of Grass Valley	\$303,630	\$36,726
	Nevada County	2,880,465	51,777
	California	1,036,142,723	55,681
	United States	8,132,748,136	48,043
2018	City of Grass Valley	\$286,822	\$33,193
	Nevada County	2,740,333	50,427
	California	1,113,648,181	59,646
	United States	8,640,770,229	50,735
2019	City of Grass Valley	\$329,788	\$37,523
	Nevada County	3,220,439	55,371
	California	1,183,264,399	62,637
	United States	9,017,967,563	52,841
2020	City of Grass Valley	\$351,374	\$38,299
	Nevada County	3,675,786	60,703
	California	1,243,564,816	65,870
	United States	9,487,165,436	55,303

Source: Source: The Nielsen Company (US), Inc for years 2016 through 2018; Claritas, LLC for 2019 and 2020.

Construction Activity

The following table provides a summary of residential building permit valuations and nonresidential building permit valuations, and the total number of all building permit valuations in the City during the past five years.

Table 19
CITY OF GRASS VALLEY BUILDING PERMIT ACTIVITY
For Calendar Years 2014 through 2018
(Valuation in Thousands of Dollars)

<u>Permit Valuation</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
New Single-family	\$170.0	\$1,790.0	\$257.0	\$15,967.5	\$1,874.2
New Multi-family	5,705.7	0.0	0.0	0.0	0.0
Res. Alterations/Additions	1,220.0	685.4	1,043.9	806.1	1,388.2
Total Residential	<u>7,095.7</u>	<u>2,475.4</u>	<u>1,300.9</u>	<u>16,773.6</u>	<u>3,262.4</u>
New Commercial	2,643.0	1,017.5	1,487.0	5,350.0	19.6
New Industrial	0.0	0.0	0.0	0.0	0.0
New Other	3,873.7	915.0	1,956.0	304.2	973.1
Com. Alterations/Additions	4,738.5	2,101.5	4,530.7	3,903.8	6,086.3
Total Nonresidential	<u>11,255.2</u>	<u>4,034.0</u>	<u>7,973.7</u>	<u>9,558.0</u>	<u>7,079.0</u>
<u>New Dwelling Units</u>					
Single Family	2	7	2	40	8
Multiple Family	88	0	0	0	0
TOTAL	<u>100</u>	<u>7</u>	<u>2</u>	<u>40</u>	<u>8</u>

Source: Construction Industry Research Board, Building Permit Summary.

CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS

The ability of the City to raise fees, taxes and other revenues is limited. Following is a description of certain constitutional limitations on taxes and appropriations applicable to the City. For a description of other factors relating to the revenues of the City, see "THE CITY" and "CITY FINANCIAL INFORMATION" herein.

Article XIII A of the State Constitution

Section 1(a) of Article XIII A of the State Constitution limits the maximum ad valorem tax on real property to 1% of full cash value (as defined in Section 2 of Article XIII A), to be collected by counties and apportioned according to law. Section 1(b) of Article XIII A provides that the 1% limitation does not apply to ad valorem taxes to pay interest or redemption charges on (1) indebtedness approved by the voters prior to June 1, 1978 or (2) any bonded indebtedness for the acquisition or improvement of real property approved on or after June 1, 1978, by two thirds of the votes cast by the voters voting on the Proposition. Section 2 of Article XIII A defines "full cash value" to mean "the county assessor's valuation of real property as shown on the 1975-76 tax bill under 'full cash value' or, thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment." The full cash value may be adjusted annually to reflect inflation at a rate not to exceed 2% per year, or to reflect a reduction in the consumer price index or comparable data for the area under taxing jurisdiction or reduced in the event of declining property value caused by substantial damage, destruction or other factors. Legislation enacted by the State Legislature to implement Article XIII A provides that notwithstanding any other law, local agencies may not levy any ad valorem property tax except to pay debt service on indebtedness approved by the voters as described above.

The voters of the State subsequently approved various measures that further amended Article XIII A. One such amendment generally provides that the purchase or transfer of (i) real property between spouses or (ii) the principal residence and the first \$1,000,000 of the full cash value of other real property between parents and children, does not constitute a "purchase" or "change of ownership" triggering reassessment under Article XIII A. This amendment could serve to reduce the property-tax revenues of the City. Other amendments permitted the State Legislature to allow persons over 55 or "severely disabled homeowners" who sell their residences and buy or build another of equal or lesser value within two years in the same county, to transfer the old residence's assessed value to the new residence.

In the November 1990 election, the voters approved the amendment of Article XIII A to permit the State Legislature to exclude from the definition of "newly constructed" the construction or installation of seismic retrofitting improvements or improvements utilizing earthquake hazard mitigation technologies constructed or installed in existing buildings after November 6, 1990.

Article XIII A has also been amended to permit reduction of the "full cash value" base in the event of declining property values caused by damage, destruction or other factors, provided that there would be no increase in the "full cash value" base in the event of reconstruction of property damaged or destroyed in a disaster.

Article XIII B of the State Constitution

Article XIII B of the State Constitution limits the annual appropriations of the State and of any city, county, school district, special district, authority or other political subdivision of the State to the appropriations limit for the prior fiscal year, as adjusted for changes in the cost of living, population and services for which the fiscal responsibility is shifted to or from the governmental entity. The "base year" for establishing this appropriations limit is the 1978–79 fiscal year. The appropriations limit may also be adjusted in emergency circumstances, subject to limitations.

Appropriations of an entity of local government subject to Article XIII B generally include authorizations to expend during a fiscal year the "proceeds of taxes" levied by or for the entity, exclusive of certain State subventions, refunds of taxes, and benefit payments from retirement, unemployment insurance and disability insurance funds. "Proceeds of taxes" include but are not limited to, all tax revenues, certain State subventions received by the local governmental entity and the proceeds to the local governmental entity from (1) regulatory licenses, user charges, and user fees (to the extent that such proceeds exceed the cost of providing the service or regulation) and (2) the investment of tax revenues. Article XIII B provides that if a governmental entity's revenues in any year exceed the amounts permitted to be spent, the excess must be returned by revising tax rates or fee schedules over the subsequent two fiscal years.

Article XIII B does not limit the appropriation of moneys to pay debt service on indebtedness existing or authorized as of January 1, 1979, or for bonded indebtedness approved thereafter by a vote of the electors of the issuing entity at an election held for that purpose, or appropriations for certain other limited purposes. Furthermore, Article XIII B was amended in 1990 to exclude from the appropriations limit "all qualified capital outlay projects, as defined by the Legislature" from proceeds of taxes. The Legislature has defined "qualified capital outlay project" to mean a fixed asset (including land and construction) with a useful life of 10 or more years and a value which equals or exceeds \$100,000. As a result of this amendment, the appropriations to pay the lease payments on the City's long term General Fund lease obligations are generally excluded from the City's appropriations limit.

Articles XIII C and XIII D of the State Constitution

On November 5, 1996, the voters of the State approved Proposition 218, known as the "Right to Vote on Taxes Act." Proposition 218 added Articles XIII C and XIII D to the California Constitution and contains a number of interrelated provisions affecting the ability of the City to levy and collect both existing and future taxes, assessments, fees and charges. The interpretation and application of Proposition 218 will ultimately be determined by the courts with respect to a number of the matters discussed below, and it is not possible at this time to predict with certainty the outcome of such determination.

Article XIII C requires that all new local taxes be submitted to the electorate before they become effective. Taxes for general governmental purposes of the City require a majority vote and taxes for specific purposes, even if deposited in the City's General Fund, require a two-thirds vote. Further, any general purpose tax the City imposed, extended or increased without voter approval after December 31, 1994 may continue to be imposed only if approved by a majority vote in an election that must be held before November 6, 1998. The voter-approval requirements of Article XIII C reduce the flexibility of the City to raise revenues for the General Fund, and no assurance can be given that the City will be able to impose, extend or increase such taxes in the future to meet increased expenditure needs.

Article XIID also adds several provisions making it generally more difficult for local agencies to levy and maintain fees, charges, and assessments for municipal services and programs. These provisions include, among other things, (i) a prohibition against assessments that exceed the reasonable cost of the proportional special benefit conferred on a parcel, (ii) a requirement that assessments confer a "special benefit," as defined in Article XIID, over and above any general benefits conferred; (iii) a majority protest procedure for assessments which involves the mailing of notice and a ballot to the record owner of each affected parcel, a public hearing and the tabulation of ballots weighted according to the proportional financial obligation of the affected parties, and (iv) a prohibition against fees and charges used for general governmental services, including police, fire and library services, where the service is available to the public at large in substantially the same manner as it is to property owners.

On November 2, 2010, voters in the State approved Proposition 26. Proposition 26 amends Article XIIC of the State Constitution by expanding the definition of "tax" to include "any levy, charge, or exaction of any kind imposed by a local government" except the following: (1) a charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege; (2) a charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and does not exceed the reasonable costs to the local government of providing the service or product; (3) a charge imposed for the reasonable regulatory costs to a local government for issuing licenses and permits, for performing investigations, inspections, and audits, for enforcing agricultural marketing orders, and for the administrative enforcement and adjudication thereof; (4) a charge imposed for entrance to or use of local government property, or the purchase, rental, or lease of local government property; (5) a fine, penalty, or other monetary charge imposed by the judicial branch of government or a local government, as a result of a violation of law; (6) a charge imposed as a condition of property development; and (7) assessments and property-related fees imposed in accordance with the provisions of Article XIID. Proposition 26 provides that the local government bears the burden of proving by a preponderance of the evidence that a levy, charge, or other exaction is not a tax, that the amount is no more than necessary to cover the reasonable costs of the governmental activity, and that the manner in which those costs are allocated to a payor bears a fair or reasonable relationship to the payor's burdens on, or benefits received from, the governmental activity.

The City does not believe that any material source of its General Fund revenue is subject to challenge under Proposition 218 or Proposition 26.

Article XIIC also removes limitations on the initiative power in matters of reducing or repealing local taxes, assessments, fees or charges. No assurance can be given that the voters of the City will not, in the future, approve an initiative or initiatives which reduce or repeal local taxes, assessments, fees or charges currently comprising a substantial part of the City's General Fund. If such repeal or reduction occurs, the City's operations could be adversely affected. See "CITY FINANCIAL INFORMATION."

Proposition 62

At the November 4, 1986, general election, the voters of the State approved Proposition 62, a statutory initiative (1) requiring that any tax imposed by local governmental entities for general governmental purposes be approved by resolution or ordinance adopted by two-thirds vote of the governmental agency's legislative body and by a majority of the electorate of the governmental entity; (2) requiring that any special tax (defined as taxes levied for other than

general governmental purposes) imposed by a local governmental entity be approved by a two-thirds vote of the voters within that jurisdiction; (3) restricting the use of revenues from a special tax to the purposes or for the service for which the special tax was imposed; (4) prohibiting the imposition of ad valorem taxes on real property by local governmental entities, except as permitted by Article XIII A; (5) prohibiting the imposition of transaction taxes and sales taxes on the sale of real property by local governmental entities; and (6) requiring that any tax imposed by a local governmental entity on or after August 1, 1985, be ratified by a majority vote of the electorate within two years of the adoption of the initiative or be terminated by November 15, 1988.

