



CITY COUNCIL STAFF REPORT

TO: Honorable Mayor and City Council **DATE:** December 13, 2021

FROM: Matthew Bronson, City Manager

PREPARED BY: Deanne Purcell, Administrative Services Director

SUBJECT: Measure K-14 Street Repair Bond Issuance

RECOMMENDATION

Adopt the Resolution authorizing the issuance and sale of not to exceed \$10,000,000 principal amount of General Obligation Bonds for Measure K-14 street repairs and authorizes actions related to the issuance of the General Obligation Bonds.

BACKGROUND

In November 2014, the City's voters approved Measure K-14 which authorized the City to issue up to \$48 million in general obligation bonds to repair and resurface local streets. The City has issued the first three bonds in the series for a total of \$28 million. These issuances were in the amounts of \$5 million in March 2015, \$8 million in March 2016, and \$15 million in December 2017 (the "Prior GO Bonds") with \$20 million in bond authorization available.

On August 23, 2021, staff provided a street repair update to the Council which highlighted that the City has completed 11 Measure K-14 projects to date with the 12th project under construction and the 13th project starting soon-. The City has repaired approximately 60% of local streets since Measure K-14 was approved and is on track for repairing all remaining local streets over the next 8-10 years. There is \$1.9 million in remaining proceeds from the \$15 million Measure K-14 bond sale from 2017 that is expected to be expended by March 2022 weather permitting.

To continue with the current pace of street improvements to local streets, the Council concurred with staff's recommendation to begin planning for the next bond issue and to bring a resolution of intent to the Council this fall. The Council subsequently approved the Resolution of Intent on November 22, 2021, to issue general obligation bonds in the aggregate principal amount of \$10,000,000 (the "Series 2022 Bonds") which would fund the next set of City street projects over the next 1-2 years. It is estimated that the issuance of the Series 2022 Bonds in the par amount of \$10,000,000 would lead to a 2022-23 tax rate of \$99.05 per \$100,000 property valuation compared with the current tax rate for 2021-22 of \$85.00 per \$100,000 valuation.

As noted in the November 22nd staff report, there are certain actions that need to take place to ensure the Series 2022 Bonds are sold in January and funds are made available shortly thereafter for street repairs. The first action was the adoption of Resolution No. 21-35 authorizing staff to proceed with planning for the issuance and sale of the Series 2022 Bonds. The next step is the adoption of a Resolution authorizing the issuance and sale of the Series 2022 Bonds and approving certain actions related to the issuance of the Series 2022 Bonds.

Bond Issuance Summary

Kutak Rock LLP, the City's Bond Counsel, has drafted the recommended Resolution for Council consideration shown in Attachment 1. Once adopted, the Resolution authorizes the sale of the Series 2022 Bonds, directs a City representative to review and approve the Preliminary Official Statement shown in Attachment 3, and authorizes the publishing of the Notice of Sale, attached as an exhibit to the Resolution. Further, upon the issuance of the Series 2022 Bonds, the City will enter into a Continuing Disclosure Certificate whereby the City agrees to provide ongoing annual financial information to the holders of the Series 2022 Bonds. The following is a summary of these provisions:

- *Bond Issue Amount* – As noted in the Resolution and discussed by the Council at the November 22nd meeting, the recommended bond issue is in a not to exceed amount of \$10,000,000. Attached in Attachment 2 is the Estimated General Obligation time schedule developed by the City's Financial Advisor, A. M. Peché & Associates LLC. All net proceeds after the payment of costs of issuance resulting from the sale of the Series 2022 Bonds must be spent on street repair and rehabilitation during a three-year period following the sale of the Series 2022 Bonds. In the future, the Council will continue to have the authority to determine and approve the not to exceed principal amount of the bonds the City issues and also control the frequency of such bonds issued until the total authorization amount of \$48,000,000 is reached. After the sale of the Series 2022 Bonds, there will remain \$10,000,000 of bond authorization that can be sold when needed for additional street improvements.
- *Official Statement* –Section 3.03 of the Resolution authorizes a representative of the City to review and approve the preliminary Official Statement. The Official Statement provides relevant information regarding the Series 2022 Bonds, including operating and financial information on the City and the levy of the *ad valorem* tax. Specifically, the Official Statement includes information relative to the assessed value of properties in the City, City general budget information, City revenues and expenses, and City demographics.
- *Ongoing Disclosure* – Under Section 5.07 of the Resolution, the City covenants and agrees to comply with the provisions of the Continuing Disclosure Certificate (attached as an appendix to the Official Statement). The City is required to provide investors on an annual basis the City's annual audit, certain other financial information, information related to the *ad valorem* tax levy and the assessed values of property within the City. The City is already providing this information to holders of the of the City's outstanding general obligation bonds so this is not a new requirement or obligation for the City.
- *Official Notice of Sale* – Section 3.01 of the Resolution authorizes the sale of the Series 2022 Bonds by competitive bid in accordance with the Official Notice of Sale, which is included as an exhibit in the Resolution. The Official Notice of Sale provides notice to investment banks regarding the details of the competitive sale of the Series 2022 Bonds and the terms for bids for the purchase of the Series 2022 Bonds.
- *Reimbursement* – The Resolution allows the City to reimburse itself from Bond proceeds for Capital costs related to the Street Rehabilitation Program incurred by the City prior to the actual receipt of Bond proceeds.

Next Steps

The City's Financial Advisor has transmitted the preliminary Official Statement to the Standard and Poor's Global Ratings (S&P), along with other information requested by the S&P analysts. At the last bond issuance in 2017, the City received a rating of "AA" and a conference call is scheduled with S&P on December 14 where staff and Mr. Peché will respond to questions from the S&P analysts. Following the completion of the rating process, the Series 2022 Bonds will be sold through a competitive sale in early January 2022 and the financing is expected to close in late January 2022. The proceeds of \$10,000,000 from the Series 2022 Bonds will be wired to the City upon closing to begin using for street repair projects.

SB 450 Disclosure

Senate Bill 450 (Chapter 625 of the 2017-2018 Session of the California Legislature) ("SB 450") requires that the Council obtain from an underwriter, municipal advisor or private lender and disclose, prior to authorization of the issuance of bonds, including debt instruments such as the Series 2022 Bonds, with a term of greater than 13 months, good faith estimates of the following information in a meeting open to the public:

- (a) the true interest cost of the Series 2022 Bonds;
- (b) the sum of all fees and charges paid to third parties with respect to the Series 2022 Bonds;
- (c) the amount of proceeds of the Series 2022 Bonds expected to be received net of the fees and charges paid to third parties and any reserves or capitalized interest paid or funded with proceeds of the Series 2022 Bonds; and
- (d) the sum total of all debt service payments on the Series 2022 Bonds calculated to the final maturity of the Series 2022 Bonds plus the fees and charges paid to third parties not paid with the proceeds of the Series 2022 Bonds.

In compliance with SB 450, the City obtained from the City's Financial Advisor the required good faith estimates and such estimates are disclosed and set forth as follows:

- (a) All-In True Interest Cost of the Series 2022 Bonds: 3.28990%.
- (b) Finance Charge of the Series 2022 Bonds: \$295,000 (which includes an estimated underwriter discount of \$100,000).
- (c) Amount of Proceeds to be received by the City: \$10,000,000.
- (d) Total Payment Amount: \$19,252,088.89.

FISCAL IMPACT

Adopting the Resolution will authorize the issuance and sale of Series 2022 Bonds in the not to exceed principal amount of \$10,000,000. The \$10,000,000 in proceeds from the Bond Issuance will be used to fund the Measure K-14 Street Repair and Rehabilitation Program. After this sale of the Series 2022 Bonds, there will remain \$10,000,000 of bond authorization that can be sold when needed for additional street improvements.

ALTERNATIVES

The Council has the following alternatives to consider:

1. Adopt the Resolution;
2. Modify and then adopt the Resolution; or
3. Do not adopt the Resolution; or
4. Provide staff with additional direction.

PUBLIC NOTIFICATION

The agenda was posted in accordance with the Brown Act.