Following its adoption by the voters, various provisions of Proposition 62 were declared unconstitutional at the appellate court level. On September 28, 1995, however, the California Supreme Court, in *Santa Clara City Local Transportation Authority v. Guardino*, upheld the constitutionality of the portion of Proposition 62 requiring a two-thirds vote in order for a local government or district to impose a special tax and, by implication, upheld a parallel provision requiring a majority vote in order for a local government or district to impose any general tax. The *Guardino* decision did not address whether it should be applied retroactively.

In response to *Guardino*, the California Legislature adopted Assembly Bill 1362, which provided that *Guardino* should apply only prospectively to any tax that was imposed or increased by an ordinance or resolution adopted after December 14, 1995. Assembly Bill 1362 was vetoed by the Governor; hence the application of the *Guardino* decision on a retroactive basis remains unclear.

The *Guardino* decision also did not decide the question of the applicability of Proposition 62 to charter cities such as the City. Two cases decided by the California Courts of Appeals in 1993, *Fielder v. City of Los Angeles* (1993) 14 Cal.App.4th 137 (rev. den. May 27, 1993), and *Fisher v. County of Alameda* (1993) 20 Cal.App.4th 120 (rev. den. Feb. 24, 1994), held that the restriction imposed by Proposition 62 on property transfer taxes did not apply to charter cities because charter cities derive their power to enact such taxes under Article XI, Section 5, of the California Constitution relating to municipal affairs.

The City believes the taxes constituting City revenues are levied in compliance with Proposition 62.

Proposition 62, as an initiative statute, does not have the same level of authority as a constitutional initiative. It is analogous to legislation adopted by the State Legislature, except that it may be amended only by a vote of the State's electorate. However, Proposition 218, as a constitutional amendment, is applicable to charter cities and supersedes many of the provisions of Proposition 62.

Proposition 1A

Senate Constitutional Amendment No. 4 was enacted by the Legislature and subsequently approved by the voters as Proposition 1A at the November 2004 election. Among other things, Proposition 1A amended the State Constitution to reduce the Legislature's authority over local government revenue sources by placing restrictions on the State's access to local governments' property, sales and vehicle-license fee revenues as of November 3, 2004, and by providing that the State may not reduce any local sales-tax rate, limit existing local government authority to levy a sales-tax rate or change the allocation of local sales-tax revenues, subject to certain exceptions. Proposition 1A provides, however, that beginning in

fiscal year 2008–09, the State may shift to schools and community colleges up to 8% of local government property tax revenues, which amount must be repaid, with interest, within three years. This shift of local government property tax can be accomplished if the Governor proclaims that the shift is needed due to a severe state financial hardship, the shift is approved by two-thirds of both houses and certain other conditions are met.

Proposition 22

Proposition 22, entitled "The Local Taxpayer, Public Safety and Transportation Protection Act," was approved by the voters of the State in November 2010. Proposition 22 eliminates or reduces the State's authority to (i) temporarily shift property taxes from cities, counties and special districts to schools, (ii) use vehicle license fee revenues to reimburse local governments for State-mandated costs (the State will have to use other revenues to reimburse local governments), (iii) redirect property tax increment from redevelopment agencies to any other local government, (iv) use State fuel tax revenues to pay debt service on State transportation bonds, or (v) borrow or change the distribution of State fuel tax revenues.

Unitary Property

AB 454 (Chapter 921, Statutes of 1986) provides that revenues derived from most utility property assessed by the State Board of Equalization ("**Unitary Property**"), commencing with the 1988–89 fiscal year, are allocated as follows: (i) each jurisdiction will receive up to 102% of its prior year State-assessed revenue; and (ii) if county-wide revenues generated from Unitary Property are less than the previous year's revenues or greater than 102% of the previous year's revenues, each jurisdiction will share the burden of the shortfall or benefit of the excess revenues by a specified formula. This provision applies to all Unitary Property except railroads, whose valuation will continue to be allocated to individual tax rate areas.

The provisions of AB 454 do not constitute an elimination of the assessment of any State-assessed properties nor a revision of the methods of assessing utilities by the State Board of Equalization. Generally, AB 454 allows valuation growth or decline of Unitary Property to be shared by all jurisdictions in a county.

Future Initiatives

Article XIII A, Article XIII B and Propositions 62, 218, and Proposition 1A were each adopted as measures that qualified for the ballot pursuant to the State's initiative process. From time to time, other initiative measures could be adopted, further affecting the City's revenues or its ability to expend revenues.

RISK FACTORS

The following factors, along with other information in this Official Statement, should be considered by potential investors in evaluating the risks in the purchase of the Bonds. However, the following is not an exhaustive listing of risk factors and other considerations which may be relevant to an investment in the Bonds. There can be no assurance that other risk factors will not become evident at any future time.

Limitations on Remedies; Bankruptcy

The enforcement of any rights and remedies provided in the Indenture, including but not limited to the remedy of suit in law or equity, could be substantial and the process lengthy. The enforceability of the rights and remedies of the Owners and the obligations of the City may become subject to the following: the United States Bankruptcy Code (the "**Bankruptcy Code**") and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect; equitable principles which may limit the specific enforcement under State law of certain remedies; the exercise by the United States of America of the powers delegated to it by the federal Constitution; and the reasonable and necessary exercise, in certain exceptional situations, of the police power inherent in the sovereignty of the State and its governmental bodies in the interest of servicing a significant and legitimate public purpose.

The opinions of counsel, including Bond Counsel, delivered in connection with the issuance of the Bonds will be so qualified. Bankruptcy proceedings, or the exercising of powers by the federal or state government, if initiated, could subject the Owners to judicial discretion and interpretation of their rights in bankruptcy or otherwise and consequently may entail risks of delay, limitation, or modification of their rights.

Any suit requesting accelerated payment of the Bonds and/or money damages could be subject to limitations on legal remedies against municipalities in the State, including a limitation on enforcement of judgments against funds needed to serve the public welfare and interest.

Bankruptcy proceedings, or the exercising of powers by the federal or State government, if initiated, could subject the Owners to judicial discretion and interpretation of their rights in bankruptcy or otherwise and consequently may entail risks of delay, limitation, or modification of their rights, including their right to full repayment as well as payment terms. Many issues under Chapter 9, have not yet been the subject of reported appellate decisions, and it has become difficult to anticipate judicial rulings in municipal bankruptcies due to inconsistencies in opinions at the Bankruptcy Court and District Court level. For example, there is now some uncertainty regarding whether bondholders would be entitled to receive remittances of special revenues net of permitted necessary operating expenses during the pendency of a Chapter 9 bankruptcy proceeding and prior to confirmation of a plan of adjustment. This is based upon a lack of relevant appellate decisions, as well as inconsistencies in District Court holdings in in Puerto Rico's ongoing proceedings pursuant to the Puerto Rico Oversight, Management, and Economic Stability Act ("PROMESA") (which contains similarities to and incorporates certain provisions of Chapter 9 of the Bankruptcy Code, but which was not enacted as a part thereof) and prior municipal bankruptcy case decisions.

No Limit on Additional General Fund Obligations

The City has other obligations payable from its General Fund. The City has the ability to enter into other obligations that would constitute additional charges against its general revenues without limitation under the Indenture. To the extent that such additional obligations are incurred by the City, the funds available to make payments on the Bonds may decrease.

Future Pension Benefit Liability

Many factors influence the amount of the City's pension benefit liabilities, including, without limitation, inflationary factors, changes in statutory provisions of PERS retirement system laws, changes in the levels of benefits provided or in the contribution rates of the City, increases or decreases in the number of covered employees, changes in actuarial assumptions

or methods, and differences between actual and anticipated investment experience of PERS. Any of these factors could give rise to additional liability of the City to its pension plans as a result of which the City would be obligated to make additional payments to its pension plans, in addition to making payments to amortize the Bonds, in order to fully fund of the City's obligations to its PERS Plans.

Assessed Value of Taxable Property

Natural and economic forces can affect the assessed value of taxable property within the City. The City is located in a seismically active region, and damage from an earthquake in or near the area could cause moderate to extensive damage to taxable property. Other natural or manmade disasters, such as flood, fire, toxic dumping, coastal erosion, sea level rise, or acts of terrorism, could cause a reduction in the assessed value of taxable property within the City. Economic and market forces, such as a downturn in the regional economy generally, can also affect assessed values, particularly as these forces might reverberate in the residential housing and commercial property markets. In addition, the total assessed value can be reduced through the reclassification of taxable property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by State and local agencies and property used for qualified educational, hospital, charitable or religious purposes). Reductions in the market values of taxable property may cause property owners to appeal assessed values and may be associated with an increase in delinquency rates for taxes. See also "-Geographic, Topographic and Climatic Conditions" below.

Appeals of Assessed Values

There are two types of appeals of assessed values that could adversely impact property tax revenues:

Proposition 8 Appeals. Most of the appeals that might be filed in the City would be based on Section 51 of the Revenue and Taxation Code, which requires that for each lien date the value of real property must be the lesser of its base year value annually adjusted by the inflation factor pursuant to Article XIII A of the State Constitution or its full cash value, taking into account reductions in value due to damage, destruction, depreciation, obsolescence, removal of property or other factors causing a decline in value.

Under California law, property owners may apply for a reduction of their property tax assessment by filing a written application, in form prescribed by the State Board of Equalization, with the appropriate county board of equalization or assessment appeals board. In most cases, the appeal is filed because the applicant believes that present market conditions (such as residential home prices) cause the property to be worth less than its current assessed value. These market-driven appeals are known as Proposition 8 appeals.

Any reduction in the assessment ultimately granted as a Proposition 8 appeal applies to the year for which application is made and during which the written application was filed. These reductions are often temporary and are adjusted back to their original values when market conditions improve. Once the property has regained its prior value, adjusted for inflation, it once again is subject to the annual inflationary factor growth rate allowed under Article XIII A. However, current case law is uncertain as to whether or not property may be adjusted to its prior value at once or if adjustments may only be made subject to

the 2% limitation. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS – Article XIII A of the State Constitution."

Base Year Appeals. A second type of assessment appeal is called a base year appeal, where the property owners challenge the original (basis) value of their property. Appeals for reduction in the "base year" value of an assessment, if successful, reduce the assessment for the year in which the appeal is taken and prospectively thereafter. The base year is determined by the completion date of new construction or the date of change of ownership. Any base year appeal must be made within four years of the change of ownership or new construction date.

No assurance can be given that property tax appeals in the future will not materially reduce the City's property tax revenues.

Cybersecurity

The City, like many other public and private entities, relies on computer and other digital networks and systems to conduct its operations. As a recipient and provider of personal, private or other electronic sensitive information, the City is potentially subject to multiple cyber threats including, but not limited to, hacking, viruses, ransomware, malware and other attacks on computer and other sensitive digital networks and systems. Entities or individuals may attempt to gain unauthorized access to the City's systems for the purposes of misappropriating assets or information or causing operational disruption or damage. [[The City has never had a major cyber breach that resulted in a financial loss.]]

No assurance can be given that the City's efforts to manage cyber threats and attacks will, in all cases, be successful or that any such attack will not materially impact the operations or finances of the City. The City is also reliant on other entities and service providers, such as the County for operation of the Teeter Plan or such as the Trustee in its role under the Indenture and the Dissemination Agent in connection with compliance with its disclosure undertakings. No assurance can be given that the City may not be affected by cyber threats and attacks against other entities or service providers in a manner which may affect the Bondowners, e.g., systems related to the timeliness of payments to Bondowners or compliance with disclosure filings pursuant to the continuing disclosure certificate.

Proposition 218

See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS – Articles XIII C and XIII D of the State Constitution," for information about certain risks to the City's general fund revenues under Articles XIII C and Article XIII D of the California Constitution, which were initially implemented via an initiative measure known as "Proposition 218."

Geologic, Topographic and Climatic Conditions

General. The financial stability of the City could be materially adversely affected by a variety of factors, particularly those which may affect infrastructure and other public improvements and private improvements and the continued habitability and enjoyment of such private improvements. Such additional factors include, without limitation, geologic conditions

(such as earthquakes), topographic conditions (such as earth movements and floods), climatic conditions (such as droughts) and fires.

Building codes require that some of these factors be considered, to a limited extent, in the design of improvements. Some of these factors may also be considered, to a limited extent, in the design of other infrastructure and public improvements neither designed nor subject to design approval by the City. Design criteria in any of these circumstances are established upon the basis of a variety of considerations and may change, leaving previously-designed improvements unaffected by more stringent subsequently established criteria. In general, design criteria reflect a balance at the time of protection and the future costs of lack of protection, based in part upon a present perception of the probability that the condition will occur and the seriousness of the condition should it occur. Conditions may occur and may result in damage to improvements of varying seriousness, such that the damage may entail significant repair or replacement costs and that repair or replacement may never occur either because of the cost or because repair or replacement will not facilitate habitability or other use, or because other considerations preclude such repair or replacement. Under any of these circumstances, the actual value of public and private improvements within the City in general, may well depreciate or disappear, notwithstanding the establishment of design criteria for any such condition.

Seismic. The area encompassed by the City, like that in much of California, may be subject to unpredictable seismic activity. The City is located within a regional network of several active and potentially active known faults. Additionally, there may also be faults in the City that are not currently known. If there were to be an occurrence of severe seismic activity in the City, there could be an adverse impact on the City's ability to pay debt service on the Bonds.

Hazardous Substances

Discovery of hazardous substances on parcels within the City could impact the City's ability to pay debt service with respect to the Bonds. In general, the owners and operators of a property may be required by federal or State law to remedy conditions of the property relating to releases or threatened releases of hazardous substances. Should any substantial amount of property within the City be affected by a hazardous substance, a reduction in the value of property in the City could reduce property tax revenues received by the City and deposited in the general fund, which could significantly and adversely affect the ability of the City to make payments on the Bonds.

Future Litigation

The City may be or become a party to litigation which has an impact on the City's general fund. While the City maintains certain insurance policies which provide coverage under certain circumstances and with respect to certain types of incidents, the City cannot predict what types of liabilities may arise in the future.

State Law Limitations on Appropriations

Article XIII B of the California Constitution limits the amount that local governments can appropriate annually. The ability of the City to make debt service payments on the Bonds may be affected if the City should exceed its appropriations limit. The State may increase the appropriation limit of cities in the State by decreasing the State's own appropriation limit. The City does not anticipate exceeding its appropriations limit. See "CONSTITUTIONAL AND

STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS - Article XIII B of the State Constitution" below.

Change in Law

No assurance can be given that the State or the City electorate will not at some future time adopt initiatives, or that the State Legislature will not enact legislation that will amend the laws of the State in a manner that could result in a reduction of the City's revenues and therefore a reduction of the funds legally available to the City to make debt service payments on the Bonds. See, for example, "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS – Article XIIC and Article XIID of the State Constitution."

Secondary Market

There can be no guarantee that there will be a secondary market for the Bonds or, if a secondary market exists, that any Bonds can be sold for any particular price. Prices of bond issues for which a market is being made will depend upon then-prevailing circumstances. Such prices could be substantially different from the original purchase price.

No assurance can be given that the market price for the Bonds will not be affected by the introduction or enactment of any future legislation, or changes in interpretation of existing law.

TAX MATTERS

In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, interest on the Bonds is exempt from State of California personal income taxes. Bond Counsel observes that interest on the Bonds is not excluded from gross income for federal income tax purposes. Bond Counsel expresses no opinion regarding any other tax consequences caused by the ownership or disposition of, or the accrual or receipt of interest on, the Bonds.

The proposed form of opinion of Bond Counsel with respect to the Bonds to be delivered on the date of issuance of the Bonds is set forth in APPENDIX C.

Owners of the Bonds should also be aware that the ownership or disposition of, or the accrual or receipt of interest on, the Bonds may have federal or state tax consequences other than as described above. Other than as expressly described above, Bond Counsel expresses no opinion regarding other federal or state tax consequences arising with respect to the Bonds, the ownership, sale or disposition of the Bonds, or the amount, accrual or receipt of interest on the Bonds.

LEGAL MATTERS

Validation Proceedings

On November 6, 2019, the City, acting pursuant to the provisions of Sections 860 *et seq.* of the California Code of Civil Procedure, filed a complaint in the Superior Court of the State of California for the County of Nevada seeking judicial validation of the transactions relating to the issuance of the Bonds, and certain other matters (*City of Grass Valley vs. All Persons Interested, etc.*, Case No. CU19-084258). On January 14, 2020, the court entered default and issued a court judgment to the effect, among other things, that the PERS Obligations, the

Umpqua Lease and the Bonds are valid and binding obligations of the City under the Constitution and laws of the State.

Pursuant to Section 870(b) of the California Code of Civil Procedure, an appeal of a validation action judgment is required to be filed within 30 days of the entry of the judgment, and after such date no challenge to the judgment can be filed, and the judgment becomes binding and conclusive in accordance with California law. No appeal was timely filed in the action, and the time for appeal has now expired. In issuing its approving opinion, Jones Hall, A Professional Law Corporation, will rely, among other things, upon the above-described validation judgment.

Legal Opinion

Jones Hall, A Professional Law Corporation, San Francisco, California, ("**Bond Counsel**"), will render an opinion substantially in the form of APPENDIX C hereto with respect to the validity of the Bonds. Bond Counsel undertakes no responsibility for the accuracy, completeness or fairness of the Official Statement. Jones Hall is also serving as Disclosure Counsel to the City. Certain legal matters will be passed on for the Underwriter by its counsel, Quint & Thimmig LLP and the City by the City Attorney.

Fees payable to Bond Counsel and Disclosure Counsel are contingent upon issuance of the Bonds.

No Litigation

The City is not aware of any pending or threatened litigation concerning the validity of the Bonds or challenging any action taken by the City with respect to the Bonds. Furthermore, the City is not aware of any pending or threatened litigation to restrain, enjoin, question or otherwise affect the Indenture of Trust or in any way contesting or affecting the validity or enforceability of any of the foregoing or any proceedings of the City taken with respect to any of the foregoing. The validity of the Bonds has been judicially validated as described above. See "– Validation Proceedings," above.

CONTINUING DISCLOSURE

The City has covenanted for the benefit of owners of the Bonds to provide certain financial information and operating data relating to the City by not later than April 1st following the end of the City's fiscal year (presently June 30) commencing with its report for fiscal year 2019-20, which will be due March 1, 2021 (each, an "**Annual Report**"), and to provide notices of the occurrence of certain enumerated events. These covenants have been made in order to assist the Underwriter in complying with Securities Exchange Commission Rule 15c2-12(b)(5) (the "**Rule**"). The specific nature of the information to be contained in the Annual Report or the notices of listed events by the City is contained in "APPENDIX D – Form of Continuing Disclosure Certificate."

The City and its related entities have existing disclosure undertakings that have been made pursuant to the Rule in connection with the issuance of other long-term obligations. A review of these undertakings reveals that during the previous five years, late filing of financial statements occurred and on two occasions late filing of a material event occurred. The late filings have been made as well as the related notice of late filing.

The City has hired NHA Advisors to serve as dissemination agent with respect to its obligations under the Rule with respect to the Bonds.

RATING

S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("**S&P**") has assigned its municipal bond rating of "_____" to the Bonds. This rating reflects only the views of S&P, and an explanation of the significance of the rating, and any outlook assigned to or associated with the rating, should be obtained from the S&P.

Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. The City has provided certain additional information and materials to S&P (some of which does not appear in this Official Statement).

There is no assurance that this rating will continue for any given period of time or that the rating will not be revised downward or withdrawn entirely by S&P, if in the judgment of the rating agency, circumstances so warrant. Any such downward revision or withdrawal of any rating on the Bonds may have an adverse effect on the market price or marketability of the Bonds.

UNDERWRITING

Hilltop Securities Inc., as underwriter (the "**Underwriter**") has agreed, subject to certain conditions, to purchase the Bonds from the City at a purchase price of \$_____ (being the principal amount of the Bonds, *less* an Underwriter's discount in the amount of \$_____, [*plus/less*] a [net] original issue [premium/discount] of \$_____). The obligations of the Underwriter are subject to certain conditions precedent, and the Underwriter will be obligated to purchase all such Bonds if any Bonds are purchased. The Underwriter intends to offer the Bonds to the public initially at the prices and/or yields set forth on the cover page of this Official Statement, which prices or yields may subsequently change without any requirement of prior notice.

The Underwriter reserves the right to join with dealers and other underwriters in offering the Bonds to the public. The Underwriter may offer and sell Bonds to certain dealers (including dealers depositing Bonds into investment trusts) at prices lower than the public offering prices, and such dealers may reallow any such discounts on sales to other dealers. In reoffering Bonds to the public, the Underwriter may overallocate or effect transactions which stabilize or maintain the market prices for Bonds at levels above those which might otherwise prevail. Such stabilization, if commenced, may be discontinued at any time.

MUNICIPAL ADVISOR

NHA Advisors, LLC, San Rafael, California (the "**Municipal Advisor**"), is acting as the City's municipal advisor in connection with the Bonds. The Municipal Advisor is a registered "Municipal Advisor" with the Securities Exchange Commission and the Municipal Securities Rulemaking Board. The Municipal Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy,

completeness or fairness of the information contained in this Official Statement. The fees of the Municipal Advisor with respect to the Bonds are contingent upon their sale and delivery.

MISCELLANEOUS

All of the descriptions of applicable law, the Indenture of Trust, the City, and the agreements and other documents contained herein are made subject to the provisions of such documents respectively and do not purport to be complete statements of any or all of such provisions. Reference is hereby made to such documents on file with the City for further information in connection therewith.

This Official Statement does not constitute a contract with the purchasers of the Bonds. Any statements made in this Official Statement involving matters of opinion or estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will realize.

The execution and delivery of this Official Statement has been duly authorized by the City Council of the City.

CITY OF GRASS VALLEY, CALIFORNIA

By: _____
City Manager

APPENDIX A
ANNUAL FINANCIAL REPORT OF THE CITY
FOR THE YEAR ENDED JUNE 30, 2019

APPENDIX B
SUMMARY OF INDENTURE

APPENDIX C

PROPOSED FORM OF FINAL OPINION

[Closing Date]

City Council
City of Grass Valley
125 East Main Street
Grass Valley, CA 95945

OPINION: \$ _____ City of Grass Valley
2020 Taxable Pension Obligation Bonds

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance and delivery by the City of Grass Valley (the "City") of \$ _____ aggregate principal amount of bonds of the City designated the "City of Grass Valley 2020 Taxable Pension Obligation Bonds" (the "Bonds"), issued under the provisions of Articles 10 and 11 (commencing with Section 53570) of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code (the "Bond Law"), an Indenture of Trust dated as of March 1, 2020 (the "Indenture"), between the City and MUFG Union Bank, N.A., as trustee. The Bonds have been issued to provide funds to prepay certain obligations of the City to California Public Employees' Retirement System and a Lease Agreement dated as of May 1, 2013 between the Grass Valley Capital Improvements Authority and the City, assigned to Umpqua Bank. We have examined the Bond Law, the Indenture and such certified proceedings and other papers as we deem necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon representations of the City contained in the Indenture and in the certified proceedings and other certifications of public officials furnished to us, without undertaking to verify the same by independent investigation. Additionally, in rendering our opinion, we are also relying upon the judgment of the Superior Court of California County of Nevada rendered on January 14, 2020 in *City of Grass Valley vs. All Persons Interested, et al.*, Case No. CU19-0842558.