ATTACHMENTS

1. Resolution Authorizing the Issuance of General Obligation Bonds
2. Estimated General Obligation Bond Issuance Schedule
3. Preliminary Official Statement

RESOLUTION NO. 21-__

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF GROVER BEACH, CALIFORNIA, AUTHORIZING THE ISSUANCE AND SALE OF NOT TO EXCEED \$10,000,000 PRINCIPAL AMOUNT OF GENERAL OBLIGATION BONDS TO FINANCE IMPROVEMENTS TO STREETS, AND AUTHORIZING ACTIONS RELATED THERETO

WHEREAS, the City of Grover Beach (the "City") is empowered under Article 1 of Chapter 4 of Part 3 of Division 4 of Title 4 of the Government Code of the State of California, commencing with Section 43600 thereof, and Section 53506 *et. seq.* of the Government Code of the State of California (the "Bond Law") to its issue general obligation bonds which are authorized by two-thirds of the electors voting on the proposition; and

WHEREAS, more than two-thirds of the electors voting at a municipal election held on November 4, 2014, voted in favor of Proposition K-14 (the "Bond Authorization") authorizing the issuance by the City of general obligation bonds in the aggregate principal amount of up to \$48,000,000 for the purpose of providing funds to repair and resurface deteriorating residential and major streets (the "Improvements"); and

WHEREAS, on March 25, 2015, the City issued and sold the first series general obligation bond pursuant to the Bond Authorization, entitled the "City of Grover Beach 2015 General Obligation Bonds (Street Improvements)," in the principal amount of \$5,000,000, on March 30, 2016, the City issued and sold the second series of general obligation bond pursuant to the Bond Authorization, entitled the "City of Grover Beach 2016 General Obligation Bonds (Street Improvements)," in the principal amount of \$8,000,000, and on December 20, 2017, the City issued and sold the third series of general obligation bond pursuant to the Bond Authorization, entitled the "City of Grover Beach 2017 General Obligation Bonds (Street Improvements)," in the principal amount of \$15,000,000 and, thereafter, the City is authorized to issue \$20,000,000 of additional general obligation bonds under the Bond Authorization; and

WHEREAS, the City Council wishes at this time to authorize the issuance and sale of its third series of general obligation bonds under the Bond Authorization in the aggregate principal amount of not to exceed \$10,000,000 (the "Bonds") under this Resolution and in conformity with the Bond Law.

NOW THEREFORE, BE IT RESOLVED by the Council of the City of Grover Beach as follows:

ARTICLE I

DEFINITIONS; AUTHORITY

SECTION 1.01. Definitions. The terms defined in this Section 1.01, as used and capitalized herein, shall, for all purposes of this Resolution, have the meanings given them below, unless the context clearly requires some other meaning.

"Bond Authorization" means the Proposition K-14 submitted to and approved by more than two-thirds of the voters, under which the issuance of the Bonds has been authorized.

"Bond Counsel" means (a) Kutak Rock LLP, and (b) any other attorney or firm of attorneys nationally recognized for expertise in rendering opinions as to the legality and tax-exempt status of securities issued by public entities.

"Bond Insurer" means any insurance company which issues a municipal bond insurance policy insuring the payment of principal and interest on the Bonds.

"Bond Law" means Article 1 of Chapter 4 of Part 3 of Division 4 of Title 4 of the Government Code of the State of California, commencing with Section 43600 thereof, and Section 53506 *et. seq.* of the Government Code of the State of California as in effect on the date of adoption hereof and as amended hereafter.

"Bond Purchase Agreement" means the Bond Purchase Agreement for the Bonds, which is approved under Section 3.02.

"Bond Sale Documentation" means (a) if the Bonds are sold by competitive bidding in accordance with Section 3.01(a), the Official Notice of Sale and the winning bid of the Original Purchaser, or (b) if the Bonds are sold by negotiation in accordance with Section 3.01(b), the Bond Purchase Agreement between the City and the Original Purchaser.

"Bonds" means the City of Grover Beach 2022 General Obligation Bonds (Street Improvements) authorized to be issued under this Resolution in the aggregate principal amount of not to exceed \$10,000,000.

"City" means the City of Grover Beach, a general law city and municipal corporation organized under the Constitution and laws of the State of California, and any successor thereto.

"City Representative" means the City Manager, Administrative Services Director, and any other officer of the City authorized by resolution of the City Council of the City to act on behalf of the City with respect to this Resolution and the Bonds.

"Closing Date" means the date upon which there is a physical delivery of the Bonds in exchange for the amount representing the purchase price of the Bonds by the Original Purchaser.

"Costs of Issuance" means all items of expense directly or indirectly payable by or reimbursable to the City and related to the authorization, issuance, sale and delivery of the Bonds,

including but not limited to the costs of preparation and reproduction of documents, printing expenses, filing and recording fees, initial fees and charges of the Paying Agent and its counsel, legal fees and charges, fees and disbursements of consultants and professionals, rating agency fees, fees and charges for preparation, execution and safekeeping of the Bonds and any other cost, charge or fee in connection with the original issuance of the Bonds.

"County" means the County of San Luis Obispo, a political subdivision of the State of California, duly organized and existing under the Constitution and laws of the State of California.

"Debt Service Fund" means the account established and held by the County under Section 4.03.

"Depository" means (a) initially, DTC, and (b) any other Securities Depository acting as Depository under Section 2.09.

"Depository System Participant" means any participant in the Depository's book-entry system.

"DTC" means The Depository Trust Company, New York, New York, and its successors and assigns.

"Government Obligations" means direct and general obligations of the United States of America, or obligations that are unconditionally guaranteed as to principal and interest by the United States of America (which may consist of obligations of the Resolution Funding Corporation that constitute interest strips), or "prerefunded" municipal obligations rated in the highest rating category by Moody's Investors Service ("Moody's") or Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("S&P"). In the case of direct and general obligations of the United States of America, Government Obligations shall include evidences of direct ownership of proportionate interests in future interest or principal payments of such obligations. Investments in such proportionate interests must be limited to circumstances where (i) a bank or trust company acts as custodian and holds the underlying United States obligations; (ii) the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor of the underlying United States obligations; and (iii) the underlying United States obligations are held in a special account, segregated from the custodian's general assets, and are not available to satisfy any claim of the custodian, any person claiming through the custodian, or any person to whom the custodian may be obligated; provided that such obligations are rated or assessed at least as high as direct and general obligations of the United States of America by either Moody's or S&P.

"Interest Payment Date" means the first day of each March and September, commencing on September 1, 2022.

"Official Notice of Sale" means the Official Notice of Sale for the Bonds, which is approved under Section 3.01.

"Original Purchaser" means the original purchaser of the Bonds at the public or negotiated sale thereof.

"Outstanding," when used as of any particular time with reference to Bonds, means all Bonds except: (a) Bonds theretofore canceled by the Paying Agent or surrendered to the Paying Agent for cancellation; (b) Bonds paid or deemed to have been paid within the meaning of Section

9.02; and (c) Bonds in lieu of or in substitution for which other Bonds shall have been authorized, executed, issued and delivered by the City under this Resolution.

"Owner", whenever used herein with respect to a Bond, means the person in whose name the ownership of such Bond is registered on the Registration Books.

"Paying Agent" means the Paying Agent appointed by the City and acting as paying agent, registrar and authenticating agent for the Bonds, its successors and assigns, and any other corporation or association which may at any time be substituted in its place, as provided in Section 6.01.

"Principal Office" means the office or offices of the Paying Agent for the payment of the Bonds and the administration of its duties hereunder, as such office or offices shall be identified in a written notice filed with the City by the Paying Agent.

"Project Fund" means the fund established and held by the City under Section 4.02.

"Record Date" means the 15th day of the month preceding an Interest Payment Date, whether or not such day is a business day.

"Registration Books" means the records maintained by the Paying Agent for the registration of ownership and registration of transfer of the Bonds under Section 2.08.

"Resolution" means this Resolution, as originally adopted by the City Council on December 13, 2021, and including all amendments hereto and supplements hereof which are duly adopted by the City Council from time to time in accordance herewith.

"Securities Depositories" means DTC; and, in accordance with then current guidelines of the Securities and Exchange Commission, such other securities depositories as the City may designate.

"Supplemental Resolution" means any resolution supplemental to or amendatory of this Resolution, adopted by the City in accordance with Article VIII.

"Tax Code" means the Internal Revenue Code of 1986 as in effect on the Closing Date or (except as otherwise referenced herein) as it may be amended to apply to obligations issued on the Closing Date, together with applicable proposed, temporary and final regulations promulgated, and applicable official public guidance published, under said Code.

"Written Request of the City" means an instrument in writing signed by a City Representative or by any other officer of the City duly authorized to act on behalf of the City under a written certificate of a City Representative.

SECTION 1.02. *Interpretation.*

(a) Unless the context otherwise indicates, words expressed in the singular shall include the plural and vice versa and the use of the neuter, masculine, or feminine gender is for convenience only and shall be deemed to include the neuter, masculine or feminine gender, as appropriate.

(b) Headings of articles and sections herein and the table of contents hereof are solely for convenience of reference, do not constitute a part hereof and shall not affect the meaning, construction or effect hereof.

(c) All references herein to "Articles," "Sections" and other subdivisions are to the corresponding Articles, Sections or subdivisions of this Resolution; the words "herein," "hereof," "hereby," "hereunder" and other words of similar import refer to this Resolution as a whole and not to any particular Article, Section or subdivision hereof.