Based upon the foregoing, we are of the opinion, under existing law, that:

1. The City is a municipal corporation and charter city duly organized and existing under the laws of the State of California, with power to enter into the Indenture and perform the agreements on its part contained therein, and to issue the Bonds.
2. The Bonds constitute legal, valid and binding obligations of the City enforceable in accordance with their terms and payable solely from the sources provided therefor in the Indenture.
3. The Indenture has been duly authorized, executed and delivered by the City and constitutes a legal, valid and binding obligation of the City enforceable against the City in accordance with its terms.

4. Interest on the Bonds is exempt from personal income taxation imposed by the State of California.

We express no opinion regarding any other tax consequences arising with respect to the ownership, sale or disposition of, or the amount, accrual or receipt of interest on, the Bonds.

The rights of the owners of the Bonds and the enforceability of the Indenture are limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally, and by equitable principles, whether considered at law or in equity.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur. Our engagement with respect to this matter has terminated as of the date hereof.

Respectfully submitted,

A Professional Law Corporation

APPENDIX D

FORM OF CONTINUING DISCLOSURE CERTIFICATE

\$ _____
**CITY OF GRASS VALLEY
2020 TAXABLE PENSION OBLIGATION BONDS,**

This CONTINUING DISCLOSURE CERTIFICATE (this "Disclosure Certificate") is executed and delivered by the CITY OF GRASS VALLEY (the "City") in connection with the execution and delivery of the bonds captioned above (the "Bonds"). The Bonds are being executed and delivered pursuant to an Indenture of Trust, dated as of March 1, 2020 (the "Indenture"), by and between the City and MUFG Union Bank, N.A., as trustee.

The City covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the City for the benefit of the holders and beneficial owners of the Bonds and in order to assist the Participating Underwriter in complying with S.E.C. Rule 15c2-12(b)(5).

Section 2. Definitions. In addition to the definitions set forth above, and the definitions in the Trust Agreement and in the Installment Sale Agreement, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section 2, the following capitalized terms shall have the following meanings:

"*Annual Report*" means any Annual Report provided by the City pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"*Annual Report Date*" means the date that is nine months after the end of the City's fiscal year (being March 31 based on the City's current fiscal year end of June 30).

"*Dissemination Agent*" means initially [_____], or any successor Dissemination Agent designated in writing by the City and which has filed with the City a written acceptance of such designation.

"*Listed Events*" means any of the events listed in Section 5(a) of this Disclosure Certificate.

"*MSRB*" means the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information for purposes of the Rule, or any other repository of disclosure information that may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future.

"*Official Statement*" means the final official statement executed by the City in connection with the issuance of the Bonds.

"*Participating Underwriter*" means the original underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"Rule" means Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as it may be amended from time to time.

Section 3. Provision of Annual Reports.

(a) The City shall, or shall cause the Dissemination Agent to, not later than the Annual Report Date, commencing April 1, 2021, with the report for fiscal year ending June 30, 2020, provide to the MSRB, in an electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate. Not later than 15 Business Days prior to the Annual Report Date, the City shall provide the Annual Report to the Dissemination Agent (if other than the City). If by 15 Business Days prior to the Annual Report Date the Dissemination Agent (if other than the City) has not received a copy of the Annual Report, the Dissemination Agent shall contact the City to determine if the City is in compliance with the previous sentence. The Annual Report may be submitted as a single document or as separate documents comprising a package and may include by reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the City may be submitted separately from the balance of the Annual Report, and later than the Annual Report Date, if not available by that date. If the City's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(b). The City shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by the City hereunder.

(b) If the City does not provide (or cause the Dissemination Agent to provide) an Annual Report by the Annual Report Date, the City shall provide (or cause the Dissemination Agent to provide) to the MSRB in a timely manner, in an electronic format as prescribed by the MSRB, a notice in substantially the form attached as Exhibit A.

(c) With respect to each Annual Report, the Dissemination Agent shall:

(i) determine each year prior to the Annual Report Date the then-applicable rules and electronic format prescribed by the MSRB for the filing of annual continuing disclosure reports; and

(ii) if the Dissemination Agent is other than the City, file a report with the City certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, and stating the date it was provided.

Section 4. Content of Annual Reports. The City's Annual Report shall contain or incorporate by reference the following:

(a) The City's audited financial statements prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the City's audited financial statements are not available by the Annual Report Date, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) Unless otherwise provided in the audited financial statements filed on or before the Annual Report Date, financial information and operating data with respect to the City for the most recently completed fiscal year, as follows:

1. The outstanding principal amount of the Bonds as of June 30.
2. General Fund Revenues, Expenditures and Changes in Fund Balance for the most recently completed fiscal year, substantially in the form of Table ___.
3. General Fund Budget for the then-current fiscal year.

(c) Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the City or related public entities, which are available to the public on the MSRB's Internet web site or filed with the Securities and Exchange Commission. The City shall clearly identify each such other document so included by reference.

Section 5. Reporting of Significant Events.

(a) The City shall give, or cause to be given, notice of the occurrence of any of the following Listed Events with respect to the Bonds:

- (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 security, or other material events affecting the tax status of the security.
- (7) Modifications to rights of security holders, if material.
- (8) Bond calls, if material, and tender offers.
- (9) Defeasances.
- (10) Release, substitution, or sale of property securing repayment of the securities, if material.
- (11) Rating changes.

- (12) Bankruptcy, insolvency, receivership or similar event of the City or other obligated person.
- (13) The consummation of a merger, consolidation, or acquisition involving the City or an obligated person, or the sale of all or substantially all of the assets of the City or an obligated person (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.
- (14) Appointment of a successor or additional trustee or the change of name of a trustee, if material.
- (15) Incurrence of a financial obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the City, any of which affect security holders, if material (for the definition of "financial obligation," see clause (e) below).
- (16) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the City, any of which reflect financial difficulties (for the definition of "financial obligation," see clause (e) below).

(b) Whenever the City obtains knowledge of the occurrence of a Listed Event, the City shall, or shall cause the Dissemination Agent (if not the City) to, file a notice of such occurrence with the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of 10 business days after the occurrence of the Listed Event. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(8) and (9) above need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Bond holders.

(c) The City acknowledges that the events described in subparagraphs (a)(2), (a)(7), (a)(8) (if the event is a Bond call), (a)(10), (a)(13), (a)(14) and (a)(15) of this Section 5 contain the qualifier "if material" and that subparagraph (a)(6) also contains the qualifier "material" with respect to certain notices, determinations or other events affecting the tax status of the Bonds. The City shall cause a notice to be filed as set forth in paragraph (b) above with respect to any such event only to the extent that it determines the event's occurrence is material for purposes of U.S. federal securities law. Whenever the City obtains knowledge of the occurrence of any of these Listed Events, the City will as soon as possible determine if such event would be material under applicable federal securities law. If such event is determined to be material, the City will cause a notice to be filed as set forth in paragraph (b) above.

(d) For purposes of this Disclosure Certificate, any event described in paragraph (a)(12) above is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the City in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental

authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City.

(e) For purposes of Section 5(a)(15) and 5(a)(16), "financial obligation" means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term financial obligation shall not include municipal securities as to which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with the Rule.

Section 6. Identifying Information for Filings with the MSRB. All documents provided to the MSRB under the Disclosure Certificate shall be accompanied by identifying information as prescribed by the MSRB.

Section 7. Termination of Reporting Obligation. The City's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior prepayment or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the City shall give notice of such termination in the same manner as for a Listed Event under Section 5(b).

Section 8. Dissemination Agent. The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any Dissemination Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent and any successor may resign by providing 30 days' written notice to the City.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the City may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) if the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the Bonds, or type of business conducted;

(b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized Special Counsel, have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the proposed amendment or waiver either (i) is approved by holders of the Bonds in the manner provided in the Trust Agreement for amendments to the Trust Agreement with the consent of holders, or (ii) does not, in the opinion of nationally recognized Special Counsel, materially impair the interests of the holders or beneficial owners of the Bonds.

If the annual financial information or operating data to be provided in the Annual Report is amended pursuant to the provisions hereof, the first Annual Report filed pursuant hereto containing the amended operating data or financial information shall explain, in narrative form,

the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

If an amendment is made to this Disclosure Certificate modifying the accounting principles to be followed in preparing financial statements, the Annual Report for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the ability of the City to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative.

A notice of any amendment made pursuant to this Section 9 shall be filed in the same manner as for a Listed Event under Section 5(b).

Section 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the City chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the City shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 11. Default. If the City fails to comply with any provision of this Disclosure Certificate, the Participating Underwriter or any holder or beneficial owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Trust Agreement, and the sole remedy under this Disclosure Certificate in the event of any failure of the City to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Duties, Immunities and Liabilities of Dissemination Agent. (a) The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the City agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall have no duty or obligation to review any information provided to it by the City hereunder and shall not be deemed to be acting in any fiduciary capacity for the City, the Bond holders or any other party. The obligations of the City under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

(b) The Dissemination Agent shall be paid compensation by the City for its services provided hereunder in accordance with its schedule of fees as amended from time to time, and

shall be reimbursed for all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder.

Section 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the City, the Dissemination Agent, the Participating Underwriter and the holders and beneficial owners from time to time of the Bonds and shall create no rights in any other person or entity.

Section 14. Counterparts. This Disclosure Certificate may be executed in several counterparts, each of which shall be regarded as an original, and all of which shall constitute one and the same instrument.

Date: _____, 2020

CITY OF GRASS VALLEY

By: _____

Name: _____

Title: _____

ACCEPTANCE OF DUTIES
AS DISSEMINATION AGENT:

[_____]

By _____
Authorized Officer

EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: City of Grass Valley

Name of Issue: \$ _____ 2020 Taxable Pension Obligation Bonds

Date of Issuance: _____, 2020

NOTICE IS HEREBY GIVEN that the City has not provided an Annual Report with respect to the above-named Certificates as required by the Continuing Disclosure Certificate dated _____, 2020. The City anticipates that the Annual Report will be filed by _____.

Dated: _____

DISSEMINATION AGENT:

By: _____
Its: _____

APPENDIX E

BOOK ENTRY PROVISIONS

The following description of the Depository Trust Company ("DTC"), the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal, interest and other payments on the Bonds to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interest in the Certificates and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters and neither the DTC Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters but should instead confirm the same with DTC or the DTC Participants, as the case may be.

Neither the City, as the issuer of the Bonds (the "Issuer"), nor the Trustee appointed for the Bonds (the "Agent") take any responsibility for the information contained in this Appendix.

No assurances can be given that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Certificates, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Certificates, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC.