SECTION 1.03. Authority for this Resolution; Findings. This Resolution is entered into under the provisions of the Bond Law. It is hereby certified that all of the things, conditions and acts required to exist, to have happened or to have been performed precedent to and in the issuance of the Bonds do exist, have happened or have been performed in due and regular time and manner as required by the laws of the State of California, and that the amount of the Bonds, together with all other indebtedness of the City, does not exceed any limit prescribed by any laws of the State of California.

ARTICLE II THE BONDS

SECTION 2.01. Authorization. Bonds in the aggregate original principal amount of not to exceed \$10,000,000 are hereby authorized by the City to be issued by the City under and subject to the terms of the Bond Law and this Resolution, for the purpose of raising money to repair and resurface deteriorating residential and major streets, as provided in the Ballot Proposition, and to pay the Costs of Issuance incurred in connection therewith. This Resolution constitutes a continuing agreement between the City and the Owners of all of the Bonds issued or to be issued hereunder and then Outstanding to secure the full and final payment of principal of and interest and premium, if any, on all Bonds which may be Outstanding hereunder, subject to the covenants, agreements, provisions and conditions herein contained. The Bonds are designated the "City of Grover Beach 2022 General Obligation Bonds (Street Improvements)."

SECTION 2.02. Terms of Bonds.

(a) Principal Amount of Bonds. The Bonds are authorized to be issued in the aggregate principal amount of not to exceed \$10,000,000.

(b) Form; Numbering. The Bonds will be issued in fully registered form, without coupons, in authorized denominations of \$5,000 each or any integral multiple thereof. The Bonds will be lettered and numbered as the Paying Agent prescribes.

(c) Date of Bonds. The Bonds will be dated as of the Closing Date.

(d) CUSIP Identification Numbers. "CUSIP" identification numbers will be imprinted on the Bonds, but such numbers do not constitute a part of the contract evidenced by the Bonds and no error or omission with respect thereto will constitute cause for refusal of the Original Purchaser to accept delivery of and pay for the Bonds. In addition, failure on the part of the City

to use such CUSIP numbers in any notice to Owners of the Bonds will not constitute an event of default or any violation of the City's contract with such Owners and will not impair the effectiveness of any such notice.

(e) Determination of Maturities and Interest Rates. The Bonds shall mature (or, alternatively, be subject to mandatory sinking fund redemption as hereinafter provided) on September 1 in each year commencing September 1, 2025 and continuing to and including September 1, 2047. The exact principal amount of the Bonds maturing on September 1 in each year shall be determined upon the sale of the Bonds, in accordance with the Bond Sale Documentation.

Each Bond will bear interest at the respective rates to be determined upon the sale of the Bonds in accordance with Article III. Interest on the Bonds is payable from the Interest Payment Date next preceding the date of authentication thereof unless:

- a Bond is authenticated as of an Interest Payment Date, in which event it will bear interest from such date,
- a Bond is authenticated prior to an Interest Payment Date and after the close of business on the preceding Record Date, in which event it will bear interest from such Interest Payment Date,
- a Bond is authenticated on or before the first Record Date, in which event it shall bear interest from the Closing Date, or
- at the time of authentication of a Bond, interest is in default thereon, in which event it will bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon.

(f) Manner of Payment. Interest on the Bonds (including the final interest payment upon maturity) is payable by check of the Paying Agent mailed to the Owner thereof at such Owner's address as it appears on the Registration Books at the close of business on the preceding Record Date; except that at the written request of the Owner of at least \$1,000,000 aggregate principal amount of the Bonds, which written request is on file with the Paying Agent as of any Record Date, interest on such Bonds shall be paid by wire transfer on the succeeding Interest Payment Date to an account in the United States of America as shall be specified in such written request. Principal of and premium (if any) on the Bonds is payable in lawful money of the United States of America upon presentation and surrender at the Principal Office of the Paying Agent.

SECTION 2.03. *Redemption.*

(a) Optional Redemption. The Bonds shall be subject to redemption prior to maturity, at the option of the City, in whole or in part among maturities on such basis as designated by the City and by lot within a maturity, from any available source of funds, on the dates and upon payment of a redemption price (equal to the principal amount of Bonds to be redeemed together

with a redemption premium, if any) as determined upon the sale of the Bonds in accordance with the Bond Sale Documentation.

(b) Mandatory Sinking Fund Redemption. If and to the extent specified in the Bond Sale Documentation, any maturity of the Bonds will be designated as "Term Bonds" which are subject to mandatory sinking fund redemption on September 1 in each of the years and in the respective principal amounts set forth in such bid, at a redemption price equal to 100% of the principal amount of the Bonds to be redeemed, in each case without premium, together with interest accrued thereon to the redemption date. If some but not all of the Term Bonds have been redeemed under the preceding subsection (a) of this Section, the aggregate principal amount of Term Bonds to be redeemed in each year under this subsection (b) shall be reduced on a pro rata basis in integral multiples of \$5,000, as designated in written notice filed by the City with the Paying Agent.

(c) Selection of Bonds for Redemption. Whenever less than all of the Outstanding Bonds of any one maturity are designated for redemption, the Paying Agent shall select the Outstanding Bonds of such maturity to be redeemed by lot in any manner deemed fair by the Paying Agent. For purposes of such selection, each Bond shall be deemed to consist of individual Bonds of \$5,000 denominations which may be separately redeemed.

(d) Redemption Procedure. The Paying Agent shall cause notice of any redemption to be mailed, first class mail, postage prepaid, at least 30 days but not more than 60 days prior to the date fixed for redemption, (i) to the Securities Depositories and the Municipal Securities Rulemaking Board, and (ii) to the respective Owners of any Bonds designated for redemption, at their addresses appearing on the Registration Books. Such mailing shall not be a condition precedent to such redemption and failure to mail or to receive any such notice shall not affect the validity of the proceedings for the redemption of Bonds. The City is entitled to rescind any notice of optional redemption of the Bonds by written notice to the Paying Agent on or prior to the date fixed for redemption, and the Paying Agent shall mail notice of such rescission of redemption in the same manner as the original notice of redemption was sent under this section. Any notice of redemption shall be cancelled and annulled if for any reason funds will not be or are not available on the date fixed for redemption. The City and the Paying Agent have no liability to the Owners or any other party related to or arising from such rescission.

Such notice shall state the redemption date and the redemption price and, if less than all of the then Outstanding Bonds are to be called for redemption, shall designate the serial numbers of the Bonds to be redeemed by giving the individual number of each Bond or by stating that all Bonds between two stated numbers, both inclusive, or by stating that all of the Bonds of one or more maturities have been called for redemption, and shall require that such Bonds be then surrendered at the Principal Office of the Paying Agent for redemption at the said redemption price, giving notice also that further interest on such Bonds will not accrue from and after the redemption date.

Upon surrender of Bonds redeemed in part only, the City shall execute and the Paying Agent shall authenticate and deliver to the Owner, at the expense of the City, a new Bond or

Bonds, of the same maturity, of authorized denominations in aggregate principal amount equal to the unredeemed portion of the Bond or Bonds.

From and after the date fixed for redemption, if notice of such redemption has been duly given and funds available for the payment of the principal of and interest (and premium, if any) on the Bonds so called for redemption have been duly provided, such Bonds so called will cease to be entitled to any benefit under this Resolution other than the right to receive payment of the redemption price, and no interest will accrue thereon on or after the redemption date specified in such notice. The Paying Agent shall cancel all Bonds redeemed under this Section 2.03, and shall submit to the City a certificate of cancellation.

SECTION 2.04. *Form of Bonds.* The form of the Bonds, including the form of the Paying Agent's Certificate of Authentication and the form of Assignment to appear thereon, with necessary or appropriate variations, omissions and insertions, as permitted or required by this Resolution, are set forth in Appendix A attached hereto.

SECTION 2.05. *Execution of Bonds.* The Bonds shall be executed on behalf of the City by the facsimile signatures of its Mayor and City Clerk who are in office on the date of adoption of this Resolution or at any time thereafter, and the seal of the City shall be impressed, imprinted or reproduced by facsimile thereon. If any officer whose signature appears on any Bond ceases to be such officer before delivery of the Bonds to the Original Purchaser, such signature will nevertheless be as effective as if the officer had remained in office until the delivery of the Bonds to the Original Purchaser. Any Bond may be signed and attested on behalf of the City by such persons as at the actual date of the execution of such Bond are the proper officers of the City although at the nominal date of such Bond any such person does not serve as such officer of the City.

Only those Bonds bearing a Certificate of Authentication in the form set forth in Appendix A attached hereto, executed and dated by the Paying Agent, will be valid or obligatory for any purpose or entitled to the benefits of this Resolution, and such Certificate of Authentication of the Paying Agent constitutes conclusive evidence that the Bonds so registered have been duly authenticated, registered and delivered hereunder and are entitled to the benefits of this Resolution.

SECTION 2.06. *Transfer of Bonds.* Any Bond may, in accordance with its terms, be transferred, upon the Registration Books, by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Bond for cancellation at the Principal Office at the Paying Agent, accompanied by delivery of a written instrument of transfer in a form approved by the Paying Agent, duly executed. The City may charge a reasonable sum for each new Bond issued upon any transfer.

Whenever any Bond or Bonds is surrendered for transfer, the City shall execute and the Paying Agent shall authenticate and deliver a new Bond or Bonds, for like aggregate principal amount.

SECTION 2.07. *Exchange of Bonds.* Bonds may be exchanged at the Principal Office of the Paying Agent for a like aggregate principal amount of Bonds of authorized denominations and

of the same maturity. The City may charge a reasonable sum for each new Bond issued upon any exchange.

SECTION 2.08. Registration Books. The Paying Agent shall keep or cause to be kept sufficient books for the registration and transfer of the Bonds, which shall at all times be open to inspection by the City upon reasonable notice; and, upon presentation for such purpose, the Paying Agent shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on said books, Bonds as herein before provided.

SECTION 2.09. Book-Entry System. Except as provided below, DTC will be the Owner of all of the Bonds, and the Bonds will be registered in the name of Cede & Co. as nominee for DTC. The Bonds shall be initially executed and delivered in the form of a single fully registered Bond for each maturity date of the Bonds in the full aggregate principal amount of the Bonds maturing on such date. The Paying Agent and the City may treat DTC (or its nominee) as the sole and exclusive owner of the Bonds registered in its name for all purposes of this Resolution, and neither the Paying Agent nor the City shall be affected by any notice to the contrary. The Paying Agent and the City shall not have any responsibility or obligation to any Depository System Participant, any person claiming a beneficial ownership interest in the Bonds under or through DTC or a Depository System Participant, or any other person which is not shown on the register of the City as being an owner, with respect to the accuracy of any records maintained by DTC or any Depository System Participant or the payment by DTC or any Depository System Participant by DTC or any Depository System Participant of any amount in respect of the principal or interest with respect to the Bonds. The City shall cause to be paid all principal and interest with respect to the Bonds only to DTC, and all such payments shall be valid and effective to fully satisfy and discharge the City's obligations with respect to the principal and interest with respect to the Bonds to the extent of the sum or sums so paid. Except under the conditions noted below, no person other than DTC shall receive a Bond. Upon delivery by DTC to the City of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., the term "Cede & Co." in this Resolution shall refer to such new nominee of DTC.

If the City determines that it is in the best interest of the beneficial owners that they be able to obtain Bonds and delivers a written certificate to DTC and the City to that effect, DTC shall notify the Depository System Participants of the availability through DTC of Bonds. In such event, the City shall issue, transfer and exchange Bonds as requested by DTC and any other owners in appropriate amounts. DTC may determine to discontinue providing its services with respect to the Bonds at any time by giving notice to the City and discharging its responsibilities with respect thereto under applicable law. Under such circumstances (if there is no successor securities depository), the City shall be obligated to deliver Bonds as described in this Resolution. Whenever DTC requests the City to do so, the City will cooperate with DTC in taking appropriate action after reasonable notice to (a) make available one or more separate Bonds evidencing the Bonds to any Depository System Participant having Bonds credited to its DTC account or (b) arrange for another securities depository to maintain custody of certificates evidencing the Bonds.

Notwithstanding any other provision of this Resolution to the contrary, so long as any Bond is registered in the name of Cede & Co., as nominee of DTC, all payments with respect to

the principal and interest with respect to such Bond and all notices with respect to such Bond shall be made and given, respectively, to DTC as provided as in the representation letter delivered on the date of issuance of the Bonds.

SECTION 2.10. *Bonds Mutilated, Lost, Destroyed or Stolen.* If any Bond becomes mutilated the City, at the expense of the Owner of said Bond, shall execute, and the Paying Agent shall thereupon authenticate and deliver, a new Bond of like maturity and principal amount in exchange and substitution for the Bond so mutilated, but only upon surrender to the Paying Agent of the Bond so mutilated. The Paying Agent shall cancel every mutilated Bond so surrendered to it. If any Bond is lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the City and, if such evidence is satisfactory to the City and the City receives satisfactory indemnity, the City, at the expense of the Owner, shall execute, and the Paying Agent shall thereupon authenticate and deliver, a new Bond of like maturity and principal amount in lieu of and in substitution for the Bond so lost, destroyed or stolen.

The City may require payment of a sum not exceeding the actual cost of preparing each new Bond issued under this Section and of the expenses which may be incurred by the City and the Paying Agent. Any Bond issued under the provisions of this Section 2.10 in lieu of any Bond alleged to be lost, destroyed or stolen will constitute an original additional contractual obligation of the City whether or not the Bond so alleged to be lost, destroyed or stolen is at any time enforceable by anyone, and such Bond will be equally and proportionately entitled to the benefits of this Resolution with all other Bonds issued under this Resolution.

Notwithstanding any other provision of this Section 2.10, in lieu of delivering a new Bond for which principal has or is about to become due for a Bond which has been mutilated, lost, destroyed or stolen, the Paying Agent may make payment of such Bond in accordance with its terms.

ARTICLE III

SALE OF BONDS

SECTION 3.01. *Competitive Sale of Bonds*

(a) Approval of Official Notice of Sale; Competitive Sale Procedures. The Bonds shall be offered for sale by competitive bid in accordance with the provisions of the Official Notice of Sale in substantially the form on file with the City Clerk together with such additions thereto and changes therein as may be approved by a City Representative. The City Council hereby authorizes and directs a City Representative to accept the best responsible bid for the Bonds, to be determined in accordance with the related Official Notice of Sale. A City Representative, on behalf of the City, may exercise his or her own discretion and judgment in awarding the sale of the Bonds, and may, in his or her discretion, reject any and all bids and waive any irregularity or informality in any bid. Sale of the Bonds shall be awarded, or all bids shall be rejected, not later than 24 hours after the expiration of the time prescribed for the receipt of proposals unless such time of award is waived by the successful bidder.

(b) Publication of Notice of Intention. The City Council hereby approves and authorizes the publication by Bond Counsel of a notice of the City's intention to sell the Bonds, in form and substance acceptable to Bond Counsel, in *The Bond Buyer* once at least five days prior to the date fixed for receipt of bids, in accordance with Government Code Section 53692.

(c) Furnishing of Documents. The municipal advisor to the City, A. M. Peché & Associates LLC is hereby authorized and directed by the City to cause to be furnished to prospective bidders a reasonable number of copies of said Official Notice of Sale and a reasonable number of copies of the Preliminary Official Statement relating to the Bonds.

SECTION 3.02. *Negotiated Sale of Bonds.* The Bonds are authorized to be sold by negotiated sale if either (a) no bids are received when the Bonds are offered for public sale under Section 3.01, or (b) bids are received but such bids are not satisfactory as to price or responsibility of the bidders as determined by a City Representative, as a result of which all bids are rejected. In such event, the Bonds are authorized to be sold by negotiation with an underwriter or investment bank which is designated by a City Representative upon consultation with A. M. Peché & Associates LLC as municipal advisor to the City. The Bonds shall be sold to such underwriter or investment bank under the Bond Purchase Agreement in a form deemed advisable by a City Representative, whose execution shall be conclusive evidence of such Bond Purchase Agreement. A City Representative is hereby authorized to accept a bid from such underwriter or investment bank to purchase the Bonds, and to execute the Bond Purchase Agreement on behalf of the City; provided that the rate of interest on the Bonds shall not exceed [8.00]% and the underwriter's discount shall not exceed [1.00]% of the principal amount of the Bonds. If it is determined to sell the Bonds by negotiation, a City Representative shall disclose the identity of the underwriter at the public meeting first occurring after the bond underwriter has been selected, along with the estimated costs associated with the bond issuance and the circumstances that led to the negotiated sale.

SECTION 3.03. *Official Statement.* The City Council hereby authorizes and directs a City Representative to (a) review, approve and deem nearly final within the meaning of Rule 15c2-12 of the Securities Exchange Act of 1934, a preliminary Official Statement describing the Bonds, (b) execute an appropriate certificate affirming his or her determination that the preliminary Official Statement has been deemed nearly final within the meaning of such Rule, and (c) approve any changes in or additions to a final form of said Official Statement. The City Council hereby authorizes the distribution of the final Official Statement by the Original Purchaser. The final Official Statement shall be executed in the name and on behalf of the City by a City Representative.