1. The Depository Trust Company ("DTC") will act as securities depository for the Bonds (the "Securities"). The Securities 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 Security certificate will be issued for each issue of the Securities, each in the aggregate principal amount of such issue, and will be deposited with DTC. If, however, the aggregate principal amount of any issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.

2. DTC, the world's largest securities 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 Participants' 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 www.dtc.org. *The information contained on this Internet site is not incorporated herein by reference.*

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("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 Securities 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 Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities 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 Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities 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.

5. 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 Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities 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.

6. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue 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.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI

Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer 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 Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Securities 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 Issuer or Agent, 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, Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Agent, 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.

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

10. Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.

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

EXHIBIT C

\$ _____
CITY OF GRASS VALLEY
2020 Taxable Pension Obligation Bonds

BOND PURCHASE AGREEMENT

March 5 2020

City of Grass Valley
125 East Main Street
Grass Valley, CA 95945

Ladies and Gentlemen:

Hilltop Securities Inc., as underwriter (the "Underwriter") offers to enter into this Bond Purchase Agreement (the "Purchase Agreement") with you, the City of Grass Valley, California (the "City"), for the purchase of the City's \$ _____ 2020 Taxable Pension Obligation Bonds (the "Bonds") which, upon acceptance will be binding upon the City and the Underwriter.

This offer is made subject to written acceptance by the City at or prior to 5:00 p.m., California time, on the date hereof, and, if not so accepted, will be subject to withdrawal by the Underwriter upon notice delivered to the City at any time prior to the acceptance hereof by the City. Upon such acceptance the Purchase Agreement shall be in full force and effect in accordance with its terms and shall be binding upon the City and the Underwriter.

The City hereby acknowledges and agrees that (a) the purchase and sale of the Bonds (as defined herein) pursuant to this Bond Purchase Agreement is an arm's-length commercial transaction between the City and the Underwriter, (b) in connection therewith and with the discussions, undertakings and procedures leading up to the consummation of such transaction, the Underwriter is and has been acting solely as principal and are not acting as the agent or fiduciary of the City, (c) the Underwriter has not assumed an advisory or fiduciary responsibility in favor of the City with respect to the offering and sale of the Bonds contemplated hereby or the discussions, undertakings and procedures leading thereto (irrespective of whether the Underwriter has provided other services or are currently providing other services to the City on other matters) and the Underwriter has no obligation to the City with respect to the offering and sale of the Bonds contemplated hereby except the obligations expressly set forth in this Bond Purchase Agreement, and (d) the City has consulted its own legal, financial and other advisors to the extent it has deemed appropriate, in connection with the issuance of the Bonds and the other matters contemplated by this Bond Purchase Agreement.

The City hereby acknowledges receipt from the Underwriter of disclosures required by the Municipal Securities Rulemaking Board ("MSRB") Rule G-17 (as set forth in MSRB Notice 2012-25 (May 7, 2012), relating to disclosures concerning the Underwriter's role in the transaction, disclosures concerning the Underwriter's compensation, conflict disclosures, if any, and disclosures concerning complex municipal securities financing, if any.

1. Purchase and Sale of the Bonds. Upon the terms and conditions and in reliance on the representations, warranties and agreements herein set forth, the Underwriter hereby agree to purchase, and the City hereby agrees to sell to the Underwriter, all (but not less than all) of the Bonds.

The purchase price for the Bonds (the "Purchase Price") shall be \$_____ (representing the \$_____ aggregate principal amount of the Bonds and less \$_____ of Underwriter's discount).

Pursuant to the contract (the "PERS Contract") between the Board of Administration of the California Public Employees' Retirement System ("PERS") and the City Council of the City, the City Council is obligated to appropriate annually to PERS the amount necessary to pay retirement benefits accruing to City's members of PERS, and to amortize the unfunded accrued actuarial liability with respect to such pension benefits.

The proceeds of the Bonds will be used by the City to (i) finance the City's current unfunded accrued actuarial liability to the California Public Employees Retirement System ("PERS") for the benefit of the City's employees, (ii) refinance a lease agreement entered into by the City in 2013 to fund its then unfunded accrued actuarial liability to PERS, and (ii) paying the costs of issuance of the Bonds.

The Bonds shall be described in the Preliminary Official Statement (as defined below), except for information permitted to be excluded by the Rule (as defined below), and the Official Statement (as defined below). The Bonds will mature, bear interest at the rate per annum, and be subject to redemption as shown on Exhibit A hereto. The Bonds are being issued pursuant to an Indenture of Trust, dated as of March 1, 2020 (the "Indenture of Trust"), between the City and MUFG Union Bank, N.A., as trustee (the "Trustee").

The execution and delivery of the Indenture of Trust and the issuance and sale of the Bonds have been approved by resolutions of the City adopted on October 22, 2019, and February 25, 2020 (the "Resolutions"), and the Bonds will be as described in, and will be secured under and pursuant to, the Indenture of Trust. The Bonds shall be payable as provided in the Indenture of Trust.

The Indenture of Trust, the Bonds, the Continuing Disclosure Certificate (the "Continuing Disclosure Certificate"), dated the Closing Date (hereinafter defined), executed and delivered by the City, and this Purchase Agreement are referred to collectively herein as the "Legal Documents" and all capitalized terms not otherwise defined herein shall have the meanings as defined in the Indenture of Trust.

The Bonds are absolute and unconditional obligations imposed upon the City by law and enforceable against the City pursuant to the PERS Contract and are not limited as to payment to any special source of funds of the City.

2. Delivery of the Official Statement and Other Documents.

(a) The City agrees to deliver to the Underwriter, at such addresses as the Underwriter shall specify, as many copies of the Official Statement dated the date hereof relating to the Bonds (as supplemented and amended from time to time, the "Official Statement") as the Underwriter shall reasonably request as necessary to comply with paragraph (b)(4) of Rule 15c2-12 of the Securities and Exchange Commission under the Securities Exchange Act of 1934 (the "Rule") and with Rule G-32 and all other applicable rules of the MSRB. The City agrees to

deliver the Official Statement within the earlier of (i) seven (7) business days after the execution hereof or (ii) two (2) business days prior to the Closing Date.

(b) The City hereby authorizes the approval of the Official Statement, by execution thereof by a duly authorized officer of the City. By execution of this Purchase Agreement, the City confirms that the Preliminary Official Statement dated February 27, 2020 with respect to the Bonds (the "Preliminary Official Statement") was deemed final by the City for purposes of the Rule on the date thereof.

(c) The Underwriter shall give notice to the City on the Closing Date if any participating underwriter, as such term is defined in the Rule, remains obligated to deliver the Official Statement pursuant to paragraph (b)(4) of the Rule after the Closing Date. If such notice is given, then the Underwriter shall provide a subsequent notice of the date on which no participating underwriter, as such term is defined in the Rule, remains obligated to deliver the Official Statement pursuant to paragraph (b)(4) of the Rule.

(d) If the Underwriter provides notice pursuant to Section 2(c) hereof that Official Statements are required under the Rule after the Closing Date, then, until the earlier to occur of the date on which no participating underwriter remains obligated to deliver the Official Statement pursuant to paragraph (b)(4) of the Rule or ninety (90) days after the Closing Date, the City shall (i) apprise the Underwriter of all material developments, if any, occurring with respect to the City after delivery of the Bonds to the Underwriter, and (ii) provide the Underwriter with such information regarding the City, its current financial condition and ongoing operations as the Underwriter may reasonably request.

3. The Closing. At 8:00 a.m., Pacific Daylight Time, on March 19, 2020, or at such other time or on such earlier or later date as the City and the Underwriter mutually agree, the City and the Trustee will deliver or cause to be delivered to the Underwriter the Bonds in book-entry form through the facilities of The Depository Trust Company, New York, New York ("DTC"), duly executed and the other documents hereinafter mentioned shall be delivered at the offices of Jones Hall, A Professional Law Corporation, San Francisco, California ("Bond Counsel") or at such other location as shall have been mutually agreed upon by the City and the Underwriter. Subject to the terms and conditions hereof, the Underwriter will accept delivery of the Bonds and pay the purchase price thereof by federal funds to the order of the Trustee in an amount equal to the Purchase Price as set forth in Section 1 hereof (which date of such delivery of and payment for the Bonds is herein called the "Closing Date").

The Bonds shall be issued in fully registered form and shall be prepared and delivered as one bond per maturity registered in the name of Cede & Co., as nominee of DTC. It is anticipated that CUSIP identification numbers will be inserted on the Bonds, but neither the failure to provide such numbers nor any error with respect thereto shall constitute a cause for failure or refusal by the Underwriter to accept delivery of the Bonds in accordance with the terms of this Purchase Agreement.

4. Public Offering. The Underwriter agrees to make a bona fide public offering of all of the Bonds at the offering prices set forth in Exhibit A. The Underwriter reserves the right to change such initial public offering prices or yields as the Underwriter deems necessary following the initial public offering period in connection with the marketing of the Bonds. The City hereby authorizes the Underwriter to use the forms or copies of the Resolutions, the Legal Documents and the Official Statement and the information contained therein in connection with the public offering and sale of the Bonds. The City hereby ratifies and confirms its authorization of the distribution and use by the Underwriter prior to the date hereof of the Preliminary Official Statement in connection with the public offering and sale of the Bonds.

5. City Representations, Warranties and Agreements. The City represents, warrants to and agrees with the Underwriter that, as of the date hereof and as of the Closing Date:

(a) *Due Organization and Operation; Legal, Valid and Binding Obligations*. The City is duly organized and operating pursuant to the Constitution and laws of the State of California and has all necessary power and authority to adopt the Resolutions, and to enter into and perform its duties under the Legal Documents, the Resolutions have been adopted and have not been rescinded, and the Legal Documents, when executed and delivered by the respective parties thereto, will constitute legal, valid and binding obligations of the City enforceable against the City in accordance with their respective terms, except as the enforcement thereof may be limited by bankruptcy, insolvency or other laws affecting the enforcement of creditors' rights generally and by the application of equitable principles.

(b) *No Conflict*. The adoption of the Resolutions and the execution and delivery of the Legal Documents, and compliance with the provisions thereof, will not in any material respect conflict with, or constitute a breach of or default under, the City's duties under the Legal Documents, the Resolutions or any law, administrative regulation, court decree, resolution, by-laws, loan agreement, trust agreement, indenture, bond, note or other agreement to which the City is subject or by which it or any of its property is bound which such conflict, breach or default would have a material adverse effect on the financial condition of the City or the ability of the City to perform its obligations under the Legal Documents.

(c) *No Consents Required*. After due inquiry, except as may be required under blue sky or other securities laws of any state, or with respect to any permits or approvals heretofore received which are in full force and effect or the requirement for which is otherwise disclosed in the Official Statement, there is no consent, approval, authorization or other order of, or filing with, or certification by, any governmental authority, board, agency or commission or other regulatory authority having jurisdiction over the City, other than the approval and authorization of the City Council of the City, required for the adoption of the Resolutions and execution and delivery of the Legal Documents or the consummation by the City of the other transactions contemplated by the Official Statement, the Resolutions or the Legal Documents, including this Purchase Agreement.

(d) *No Litigation*. There is no action, suit, proceeding or investigation at law or in equity before or by any court or governmental agency or body pending or, to the knowledge of the City, threatened against the City to restrain or enjoin the delivery of the Bonds, or in any way contesting or affecting the validity of the Legal Documents, the Resolutions or the Bonds, or contesting the powers of the City to enter into or perform its obligations under any of the foregoing, or contesting the accuracy or completeness of the Preliminary Official Statement or the Official Statement or any supplement or amendment thereto.