SECTION 3.04. *Costs of Issuance Custodian Agreement.* The City shall pay the costs of issuing the Bonds from the proceeds of the Bonds, or to the extent permitted by law, original issue premium received from the Original Purchaser of the Bonds. The City Council hereby authorizes a City Representative to enter into a Costs of Issuance Custodian Agreement with U.S. Bank National Association in substantially the form on file with the City Clerk. As provided in said agreement, amounts provided for payment of the costs of issuing the Bonds shall be deposited thereunder and the payment of costs shall be requisitioned by a City Representative in accordance with said agreement.

SECTION 3.05. Official Intent. The City intends to undertake the construction, repair and acquisition of the Improvements. The City intends to use the proceeds of its Bonds described in this Resolution to finance the Improvements. The City expects to pay certain capital expenditures (the "Reimbursement Expenditures") in connection with the Improvements prior to the issuance by it of the indebtedness for the purpose of financing the costs of the Improvements on a long-term basis. The City reasonably expects that the Bonds debt obligations will be issued by it for the purpose of financing the cost of the Improvements on a long-term basis and that certain of the proceeds of such debt obligations will be used to reimburse the City for the Reimbursement Expenditures.

The City Council hereby declares the City's official intent to use a portion of the proceeds of the proposed indebtedness to reimburse the City for the Reimbursement Expenditures. The foregoing statement is a declaration of official intent that is made under and only for the purpose of establishing compliance with the requirements of Treasury Regulations section 1.150-2 and Section 54A(d)(2)(D) of the Internal Revenue Code of 1986, as amended.

ARTICLE IV

FUNDS AND ACCOUNTS

SECTION 4.01. Application of Proceeds of Sale of Bonds. On the Closing Date, the proceeds of sale of the Bonds shall be paid by the Original Purchaser to the City, and shall be applied on the Closing Date as follows: (a) the City shall deposit in the Costs of Issuance Fund and the Debt Service Fund held by the County, in the respective amounts determined by a City Representative, proceeds of the Bonds, including the premium (if any) received by the City on the sale of the Bonds; and (b) the City shall deposit the remainder of such proceeds in the Project Fund.

SECTION 4.02. Project Fund. The City Council hereby establishes a special fund to be held by the City separate and apart from all other funds of the City, to be known as the Project Fund. The proceeds from the sale of the Bonds, to the extent required under Section 4.01(b), shall be deposited by the City in the Project Fund, and shall be expended by the City solely for the payment of (a) Costs of Issuance of the Bonds to the extent not paid as set forth in Section 3.04, and (b) costs of acquisition or improvement of real property for which the Bond proceeds are authorized to be expended under the Bond Authorization. All interest and other gain arising from the investment of amounts deposited to the Project Fund shall be retained in the Project Fund and used for the purposes thereof. Any amounts remaining on deposit in the Project Fund and not needed for the purposes thereof shall be withdrawn from the Project Fund and transferred to the Debt Service Fund, to be applied to pay the principal of and interest and premium (if any) on the Bonds.

SECTION 4.03. Debt Service Fund. The City Council hereby establishes a special fund to be held by the County separate and apart from all other funds held by the County on behalf of the City, to be known as the Debt Service Fund. All taxes levied by the County, as directed by the City herein, for the payment of the principal of and interest and premium (if any) on the Bonds in accordance with Section 5.03 shall be deposited in the Debt Service Fund by the County promptly upon receipt thereof. The Debt Service Fund is hereby pledged for the payment of the principal

of and interest and premium (if any) on the Bonds when and as the same become due. The County shall transfer amounts in the Debt Service Fund, to the extent necessary to pay the principal of and interest on the Bonds as the same become due and payable, to the Paying Agent as required to pay the principal of and interest and premium (if any) on the Bonds.

If, after payment in full of the Bonds, any amounts remain on deposit in the Debt Service Fund, the County will transfer such amounts to the City and the City will deposit such amounts in the Project Fund and, if the Project Fund is closed, will transfer such amounts to its street maintenance fund and use such amounts solely for costs of acquisition or improvement of real property for which the Bond proceeds are authorized to be expended under the Bond Authorization.

SECTION 4.04. *Investments.* The City shall invest all moneys held in any of the funds or accounts established with it hereunder in accordance with the investment policies of the City, as such policies shall exist at the time of investment, and in accordance with Section 53601 of the California Government Code.

ARTICLE V

OTHER COVENANTS OF THE CITY; SECURITY FOR THE BONDS

SECTION 5.01. *Punctual Payment.* The City shall punctually pay, or cause to be paid, the principal of and interest on the Bonds, in strict conformity with the terms of the Bonds and of this Resolution, and shall faithfully observe and perform all of the conditions, covenants and requirements of this Resolution and of the Bonds. Nothing herein contained prevents the City from making advances of its own moneys howsoever derived to any of the uses or purposes permitted by law.

SECTION 5.02. *Extension of Time for Payment.* In order to prevent any accumulation of claims for interest after maturity, the City will not, directly or indirectly, extend or consent to the extension of the time for the payment of any claim for interest on any of the Bonds and will not, directly or indirectly, approve any such arrangement by purchasing or funding said claims for interest or in any other manner.

SECTION 5.03. *Security for the Bonds.* The Bonds are general obligations of the City and the City has the power, is obligated and hereby covenants to levy *ad valorem* taxes upon all property within the City subject to taxation by the City, without limitation of rate or amount, for the payment of the Bonds and the interest thereon, in accordance with Section 43632 of the Bond Law. Amounts in the General Fund of the City are not pledged to the payment of the Bonds. However, nothing herein limits the ability of the City to provide for payment of the principal of and interest and premium (if any) on the Bonds from any source of legally available funds of the City. Any amounts so advanced by the City from legally available funds may be reimbursed from *ad valorem* property taxes subsequently collected under this Section 5.03.

SECTION 5.04. *Books and Accounts; Financial Statement.* The City will keep, or cause to be kept, proper books of record and accounts, separate from all other records and accounts of the City in which complete and correct entries are made of all transactions relating to the Bonds. Such books of record and accounts shall at all times during business hours be subject to the inspection of the Paying Agent and the Owners of not less than 10% in aggregate principal amount of the Bonds then Outstanding, or their representatives authorized in writing.

SECTION 5.05. *Protection of Security and Rights of Bond Owners.* The City will preserve and protect the security of the Bonds and the rights of the Bond Owners, and will warrant and defend their rights against all claims and demands of all persons. From and after the sale and delivery of any of the Bonds by the City, the City may not contest the authorization, issuance, sale or repayment of the Bonds.

SECTION 5.06. *Tax Covenants Relating to the Bonds.* The City shall take all actions necessary to assure the exclusion and refrain from taking actions that negatively affect the exclusion of interest on the Bonds from the gross income of the Owners of the Bonds under Section 103 of the Tax Code to the same extent as such interest is permitted to be excluded from gross income under the Tax Code as in effect on the Closing Date. To that end, and without limiting the generality of the foregoing covenant, the City hereby covenants to comply with the provisions of the Tax Certificate executed on the closing date.

SECTION 5.07. *Continuing Disclosure.* The City hereby covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate, which a City Representative is hereby authorized and directed to execute and deliver on the Closing Date. Notwithstanding any other provision of this Resolution, failure of the City to comply with the Continuing Disclosure Certificate will not be considered a default by the City hereunder or under the Bonds; however, any Participating Underwriter (as such term is defined in the Continuing Disclosure Certificate) or any holder or beneficial owner of the Bonds may, take such actions as may be necessary and appropriate to compel performance, including seeking mandate or specific performance by court order. The City Council hereby authorizes a City Representative to execute a Disclosure Advisor Agreement with A. M. Peché & Associates LLC in order to provide the services required by such agreement to comply with the Continuing Disclosure Agreement.

SECTION 5.08. *Further Assurances.* The City will adopt, make, execute and deliver any and all such further resolutions, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of this Resolution, and for the better assuring and confirming unto the Owners of the Bonds of the rights and benefits provided in this Resolution.

ARTICLE VI

THE PAYING AGENT

SECTION 6.01. *Appointment of Paying Agent.* U.S. Bank National Association is hereby appointed to act as Paying Agent for the Bonds. The Paying Agent undertakes to perform such duties, and only such duties, as are specifically set forth in this Resolution, and even during the continuance of an event of default with respect to the Bonds, no implied covenants or

obligations shall be read into this Resolution against the Paying Agent. The Paying Agent shall signify its acceptance of the duties and obligations imposed upon it by this Resolution by executing and delivering to the City a certificate to that effect.

The City may remove the Paying Agent initially appointed, and any successor thereto, and may appoint a successor or successors thereto, but any such successor shall be a bank or trust company doing business and having an office in the State of California, having a combined capital (exclusive of borrowed capital) and surplus of at least \$50,000,000, and subject to supervision or examination by federal or state authority. If such bank or trust company publishes a report of condition at least annually, under law or under the requirements of any supervising or examining authority above referred to, then for the purposes of this Section 6.01 the combined capital and surplus of such bank or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

The Paying Agent may at any time resign by giving written notice to the City and the Bond Owners of such resignation. Upon receiving notice of such resignation, the City shall promptly appoint a successor Paying Agent by an instrument in writing. Any resignation or removal of the Paying Agent and appointment of a successor Paying Agent becomes effective upon acceptance of appointment by the successor Paying Agent.

Any bank, national association, federal savings association, or trust company into which the Paying Agent may be merged or converted or with which it may be consolidated or any bank, national association, federal savings association, or trust company resulting from any merger, conversion or consolidation to which it shall be a party or any bank, national association, federal savings association, or trust company to which the Paying Agent may sell or transfer all or substantially all of its corporate trust business, provided such bank, federal savings association, or trust company shall be eligible as described in this Section 6.01 shall be the successor to such Paying Agent, without the execution or filing of any paper or any further act, anything herein to the contrary notwithstanding

SECTION 6.02. *Paying Agent May Hold Bonds.* The Paying Agent may become the Owner of any of the Bonds in its own or any other capacity with the same rights it would have if it were not Paying Agent.

SECTION 6.03. *Liability of Paying Agent.* The recitals of facts, covenants and agreements herein and in the Bonds contained shall be taken as statements, covenants and agreements of the City, and the Paying Agent assumes no responsibility for the correctness of the same, nor makes any representations as to the validity or sufficiency of this Resolution or of the Bonds, nor shall incur any responsibility in respect thereof, other than as set forth in this Resolution. The Paying Agent is not liable in connection with the performance of its duties hereunder, except for its own negligence or willful default.

In the absence of bad faith, the Paying Agent may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Paying Agent and conforming to the requirements of this Resolution.

The Paying Agent has no liability for any error of judgment made in good faith by a responsible officer of its corporate trust department in the absence of the negligence of the Paying Agent.

No provision of this Resolution requires the Paying Agent to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers, if it has reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

The Paying Agent may execute any of the powers hereunder or perform any duties hereunder either directly or by or through agents or attorneys and the Paying Agent is not responsible for any misconduct or negligence on the part of any agent or attorney appointed with due care by it hereunder.

SECTION 6.04. Notice to Paying Agent. The Paying Agent may rely and shall be protected in acting or refraining from acting upon any notice, resolution, request, consent, order, certificate, report, warrant, bond or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or proper parties. The Paying Agent may consult with counsel, who may be of counsel to the City, with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith and in accordance therewith.

Whenever in the administration of its duties under this Resolution the Paying Agent deems it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may, in the absence of bad faith on the part of the Paying Agent, be deemed to be conclusively proved and established by a certificate of the City, and such certificate will be full warrant to the Paying Agent for any action taken or suffered under the provisions of this Resolution upon the faith thereof, but in its discretion the Paying Agent may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may seem reasonable.

SECTION 6.05. Compensation. The City will pay to the Paying Agent from time to time reasonable compensation for all services rendered under this Resolution, and also all reasonable expenses, charges, counsel fees and other disbursements, including those of their attorneys, agents and employees, incurred in and about the performance of their powers and duties under this Resolution. Such compensation shall be paid solely from *ad valorem* taxes lawfully levied.

ARTICLE VII

REMEDIES OF BOND OWNERS

SECTION 7.01. Remedies of Bond Owners. Upon the happening and continuation of any default by the City hereunder or under the Bonds, any Bond Owner has the right, for the equal benefit and protection of all Bond Owners similarly situated:

(a) by mandamus, suit, action or proceeding, to compel the City and its members, officers, agents or employees to perform each and every term, provision and covenant contained in this Resolution and in the Bonds, and to require the carrying out of any or all such covenants and agreements of the City and the fulfillment of all duties imposed upon it;

(b) by suit, action or proceeding in equity, to enjoin any acts or things which are unlawful, or the violation of any of the Bond Owners' rights; or

(c) by suit, action or proceeding in any court of competent jurisdiction, to require the City and its members and employees to account as if it and they were the trustees of an express trust.

SECTION 7.02. Remedies Not Exclusive. No remedy herein conferred upon the Owners of Bonds is exclusive of any other remedy. Each remedy is cumulative and shall be in addition to every other remedy given hereunder or thereafter conferred on the Bond Owners.

ARTICLE VIII

AMENDMENT OF THIS RESOLUTION

SECTION 8.01. Amendments Effective Without Consent of the Owners. For any one or more of the following purposes and at any time or from time to time, the City Council may by Supplemental Resolution amend this Resolution in whole or in part, without the consent of any of the Bond Owners:

(a) to add to the covenants and agreements of the City in this Resolution, other covenants and agreements to be observed by the City which are not contrary to or inconsistent with this Resolution as theretofore in effect;

(b) to confirm, as further assurance, any pledge under, and to subject to any lien or pledge created or to be created by, this Resolution, of any moneys, securities or funds, or to establish any additional funds or accounts to be held under this Resolution;

(c) to cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision in this Resolution, which in any event does not materially adversely affect the interests of the Bond Owners, in the opinion of Bond Counsel filed with the City; or

(d) to make such additions, deletions or modifications as may be necessary to assure compliance with the applicable provisions of the Tax Code relating to the rebate of excess investment earnings to the United States or otherwise as may be necessary to assure that the interest on the Bonds remains excludable from gross income of the Owners thereof for federal income tax purposes, in the opinion of Bond Counsel filed with the City.

SECTION 8.02. Amendments Effective With Consent to the Owners. Any modification or amendment of this Resolution and of the rights and obligations of the City and of the Owners of the Bonds, in any particular, may be made by a Supplemental Resolution, with the written consent of the Owners of a majority in aggregate principal amount of the Bonds Outstanding at

the time such consent is given. Without the consent of the Owners of all affected Bonds, no such modification or amendment may (a) change the maturity of the principal of any Bonds or any interest payable thereon, (b) reduce the principal amount of the Bonds or the rate of interest thereon, (c) reduce the percentage of Bonds the consent of the Owners of which is required to effect any such modification or amendment, (d) change any of the provisions in Section 7.01 relating to a default by the City hereunder or under the Bonds, (e) reduce the amount of moneys pledged for the repayment of the Bonds. Without the consent of the Paying Agent, no such modification or amendment may change or modify any of the rights or obligations of the Paying Agent.

ARTICLE IX

MISCELLANEOUS

SECTION 9.01. *Benefits of Resolution Limited to Parties.* Nothing in this Resolution, expressed or implied, is intended to give to any person other than the City, the Paying Agent and the Owners of the Bonds, any right, remedy, claim under or by reason of this Resolution. Any covenants, stipulations, promises or agreements in this Resolution contained by and on behalf of the City shall be for the sole and exclusive benefit of the Owners of the Bonds.

SECTION 9.02. *Defeasance.*

(a) Discharge of Resolution. Bonds may be paid by the City, in whole or in part, in any of the following ways provided that the City also pays or causes to be paid any other sums payable hereunder by the City:

(i) by paying or causing to be paid the principal of and interest on such Bonds, as and when the same become due and payable;

(ii) by irrevocably depositing, in trust, at or before maturity, money or Government Obligations in the necessary amount to pay such Bonds as provided in Section 9.02(c); or

(iii) by delivering such Bonds to the Paying Agent for cancellation by it.

If the City pays all Outstanding Bonds and also pays or causes to be paid all other sums payable hereunder by the City, then and in that case, at the election of the City (evidenced by a certificate of a City Representative filed with the Paying Agent, signifying the intention of the City to discharge all such indebtedness and this Resolution), and notwithstanding that any Bonds have not been surrendered for payment, this Resolution, all taxes and other assets pledged under this Resolution and all covenants, agreements and other obligations of the City under this Resolution shall cease, terminate, become void and be completely discharged and satisfied, except only as provided in Section 9.02(b). In such event, upon request of the City, the Paying Agent shall cause an accounting for such period or periods as may be requested by the City to be prepared and filed with the City and shall execute and deliver to the City all such instruments as may be necessary to evidence such discharge and satisfaction, and the Paying Agent shall pay over,

transfer, assign or deliver to the City all moneys or securities or other property held by it under this Resolution which are not required for the payment of Bonds not theretofore surrendered for such payment.

(b) Discharge of Liability on Bonds. Upon the deposit, in trust, at or before maturity, of money or securities in the necessary amount to pay any Outstanding Bond Bonds as provided in Section 9.02(c), then all liability of the City in respect of such Bond will cease and be completely discharged, except only that thereafter the Owner thereof is entitled only to payment of the principal of and interest on such Bond by the City, and the City remains liable for such payment, but only out of such money or securities deposited with the Paying Agent as aforesaid for such payment, provided further, however, that the provisions of Section 9.02(d) apply in all events.