(e) *Preliminary Official Statement Correct and Complete*. The Preliminary Official Statement, as of its date and as of the date hereof, did not and does not contain any untrue statement of a material fact or omit (except as permitted by the Rule) to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading except that no representation and warranty is made concerning statements and information relating to DTC or the Book-Entry System.

(f) *Official Statement Correct and Complete*. The Official Statement (excluding the statements and information relating to DTC and the Book-Entry System) does not and (unless amended or supplemented pursuant to Section 5(j) hereof) at all times subsequent hereto to and including the Closing Date will not contain any untrue statement of a material fact or omit to

state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(g) *Blue Sky Cooperation.* The City agrees to cooperate with the Underwriter in endeavoring to qualify the Bonds for offering and sale under the securities or Blue Sky laws of such jurisdictions of the United States as the Underwriter may request; provided, that the City shall not be required to take any action which, in the opinion of the City Attorney, would subject the City to jurisdiction, personal or otherwise, in any jurisdiction in which it is not now so subject or to qualify to do business in any jurisdiction where it is not now so qualified.

(h) *Due Approval of Official Statement Distribution.* By official action of the City prior to the execution hereof, the City has duly approved the distribution of the Preliminary Official Statement and the distribution of the Official Statement, has duly adopted the Resolutions and has duly authorized and approved the execution and delivery of, and the performance by the City of the obligations on its part contained in, the Legal Documents and the consummation by it of all other transactions contemplated by the Official Statement and the Legal Documents, including this Purchase Agreement.

(i) *No Breach or Default.* Except as described in the Preliminary Official Statement and the Official Statement, the City is not in breach of or in default under any applicable law or administrative regulation of the State of California or the United States or any applicable judgment or decree or any loan agreement, trust agreement, bond, note, resolution, agreement or other instrument to which the City is a party or is otherwise subject which breach or default would have a material and adverse impact upon the financial condition of the City or on the City's ability to perform its obligations under the Legal Documents, and no event has occurred and is continuing which, with the passage of time or the giving of notice, or both, would constitute a default or an event of default under any such instrument. To the best knowledge of the City, without independent investigation, the City is not in default as to the payment of principal or interest with respect to any debt obligation issued by the City or with respect to any debt obligation guaranteed by the City as guarantor.

(j) *Agreement to Notify Underwriter Regarding Official Statement.* The City will advise the Underwriter promptly of any proposal to amend or supplement the Official Statement and will not affect any such amendment or supplement without the written consent of the Underwriter. The City will advise the Underwriter promptly of the institution of any proceedings known to it seeking to prohibit or otherwise affect the use of the Official Statement in connection with the offering, sale or distribution of the Bonds.

(k) *Agreement to Amend Official Statement.* If, at any time from the date hereof to and including twenty-five (25) days after the end of the underwriting period, in the reasonable opinion of the Underwriter, the Official Statement as then amended or supplemented includes an untrue statement of a material fact, or omits to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading, the City will prepare an amendment or supplement to the Official Statement; provided that all expenses thereby incurred (including printing expenses) will be paid for by the City.

Unless otherwise notified in writing by the Underwriter on or prior to the Closing Date, the City may assume that the "end of the underwriting period" for the Bonds for all purposes of Rule 15c2-12 under the Securities and Exchange Act of 1934 is the Closing Date. In the event such notice is given in writing by the Underwriter, the Underwriter agrees to notify the City in writing following the occurrence of the "end of the underwriting period" as defined in Rule 15c2-12 for the Bonds. The "end of the underwriting period" as used in the Purchase Agreement

shall mean the Closing Date or such later date as to which notice is given by the Underwriter in accordance with the preceding sentence.

(l) *Amendments to Official Statement Correct and Complete.* If the information contained in the Official Statement is amended or supplemented pursuant to the immediately preceding subparagraph, at the time of each supplement or amendment thereto and (unless subsequently again supplemented or amended pursuant to such subparagraph) at all times subsequent thereto up to and including the date twenty-five (25) days after the end of the underwriting period, the portions of the Official Statement so supplemented or amended (including any financial and statistical data contained therein) will be true and correct in all material respects and such information will not contain any untrue statement of a material fact or omit to state any material fact necessary to make the information therein, in the light of the circumstances under which it was made, not misleading except that no representation and warranty is made concerning statements and information relating to DTC or the Book-Entry System. If at any time prior to the earlier of (i) receipt of notice from the Underwriter pursuant to Section 2(c) hereof that Official Statements are no longer required to be delivered; and (ii) twenty-five (25) days after the end of the underwriting period, any event occurs with respect to the City as a result of which the Official Statement as then amended or supplemented might include an untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, the City shall promptly notify the Underwriter in writing of such event. Any information supplied by the City for inclusion in any amendment or supplement to the Official Statement will not contain any untrue statement of a material fact relating to the City or omit to state any material fact relating to the City necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, except that no representation and warranty is made concerning statements and information relating to DTC or the Book-Entry System.

(m) *City Financial Statements.* The financial statements of, and other financial information regarding, the City in the Preliminary Official Statement and the Official Statement fairly present the financial position and results of the operations of the City as of the dates and for the periods therein set forth and the audited financial statements have been prepared in accordance with generally accepted accounting principles consistently applied. Except as disclosed in the Preliminary Official Statement and the Official Statement or otherwise disclosed in writing to the Underwriter, there has not been any material adverse change in the financial condition of the City since June 30, 2019, and there has been no occurrence, circumstance or combination thereof which is reasonably expected to result in any such materially adverse change.

(n) *Compliance with Continuing Disclosure.* Except as disclosed in the Preliminary Official Statement, the City is, and at all times during the previous five years has been, in material compliance with all of its prior continuing disclosure undertakings under Rule 15c2-12, and at or prior to the Closing Date, the City will undertake pursuant to the Continuing Disclosure Certificate to provide certain annual financial information and notices of the occurrence of certain events. The form of this undertaking is set forth in the Preliminary Official Statement and will also be set forth in the Official Statement.

(o) *Limitation on Issuance.* Except as disclosed in the Official Statement, or in the ordinary course of business, the City will not, prior to the Closing Date, offer or issue any bonds, notes or other obligations for borrowed money payable from the general fund of the City.

6. Conditions to the Obligations of the Underwriter. The Underwriter has entered into the Purchase Agreement in reliance upon the representations, warranties and agreements of the City contained herein, the representations, warranties and agreements to be contained in the

documents and instruments to be delivered at the Closing, the performance by the City of its obligations hereunder and the opinion of Bond Counsel, counsel to the Trustee, the City Attorney and counsel to the Underwriter described hereafter. Accordingly, the Underwriter's obligations under the Purchase Agreement to purchase, to accept delivery of and to pay for the Bonds shall be conditioned upon and subject to (i) the performance by the City and the Trustee of their obligations to be performed hereunder and under such documents and instruments as shall reasonably be requested by the Underwriter or its counsel at or prior to the Closing and (ii) the accuracy in all material respects, in the reasonable judgment of the Underwriter, of the representations and warranties of the City herein as of the date hereof and as of the time of the Closing Date, and shall also be subject to the following additional conditions:

(a) *Bring-down of Representations.* The representations, warranties and agreements of the City contained herein shall be true, complete and correct on the date hereof and on and as of the Closing Date.

(b) *Authorization, Execution and Delivery of Documents.* At the Closing, the Legal Documents, the Bonds and the Official Statement shall have been duly authorized, executed and delivered by the respective parties thereto, in substantially the forms heretofore submitted to the Underwriter, with only such changes as shall have been agreed to in writing by the Underwriter, and said agreements shall not have been amended, modified or supplemented, except as may have been agreed to in writing by the Underwriter, and each shall be in full force and effect.

(c) *No Amendment of Official Statement.* At the Closing, the Official Statement shall not have been amended, modified or supplemented, except as may have been agreed to in writing by the Underwriter.

(d) *Marketability Adversely Affected.* In the reasonable judgment of the Underwriter, between the date hereof and the Closing or the ability of the Underwriter to enforce contracts for the sale of the Bonds, the market price or the marketability of the Bonds at the initial offering prices set forth in the Official Statement shall not have been materially adversely affected by reason of any of the following:

(1) **Legislation, Judicial Decisions or Rulings.** An amendment to the Constitution of the United States or the Constitution of the State of California shall have been passed or legislation enacted, introduced in the Congress or in the legislature of the State of California or recommended for passage by the President of the United States, or a decision rendered by a court established under Article III of the Constitution of the United States or by the Tax Court of the United States, or an order, ruling, regulation (final, temporary or proposed) or official statement issued or made:

(i) Regarding State Tax Exemption – by or on behalf of the State of California or the California Franchise Tax Board, with the purpose or effect, directly or indirectly, of imposing California personal income taxation upon payments of the general character of the interest as would be received by the owners of the Bonds; or

(ii) Regarding Federal or State Tax Rates – by or on behalf of the Treasury Department of the United States or the Internal Revenue Service or by or on behalf of the State of California or the California Franchise Tax Board, with the purpose or effect, directly or indirectly, of changing the federal or State of California income tax rates, respectively; or

(iii) Regarding Securities Registration Exemption – by or on behalf of the Securities and Exchange Commission, or any other governmental agency having jurisdiction over the subject matter, to the effect that obligations of the general character of the Bonds, including any or all underlying arrangements, are not exempt from registration under the Securities Act of 1933, as amended, or that the Indenture of Trust is not exempt from qualification under the Indenture of Trust Act of 1939, as amended;

(2) **War.** The declaration of war or engagement in or escalation of major military hostilities by the United States or the occurrence of an act of terrorism or any other national emergency or calamity relating to the effective operation of the government or the financial community in the United States;

(3) **Banking Moratorium.** The declaration of a general banking moratorium by federal, New York or California authorities, or the general suspension of trading on any national securities exchange or a material disruption in commercial banking or securities settlement or clearance services;

(4) **Securities Exchange Restrictions.** Trading generally shall have been suspended or materially limited on or by the New York Stock Exchange or other national securities exchange, or the imposition by the New York Stock Exchange or other national securities exchange, or any governmental authority, of any material restrictions not now in force with respect to the Bonds or obligations of the general character of the Bonds, or the material increase of any such restrictions now in force, including those relating to the extension of credit by, or the charge to the net capital requirements of, the Underwriter;

(5) **Regarding Federal Securities Laws.** An order, decree or injunction of any court of competent jurisdiction, or order, ruling, regulation or official statement by the Securities and Exchange Commission, or any other governmental agency having jurisdiction of the subject matter, issued or made to the effect that the execution, delivery, offering or sale of obligations of the general character of the Bonds, or the execution, delivery, offering or sale of the Bonds, including any or all underlying obligations, as contemplated hereby or by the Official Statement, is or would be in violation of any federal securities law as amended and then in effect;

(6) **Official Statement Untrue or Incomplete.** Any event occurring, or information becoming known which, in the reasonable judgment of the Underwriter, makes untrue in any material respect any statement or information contained in the Official Statement, or has the effect that the Official Statement contains any untrue statement of a material fact or omits to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading (regardless of whether or not a supplement to the Official Statement is prepared pursuant to Sections 5(k) or 5(l));

(7) **Negative Rating Action.** Any nationally recognized statistical rating agency shall downgrade, suspend or withdraw (or announce their intent to downgrade, suspend or withdraw) any rating of the Bonds, or shall issue (or announce their intent to issue) any negative qualification with respect to the Bonds) (such as being placed on “credit watch” with negative implications or “negative outlook” or any similar qualification);

(8) **Pending SEC Action.** Any proceeding shall be pending or threatened by the SEC against the City; or

(9) **Market Disruption.** A material disruption in securities settlement, payment or clearance services affecting the Bonds shall have occurred.