The City may at any time surrender to the Paying Agent for cancellation by it any Bonds previously issued and delivered, which the City acquires in any manner whatsoever, and such Bonds, upon such surrender and cancellation, will be deemed paid and retired.

(c) Deposit of Money or Securities with Paying Agent. Whenever in this Resolution it is provided or permitted that there be deposited with or held in trust by the Paying Agent money or securities in the necessary amount to pay any Bonds, the money or securities so to be deposited or held may include money or securities held by the Paying Agent in the funds and accounts established under this Resolution and must be:

(i) lawful money of the United States of America in an amount equal to the principal amount of such Bonds and all unpaid interest thereon to maturity; or

(ii) Government Obligations the principal of and interest on which when due, in the opinion of a certified public accountant delivered to the City, will provide money sufficient to pay the principal of and all unpaid interest to maturity on the Bonds to be paid, as such principal and interest become due.

(d) Payment of Bonds After Discharge of Resolution. Notwithstanding any provisions of this Resolution, any moneys held by the Paying Agent in trust for the payment of the principal of, or interest on, any Bonds and remaining unclaimed for two years after the principal of all of the Bonds has become due and payable, if such moneys were so held at such date, or two years after the date of deposit of such moneys if deposited after said date when all of the Bonds became due and payable, shall, upon request of the City, be repaid to the City free from the trusts created by this Resolution, and all liability of the Paying Agent with respect to such moneys shall thereupon cease. Before the repayment of such moneys to the City as aforesaid, the Paying Agent may (at the cost of the City) first mail to the Owners of all Bonds which have not been paid at the addresses shown on the Registration Books a notice in such form as may be deemed appropriate by the Paying Agent, with respect to the Bonds so payable and not presented and with respect to the provisions relating to the repayment to the City of the moneys held for the payment thereof.

SECTION 9.03. Insurance. In the event the City purchases bond insurance for the Bonds, and to the extent that the Bond Insurer makes payment of the principal of or interest on the Bonds, it shall become the Owner of such Bonds with the right to payment of principal or interest, and shall be fully subrogated to all of the Owners' rights, including the Owners' rights to

payment thereof. To evidence such subrogation (i) in the case of subrogation as to claims that were past due interest components, the Paying Agent shall note the Bond Insurer's rights as subrogee on the registration books for the Bonds maintained by the Paying Agent upon receipt of a copy of the cancelled check issued by the Bond Insurer for the payment of such interest to the Owners of the Bonds, and (ii) in the case of subrogation as to claims for past due principal, the Paying Agent shall note the Bond Insurer as subrogee on the registration books for the Bonds maintained by the Paying Agent upon surrender of the Bonds by the Owners thereof to the Bond Insurer or the insurance trustee for the Bond Insurer.

SECTION 9.04. Execution of Documents and Proof of Ownership by Bond Owners.

Any request, declaration or other instrument which this Resolution may require or permit to be executed by Bond Owners may be in one or more instruments of similar tenor, and shall be executed by Bond Owners in person or by their attorneys appointed in writing.

Except as otherwise herein expressly provided, the fact and date of the execution by any Bond Owner or his attorney of such request, declaration or other instrument, or of such writing appointing such attorney, may be proved by the certificate of any notary public or other officer authorized to take acknowledgments of deeds to be recorded in the state in which he purports to act, that the person signing such request, declaration or other instrument or writing acknowledged to him the execution thereof, or by an affidavit of a witness of such execution, duly sworn to before such notary public or other officer.

Except as otherwise herein expressly provided, the ownership of registered Bonds and the amount, maturity, number and date of holding the same are proved by the Registration Books.

Any request, declaration or other instrument or writing of the Owner of any Bond binds all future Owners of such Bond in respect of anything done or suffered to be done by the City or the Paying Agent in good faith and in accordance therewith.

SECTION 9.05. Waiver of Personal Liability. No City Council member, officer, agent or employee of the City has any individual or personal liability for the payment of the principal or interest on the Bonds. Nothing herein contained relieves any City Council member, officer, agent or employee from the performance of any official duty provided by law.

SECTION 9.06. Destruction of Canceled Bonds. Whenever in this Resolution provision is made for the surrender to the City of any Bonds which have been paid or canceled under the provisions of this Resolution, a certificate of destruction duly executed by the Paying Agent constitutes the equivalent of the surrender of such canceled Bonds and the City is entitled to rely upon any statement of fact contained in any certificate with respect to the destruction of any such Bonds therein referred to.

SECTION 9.07. Partial Invalidity. If any section, paragraph, sentence, clause or phrase of this Resolution is for any reason held illegal or unenforceable, such holding will not affect the validity of the remaining portions of this Resolution. The City hereby declares that it would have adopted this Resolution and each and every other section, paragraph, sentence, clause or phrase hereof and authorized the issue of the Bonds pursuant hereto irrespective of the fact that

any one or more sections, paragraphs, sentences, clauses, or phrases of this Resolution may be held illegal, invalid or unenforceable.

SECTION 9.08. *Nonliability of County.* Notwithstanding anything to the contrary contained herein, in the Bonds or in any other document mentioned herein, neither the County, nor its officials, officers, employees or agents shall have any liability hereunder or by reason hereof or in connection with the transactions contemplated hereby, the Bonds are not a debt of the County or a pledge of the County's full faith and credit, and the Bonds and any liability in connection therewith shall be paid solely from *ad valorem* taxes lawfully levied to pay the principal of or interest on the Bonds.

SECTION 9.09. *Other Actions.* Members of the City Council and City officials and staff, including each City Representative, are hereby authorized and directed, jointly and severally, to do any and all things and to execute and deliver any and all certificates, requisitions, agreements, notices, consents, warrants and other documents, which they or any of them might deem necessary or appropriate in order to consummate the lawful issuance, sale and delivery of the Bonds, and otherwise carry out, give effect to and comply with the terms and intent of this Resolution. Such actions heretofore taken by such officers, officials and staff are hereby ratified, confirmed and approved. Whenever in this Resolution any officer of the City is authorized 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 shall be absent or unavailable.

SECTION 9.10. Resolution to County Treasurer-Tax Collector. The Clerk to this City Council is hereby directed to provide a certified copy of this Resolution to the Treasurer-Tax Collector of the County immediately following its adoption.

SECTION 9.11. Further Actions Authorized. It is hereby covenanted that the City, and its appropriate officials, have duly taken all actions necessary to be taken by them, and will take any additional actions necessary to be taken by them, for carrying out the provisions of this Resolution.

SECTION 9.12. Recitals. All the recitals in this Resolution above are true and correct and this City Council so finds, determines and represents.

SECTION 9.13. Effective Date. This Resolution shall take effect immediately upon its passage.

On motion by Council Member _____, seconded by Council Member _____, and on the following roll-call vote, to wit:

AYES: Council Members –
NOES: Council Members –
ABSENT: Council Members –
ABSTAIN: Council Members –
RECUSED: Council Members –

the foregoing Resolution was **PASSED, APPROVED, and ADOPTED** at a regular meeting of the City Council of the City of Grover Beach, California this 13th day of December 2021.

****DRAFT****

JEFF LEE, MAYOR

Attest:

WENDI B. SIMS, CITY CLERK

APPENDIX A

FORM OF BOND

**CITY OF GROVER BEACH
2022 GENERAL OBLIGATION BONDS
(STREET IMPROVEMENTS)**

REGISTERED BOND NO. _____

<u>INTEREST RATE</u>	<u>MATURITY DATE</u>	<u>DATED DATE</u>	<u>CUSIP</u>
_____ % per annum	September 1, 20__	_____, 2022	

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT:

The CITY OF GROVER BEACH, a general law city and municipal corporation duly organized and existing under the Constitution and laws of the State of California (the "City"), for value received, hereby promises to pay to the Registered Owner named above, or registered assigns, the Principal Amount set forth above on the Maturity Date set forth above, together with interest thereon at the Interest Rate set forth above, calculated on the basis of a 360-day year comprised of twelve 30-day months, until the Principal Amount hereof is paid or provided for, such interest to be paid on March 1 and September 1 of each year, commencing September 1, 2022 (the "Interest Payment Dates"). This Bond will bear interest from the Interest Payment Date next preceding the date of authentication hereof, unless (a) it is authenticated as of a business day following the 15th day of the month immediately preceding any Interest Payment Date and on or before such Interest Payment Date, in which event it shall bear interest from such Interest Payment Date, or (b) it is authenticated on or before August 15, 2022, in which event it shall bear interest from the Dated Date set forth above.