(e) At or prior to the Closing, the Underwriter shall have received the following documents, in each case satisfactory in form and substance to the Underwriter and counsel to the Underwriter:

(1) **Default Judgment.** Copies of the default judgment, dated January 16, 2020, entered in favor of the City in connection with *City of Grass Valley v. All Persons Interested, etc.*, Case No. CU19-084258, filed in the Superior Court of California for the County of Nevada (the "Default Judgment").

(2) **Opinion of Bond Counsel.** The approving opinion of Bond Counsel in substantially the form included as Appendix C to the Official Statement, dated the date of Closing, addressed to the City and the Underwriter (or a reliance letter to the Underwriter);

(3) **Supplemental Opinion of Bond Counsel.** A supplemental opinion of Bond Counsel in substantially the form attached hereto as Exhibit B;

(4) **Opinion of City Attorney.** An opinion of the City Attorney, dated the date of Closing, in form and substance satisfactory to the Underwriter, addressed to the City, the Trustee and the Underwriter, to the effect that:

(i) Due Organization and Existence – the City is a chartered city duly organized and validly existing under the Constitution and the laws of the State of California;

(ii) Due Adoption – the Resolutions approving the issuance and sale of the Bonds and authorizing the execution and delivery of the Legal Documents and approving the Official Statement were duly adopted at meetings of the City Council of the City which were called and held pursuant to law and with all public notice required by law and at which a quorum was present and acting throughout and have not been modified, amended or rescinded;

(iii) No Litigation –there is no action, suit, proceeding or investigation at law or in equity before or by any court, public board or body, pending or threatened in writing against or affecting the City, which would materially and adversely impact the City's ability to complete the transactions described in and contemplated by the Official Statement or in any way contesting or affecting the validity of the Legal Documents or the Bonds;

(iv) No Conflict – to such attorney's knowledge, the execution and delivery of the Legal Documents, the approval of the Official Statement, and compliance with the provisions thereof and hereof, under the circumstances contemplated thereby, do not and will not in any material respect conflict with or constitute on the part of the City a breach of or default under any agreement or other instrument to which the City is a party or by which it is bound or any existing law, regulation, court order or consent decree to which the City is subject;

(v) Due Authorization, Execution and Delivery; Legal, Valid and Binding Agreements – the Legal Documents have been duly authorized, executed and delivered by the City, and, assuming due authorization, execution and delivery by the other parties thereto, constitute legal, valid and binding agreements of the City enforceable in accordance with their respective terms, except as enforcement thereof may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles relating to or limiting creditors’ rights generally and by the application of equitable principles and by the limitations on legal remedies imposed on actions against cities in the State of California; and

(vi) No Consents Required—Official Statement, Legal Documents – no authorization, approval, consent, or other order of the State of California or any other governmental authority or agency within the State of California, other than the City Council, is required for the valid authorization, execution and delivery of the Legal Documents and the approval of the Official Statement.

(5) **Opinion of Trustee’s Counsel.** The opinion of counsel to the Trustee, dated the date of Closing, addressed to the City and the Underwriter, to the effect that:

(i) Due Organization and Existence – the Trustee has been duly organized and is validly existing in good standing as a national banking association duly organized and existing under the laws of the United States of America and has full corporate power to undertake the trust of the Indenture of Trust;

(ii) Corporate Action – the Trustee has duly authorized, executed and delivered the Indenture of Trust and has duly authenticated and delivered the Bonds, and by all proper corporate action has authorized the acceptance of the duties and obligations of the Trustee under the Indenture of Trust, and has authorized in its capacity as Trustee the execution and delivery of the Bonds; and

(iii) Due Authorization, Execution and Delivery – assuming due authorization, execution and delivery by the City, the Indenture of Trust is a valid, legal and binding agreement of the Trustee, enforceable in accordance with its terms, except as such enforcement may be limited by bankruptcy, insolvency, reorganization or other similar laws affecting the enforcement of creditors’ rights in general and by general equity principles (regardless of whether such enforcement is considered in a proceeding in equity or at law).

(6) **Letter of Disclosure Counsel.** The negative assurance letter of Jones Hall, A Professional Law Corporation, San Francisco, California, Disclosure Counsel to the City (“Disclosure Counsel”), dated the Closing Date and addressed to the City and the Underwriter, to the effect that based upon its participation in the preparation of the Preliminary Official Statement and the Official Statement as Disclosure Counsel, without assuming any responsibility for the accuracy, completeness or fairness of any of the statements contained in the Preliminary Official Statement and the Official Statement nor making any representation regarding independent verification of the accuracy, completeness or fairness of any of the statements contained in the Official Statement, such counsel advises that during the course of such representation of the City as disclosure counsel on this matter, no information has come to their attention which would lead them to believe that the Preliminary Official Statement and the Official Statement as of their dates or as of the Closing Date (except for any financial, statistical or economic data or forecasts, numbers, charts, tables, graphs, estimates, projections, assumptions or expressions of opinion contained in the Official Statement, the

information in Appendices A, E and F, the information about book-entry or DTC or the Book Entry system included therein, as to which no opinion or view need be expressed) contained or contains any untrue statement of a material fact or omitted or omits to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(7) **Opinion of Underwriter's Counsel.** The opinion of Quint & Thimmig LLP, Larkspur, California ("Underwriter's Counsel"), dated the Closing Date and addressed to the Underwriter, in form and substance satisfactory to the Underwriter.

(8) **City No Litigation Certificate.** A certificate, dated the date of Closing, signed by a duly authorized official of the City satisfactory in form and substance to the Underwriter, to the effect that no action, suit or proceeding is pending or, to the best of his or her knowledge, threatened against the City (a) to restrain or enjoin the execution or delivery of any of the Bonds or the Legal Documents, (b) in any way contesting or affecting the validity of the Bonds, the Legal Documents, or the authority of the City to enter into the Legal Documents, (c) in any way contesting or affecting the powers of the City in connection with any action contemplated by the Official Statement or the Purchase Agreement, (d) in anyway contesting the accuracy or completeness of the Preliminary Official Statement or the Official Statement or any supplement or amendment thereto, or (e) in any way materially affecting the ability of the City to perform its obligations under the Legal Documents.

(9) **Legal Documents.** A copy of each of the Legal Documents.

(10) **Official Statement.** A copy of the Official Statement.

(11) **Trustee Resolution.** A copy of the general resolution of the Trustee authorizing the execution and delivery of certain documents by certain officers of the Trustee, which resolution authorizes the execution and delivery of the Bonds and the Indenture of Trust.

(12) **Trustee's Representations, Warranties and Agreements.** At the time of and as a condition to Closing, the Trustee, subject to the limitations provided herein, will represent, warrant to and agree with the Underwriter pursuant to a certificate, dated the date of Closing, that as of the date of Closing:

(i) Due Organization and Existence - the Trustee is duly organized and existing as a national banking association duly organized and existing under the laws of the United States of America having the full power and authority to enter into and perform its duties under the Indenture of Trust and to execute and deliver the Bonds to the Underwriter pursuant to the terms of the Indenture of Trust;

(ii) Due Authorization; Valid and Binding Obligations - the Trustee is duly authorized to enter into the Indenture of Trust;

(iii) No Conflict - the execution and delivery by the Trustee of the Indenture of Trust, and compliance with the terms thereof, will not, in any material respect, conflict with, or result in a violation or breach of, or constitute a default under, any material agreement or material instrument to which the Trustee is a party or by which it is bound, or any law or any rule, regulation, order or decree of any court or governmental agency or body having jurisdiction

over the Trustee or any of its activities or properties, which conflict breach or default would materially adversely affect the ability of the Trustee to perform its obligations under the Indenture of Trust or (except with respect to the lien of the Indenture of Trust) result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the property or assets of the Trustee;

(iv) Consents – exclusive of federal or state securities laws and regulations, other than routine filings required to be made with governmental agencies in order to preserve the Trustee’s authority to perform a trust business (all of which routine filing, to the best of the Trustee’s knowledge, have been made), no consent, approval, authorization or other action by any governmental or regulatory authority having jurisdiction over the Trustee is or will be required for the execution and delivery by the Trustee of the Indenture of Trust or the execution and delivery of the Bonds; and

(v) No Litigation – to the Trustee’s knowledge, there is no litigation pending or threatened against or affecting the Trustee to restrain or enjoin the Trustee’s participation in, or in any way contesting the powers of the Trustee with respect to, the transactions contemplated by the Bonds and the Indenture of Trust

(13) **Resolutions.** Copies of the Resolutions, adopted by the City and certified by the City Clerk, authorizing the execution and delivery of the Legal Documents;

(14) **City Bring-Down Certificate.** A certificate of an authorized officer of the City, dated the date of Closing, confirming as of such date the representations and warranties of the City contained in the Purchase Agreement;

(15) **Rating.** Evidence that S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC, has assigned the rating of “___” to the Bonds;

(16) **CDIAC Notices.** Evidence of required filings with the California Debt and Investment Advisory Commission; and

(17) **Certificate of Municipal Advisor.** A certificate of NHA Advisors, municipal advisor to the City (the “Municipal Advisor”), dated the Closing Date and addressed to the City and the Underwriter to the effect that based upon its participation in the preparation of the Preliminary Official Statement and the Official Statement as Municipal Advisor, without assuming any responsibility for the accuracy, completeness or fairness of any of the statements contained in the Official Statement nor making any representation regarding independent verification of the accuracy, completeness or fairness of any of the statements contained in the Preliminary Official Statement and the Official Statement, no information has come to their attention which would lead them to believe that the Preliminary Official Statement and the Official Statement as of their dates or as of the date of Closing (except for any financial, statistical or economic data or forecasts, numbers, charts, tables, graphs, estimates, projections, assumptions or expressions of opinion contained in the Preliminary Official Statement and the Official Statement, any CUSIP numbers or information relating thereto contained in the Preliminary Official Statement and the Official Statement, the information in Appendices A, B, C, D, E and F, the information about book-entry or DTC or the Book Entry system included therein, as to which no opinion or view need be expressed) contained or contains any untrue statement of a material fact or omitted or omits to state

any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(18) **Miscellaneous.** Such additional legal opinions, certificates, proceedings, instruments and other documents as Bond Counsel, Disclosure Counsel and Underwriter's Counsel may reasonably request to evidence compliance with legal requirements, the truth and accuracy, as of the time of Closing, of the representations and warranties contained herein and in the Official Statement and the due performance or satisfaction by the Trustee and the City at or prior to such time of all agreements then to be performed and all conditions then to be satisfied.

(f) All matters relating to the Purchase Agreement, the Bonds and the sale thereof, the Official Statement, the Legal Documents and the consummation of the transactions contemplated by the Purchase Agreement shall have been approved by the Underwriter and Underwriter's Counsel, such approval not to be unreasonably withheld.

If the conditions to the Underwriter's obligations contained in the Purchase Agreement are not satisfied or if the Underwriter's obligations shall be terminated for any reason permitted by the Purchase Agreement, the Purchase Agreement shall terminate and neither the Underwriter nor the City shall have any further obligations hereunder, except that the respective obligations of the City and the Underwriter set forth in Paragraph 8 hereof (relating to expenses) hereof shall continue in full force and effect.

7. Expenses.

(a) The City shall pay or cause to be paid from the proceeds of the Bonds or other funds available to it the expenses incident to the performance of its obligations hereunder, including but not limited to: (i) the cost of printing and distribution of the Official Statement in reasonable quantities and all other documents (other than as set forth in the next succeeding paragraph) prepared in connection with the transactions contemplated hereby, including distribution costs and all mailing, including overnight and express delivery, costs; (ii) the fees and disbursements of the Trustee in connection with the execution and delivery of the Bonds; (iii) the fees and disbursements of Bond Counsel, Disclosure Counsel, the Municipal Advisor, and any other experts or consultants retained by the City in connection with the transactions contemplated hereby; and (vi) expenses incurred on behalf of the City's employees which are incidental to the issuance of the Bonds, including, but not limited to, meals, transportation, and lodging.

(b) The Underwriter shall pay, which shall be included in the expense component of the Underwriter's discount: (i) all advertising expenses in connection with the public offering of the Bonds; (ii) the fees and expenses of Underwriter's Counsel, including their fees in connection with the qualification of the Bonds for sale under the Blue Sky or other securities laws and regulations of various jurisdictions, if any; (iii) California Debt and Investment Advisory Commission fees; and (iv) all other expenses incurred by the Underwriter in connection with its public offering and distribution of the Bonds, including CUSIP fees.

8. Notices.

(a) Underwriter. Any such notice or other communication to be given to the Underwriter may be given by delivering the same to the Underwriter, Hilltop Securities Inc., 2533 South Coast Hwy Suite #250, Cardiff, CA 92007, Attention: Mr. Todd Smith, Managing Director

(b) **City.** Any notice or communication to be given the City under the Purchase Agreement may be given by delivering the same to the City of Grass Valley, 125 East Main Street, Grass Valley, CA 95945, Attention: City Manager

All notices or communications hereunder by any party shall be given and served upon each other party.

9. Parties in Interest; Force and Effect. The Purchase Agreement is made solely for the benefit of the City and the Underwriter (including the successors or assigns thereof) and no other person shall acquire or have any right hereunder or by virtue hereof.

All representations, warranties and agreements of the City or the Underwriter pursuant to the Purchase Agreement, shall remain operative and in full force and effect regardless of (i) any investigation made by or on behalf of the Underwriter; (ii) delivery of and payment for the Bonds pursuant to the Purchase Agreement; or (iii) termination of the Purchase Agreement but only to the extent provided by the last paragraph of Paragraph 7 hereof, regarding preconditions of Closing.

10. Counterparts. The Purchase Agreement may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute but one and the same instrument.

11. Governing Law. The Purchase Agreement shall be governed by the laws of the State of California.

12. Entire Agreement. The Purchase Agreement when accepted by you in writing as heretofore specified shall constitute the entire agreement between us and is made solely for the benefit of the City and the Underwriter (including the successors or assigns thereof). No other person shall acquire or have any right hereunder or by virtue hereof.

13. Headings. The headings of the paragraphs of the Purchase Agreement are inserted for convenience only and shall not be deemed to be a part hereof.

14. Unenforceable Provisions. If any provision of the Purchase Agreement shall be held or deemed to be or shall, in fact, be invalid, inoperative or unenforceable as applied in any particular case in any jurisdiction or jurisdictions, or in all jurisdictions because it conflicts with any provisions of any constitution, statute, rule of public policy, or any other reason, such circumstances shall not have the effect of rendering the provision in question invalid, inoperable or unenforceable in any other case or circumstance, or of rendering any other provision or provisions of the Purchase Agreement invalid, inoperative or unenforceable to any extent whatsoever.

16. Effectiveness. The Purchase Agreement shall become effective upon the execution of the acceptance hereof by the Finance Director of the City or his or her designee and shall be valid and enforceable at the time of such acceptance and acknowledgment.

HILLTOP SECURITIES INC., as
Underwriter

By _____
Name _____
Title _____

Accepted:

CITY OF GRASS VALLEY

By _____
Name _____
Title _____

Time of Execution: _____

EXHIBIT A

MATURITY SCHEDULE AND REDEMPTION PROVISIONS

\$ _____
CITY OF GRASS VALLEY
2020 Taxable Pension Obligation Bonds

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, PRICES AND YIELDS

<u>Maturity Date (June 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Price</u>
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REDEMPTION PROVISIONS

Optional Redemption

The Bonds maturing on or before June 1, ____, are not subject to optional redemption prior to their respective stated maturities. The Bonds maturing on or after June 1, ____, are subject to optional redemption from any source of available funds of the City, prior to their respective maturities, in whole or in part among maturities as specified by the City, and by lot within a maturity, on any date on or after June 1, ____, at a redemption price equal to the principal amount of the Bonds to be redeemed, plus accrued interest thereon to the date of redemption, without premium.

Mandatory Sinking Account Redemption

The Bonds maturing on June 1, ____, are also subject to mandatory sinking fund redemption on June 1 in the years, and in the amounts, as set forth in the following table, at a redemption price equal to one hundred percent (100%) of the principal amount thereof to be redeemed (without premium), together with interest accrued thereon to the date fixed for redemption:

Sinking Fund Redemption Date (June 1)	Principal Amount to be Redeemed
---	---------------------------------------

†Maturity

The Bonds maturing on June 1, ____, are also subject to mandatory sinking fund redemption on June 1 in the years, and in the amounts, as set forth in the following table, at a redemption price equal to one hundred percent (100%) of the principal amount thereof to be redeemed (without premium), together with interest accrued thereon to the date fixed for redemption:

Sinking Fund Redemption Date (June 1)	Principal Amount to be Redeemed
---	---------------------------------------

†Maturity

EXHIBIT B

FORM OF SUPPLEMENTAL OPINION OF BOND COUNSEL

[Closing Date]

Hilltop Securities Inc.
2533 South Coast Hwy Suite #250
Cardiff, CA 92007

\$ _____
2020 Taxable Pension Obligation Bonds
(Supplemental Opinion)

Ladies and Gentlemen:

This opinion is addressed to you, as Underwriter, pursuant to Section 6(e)(3) of the Purchase Agreement, dated March 5, 2020 (the "Purchase Agreement"), between Hilltop Securities Inc. (the "Underwriter") and the City of Grass Valley (the "City"), providing for the purchase of \$ _____ aggregate principal amount of the City's 2020 Taxable Pension Obligation Bonds (the "Bonds"). The Bonds are being issued by the City under the provisions of Articles 10 and 11 (commencing with 53570) of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code (the "Bond Law"), and a Indenture of Trust, dated as of June 1, 2020 (the "Indenture of Trust"), by and between the City and MUFG Union Bank, N.A., as trustee. Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Indenture of Trust, and if not defined in the Indenture of Trust, in the Purchase Agreement.

In our capacity as bond counsel, we have examined the Bond Law, and we have reviewed the Indenture of Trust, the Purchase Agreement, certificates of the City, the Trustee, and others, and such other documents, opinions and papers as we deemed necessary to render the opinions set forth herein.

We have assumed the genuineness of all documents and signatures presented to us and the enforceability against parties other than the City. As to questions of fact material to our opinion, we have relied upon representations of the City contained in the Indenture of Trust, the Purchase Agreement and in certified proceedings and other certifications of public officials furnished to us, without undertaking to verify such facts by independent investigation. We have assumed compliance with all covenants and agreements contained in the Indenture of Trust.

In addition to the opinions set forth in our final legal opinion (the "Bond Opinion") concerning the validity of the Bonds and certain other matters, dated the date hereof and addressed to the City, and based on and subject to the matters referred to in such Bond Opinion (which are hereby incorporated herein by reference), and in reliance thereon, as of the date hereof, we are of the following opinions or conclusions:

1. The Bonds are exempt from the registration requirements of the Securities Act of 1933, as amended, and the Indenture of Trust is exempt from qualification pursuant to the Trust Indenture Act of 1939, as amended.

2. The Purchase Agreement and the Continuing Disclosure Certificate have been duly authorized, executed and delivered by the City and, assuming due authorization, execution and delivery by the other parties thereto, constitute the legal, valid and binding agreements of the City, enforceable in accordance with their respective terms, except as enforcement thereof may be limited by bankruptcy, insolvency, reorganization, moratorium or other laws relating to or affecting generally the enforcement of creditors' rights and except as their enforcement may be subject to the application of equitable principles and the exercise of judicial discretion in appropriate cases if equitable remedies are sought and by the limitations on legal remedies against public agencies in the State.

3. The information contained in the Official Statement on the cover and under the captions "THE BONDS" (excluding any information relating to any financial or statistical data, any forecasts, any assumptions or any expressions of opinion or any information related to DTC and its book-entry system), "SECURITY FOR THE BONDS," "TAX MATTERS," "LEGAL MATTERS—Validation Proceedings," APPENDIX B—SUMMARY OF INDENTURE, APPENDIX C—FORM OF BOND COUNSEL OPINION and APPENDIX D—FORM OF CONTINUING DISCLOSURE CERTIFICATE and, to the extent they purport to summarize certain provisions of the Bonds, the Indenture of Trust, the Continuing Disclosure Certificate, the Default Judgment and the form and content of Bond Counsel's approving opinion with respect to the treatment of interest on the Bonds under State or federal law, are accurate in all material respects.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. This opinion speaks only as of its date and is not intended to, and may not, be relied upon or otherwise used in connection with any such actions, events or matters. Our engagement with respect to the Bonds has concluded with their issuance, and we disclaim any obligation to update this opinion. In addition, the rights and obligations under the Bonds, the Purchase Agreement, the Indenture of Trust, and the Continuing Disclosure Certificate and their enforceability, may be subject to or limited by bankruptcy, insolvency, receivership, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights or the availability of a particular remedy, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against public agencies in the State of California. We express no opinion with respect to any indemnification, contribution, choice of law, choice of forum, choice of venue, penalty (including any remedy deemed to constitute a penalty), non-exclusivity of remedies, waiver or severability provisions contained in the above documents. We undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Bonds and express no opinion with respect thereto. We have not provided any financial advice.

We bring to your attention the fact that our legal opinions are an expression of professional judgment and are not a guarantee of a result. Our opinions are based on our review of existing law we deem relevant and in reliance upon the representations and covenants referenced above. Our engagement with respect to this matter has terminated as of the date hereof, and we do not undertake to advise you of any matters that may come to our attention subsequent to the date hereof that may affect our legal opinions expressed herein.

This letter is delivered to and for the sole benefit of the above addressees, is issued for the sole purpose of the transaction specifically referred to herein, and is not to be used, circulated, quoted or otherwise referred to or relied upon for any other purpose or by any other person. The provision of this opinion to you shall not create any attorney-client relationship between our firm and the Underwriter. No attorney-client relationship has existed or exists between our firm and the Underwriter in connection with the Bonds or by virtue of this opinion. This opinion may not be relied upon by any other person, firm, corporation or other entity without our prior written consent, and we have no obligation to update this opinion.

Respectfully submitted,