Principal, interest and redemption premium (if any) are payable in lawful money of the United States of America to the person in whose name this Bond is registered (the "Registered Owner") on the Bond registration books maintained by the Paying Agent, initially U.S. Bank National Association, Los Angeles, California. Principal hereof and any redemption premium hereon are payable upon presentation and surrender of this Bond at the principal corporate trust office of the Paying Agent. Interest hereon is payable by check mailed by the Paying Agent on each Interest Payment Date to the Registered Owner of this Bond by first-class mail at the address appearing on the Bond registration books at the close of business on the 15th day of the calendar month next preceding such Interest Payment Date (the "Record Date"); *provided, however*, that at the written request of the registered owner of Bonds in an aggregate principal amount of at least \$1,000,000, which written request is on file with the Paying Agent prior to any Record Date, interest on such Bonds shall be paid on each succeeding Interest Payment Date by

wire transfer in immediately available funds to such account of a financial institution within the United States of America as shall be specified in such written request.

This Bond is one of a series of Bonds (collectively, the "Bonds") issued for the purpose of raising money to repair and resurface deteriorating residential and major streets, and to pay all necessary legal, financial, engineering and contingent costs in connection therewith. The Bonds have been issued under authority of and under the laws of the State of California, and the requisite two-thirds vote of the electors of the City cast at a special bond election held on November 4, 2014, upon the question of issuing Bonds in the aggregate principal amount of up to \$48,000,000, and under a resolution of the City Council of the City adopted on December 13, 2021 (the "Bond Resolution"). The Bonds are payable as to both principal and interest from the proceeds of the levy of *ad valorem* taxes on all property subject to such taxes in the City, which taxes are unlimited as to rate or amount.

The principal of and interest and redemption premium, if any, on this Bond do not constitute a debt of the County, the State of California, or any of its political subdivisions other than the City, or any of the officers, agents and employees thereof, and neither the County, the State of California, any of its political subdivisions other than the City, nor any of the officers, agents and employees thereof shall be liable hereon. In no event shall the principal of and interest and redemption premium, if any, on this Bond be payable out of any funds or properties of the City other than *ad valorem* taxes levied upon all taxable property in the City.

The Bonds are issuable only as fully registered Bonds in the denominations of \$5,000 or any integral multiple thereof. This Bond is exchangeable and transferable for Bonds of other authorized denominations at the principal corporate trust office of the Paying Agent, by the Registered Owner or by a person legally empowered to do so, upon presentation and surrender hereof to the Paying Agent, together with a request for exchange or an assignment signed by the Registered Owner or by a person legally empowered to do so, in a form satisfactory to the Paying Agent, all subject to the terms, limitations and conditions provided in the Bond Resolution. Any tax or governmental charges shall be paid by the transferor. The City and the Paying Agent may deem and treat the Registered Owner as the absolute owner of this Bond for the purpose of receiving payment of or on account of principal or interest and for all other purposes, and neither the City nor the Paying Agent shall be affected by any notice to the contrary.

The Bonds maturing on or before September 1, 2031 are not subject to redemption prior to their respective stated maturities. The Bonds maturing on or after September 1, 2032 are subject to redemption prior to maturity, at the option of the City, in whole or in part among maturities on such basis as designated by the City and by lot within a maturity, from any available source of funds, on September 1, 2031 and on any date thereafter, at a redemption price equal to 100% of the principal amount of Bonds to be redeemed together with accrued interest thereon to the date fixed for redemption, without premium.

[If applicable:] The Bonds maturing on September 1, 20_ (the "Term Bonds") are also subject to mandatory sinking fund redemption on September 1 in the years, and in the amounts, as set forth in the following table, at a redemption price equal to 100% of the principal amount thereof to be redeemed (without premium), together with interest accrued thereon to the date fixed for redemption; *provided, however,* that if some but not all of the Term Bonds have been redeemed under the preceding paragraph, the aggregate principal amount of Term Bonds to be redeemed under this paragraph shall be reduced on a pro rata basis in integral multiples of \$5,000, as shall be designated in written notice filed by the City with the Paying Agent.

Sinking Fund Redemption Date (September 1)	Principal Amount To Be Redeemed
--	---------------------------------------

The Paying Agent shall give notice of the redemption of the Bonds at the expense of the City. Such notice shall specify: (a) that the Bonds or a designated portion thereof are to be redeemed, (b) the numbers and CUSIP numbers of the Bonds to be redeemed, (c) the date of notice and the date of redemption, (d) the place or places where the redemption will be made, and (e) descriptive information regarding the Bonds including the dated date, interest rate and stated maturity date. Such notice shall further state that on the specified date there shall become due and payable upon each Bond to be redeemed, the portion of the principal amount of such Bond to be redeemed, together with interest accrued to said date, the redemption premium, if any, and that from and after such date interest with respect thereto shall cease to accrue and be payable.

Notice of any redemption of Bonds shall be mailed by first class mail, postage prepaid, at least 30 days but not more than 60 days prior to the date fixed for redemption, to the respective Owners of any Bonds designated for redemption, at their addresses appearing on the Bond registration books maintained by the Paying Agent; but such mailing shall not be a condition precedent to such redemption and failure to mail or to receive any such notice shall not affect the validity of the proceedings for the redemption of such Bonds or the cessation of accrual of interest thereon from and after the redemption date.

The City is entitled to rescind any notice of optional redemption of the Bonds by written notice to the Paying Agent on or prior to the date fixed for redemption, and the Paying Agent shall mail notice of such rescission of redemption in the same manner as the original notice of redemption. Any notice of redemption shall be cancelled and annulled if for any reason funds will not be or are not available on the date fixed for redemption.

The City and the Paying Agent have no liability to the Owners or any other party related to or arising from such rescission.

Neither the City nor the Paying Agent will be required: (a) to issue or transfer any Bond during a period beginning with the opening of business on the 15th calendar day next preceding either any Interest Payment Date or any date of selection of any Bond to be redeemed and ending with the close of business on the Interest Payment Date or a day on which the applicable notice of redemption is given, or (b) to transfer any Bond which has been selected or called for redemption in whole or in part.

Reference is made to the Bond Resolution for a more complete description of the provisions, among others, with respect to the nature and extent of the security for the Bonds, the rights, duties and obligations of the City, the Paying Agent and the Registered Owners, and the terms and conditions upon which the Bonds are issued and secured. The owner of this Bond assents, by acceptance hereof, to all of the provisions of the Bond Resolution.

It is certified, recited and declared that all acts and conditions required by the Constitution and laws of the State of California to exist, to be performed or to have been met precedent to and in the issuing of the Bonds in order to make them legal, valid and binding general obligations of the City, have been performed and have been met in regular and due form as required by law; that payment in full for the Bonds has been received; that no statutory or constitutional limitation on indebtedness or taxation has been exceeded in issuing the Bonds; and that due provision has been made for levying and collecting *ad valorem* property taxes on all of the taxable property within the City in an amount sufficient to pay principal and interest when due, and for levying and collecting such taxes the full faith and credit of the City are hereby pledged.

This Bond shall not be valid or obligatory for any purpose and shall not be entitled to any security or benefit under the Bond Resolution until the Certificate of Authentication below has been manually signed by the Paying Agent.

Unless this Bond is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to the City or the Paying Agent for registration of transfer, exchange, or payment, and any Bond issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

IN WITNESS WHEREOF, the City of Grover Beach has caused this Bond to be executed by the facsimile signature of its Mayor and attested by the facsimile signature of its City Clerk, and has caused the seal of the City to be reproduced hereon, all as of the date stated above.

CITY OF GROVER BEACH

By: _____
Mayor

Attest:

City Clerk

CERTIFICATE OF AUTHENTICATION

This Bond is one of the Bonds described in the Bond Resolution referred to herein.

Date of Authentication: _____, 2022

U.S. Bank National Association, as Paying Agent

By: _____
Authorized Signatory

FORM OF ASSIGNMENT

For value received, the undersigned do(es) hereby sell, assign and transfer unto _____

(Name, Address and Tax Identification or Social Security Number of Assignee)
the within Bond and do(es) hereby irrevocably constitute and appoint _____,
attorney, to transfer the same on the registration books of the Bond Registrar, with full power
of substitution in the premises.

Dated: _____

Signature Guaranteed:

Note: Signature(s) must be guaranteed by an
eligible guarantor institution.

Note: The signature(s) on this Assignment
must correspond with the name(s) as written
on the face of the within Bond in every
particular without alteration or enlargement or
any change whatsoever.

§ _____
CITY OF GROVER BEACH
(County of San Luis Obispo, California)
2022 GENERAL OBLIGATION BONDS
(STREET IMPROVEMENTS)

COSTS OF ISSUANCE CUSTODY AGREEMENT

This Costs of Issuance Custody Agreement dated January __, 2022 has been entered into by and between the City of Grover Beach (the "Issuer") and U.S. Bank National Association (the "Custodian"). The Issuer has appointed the Custodian to act as custodian for its Costs of Issuance Fund for the above-captioned issue of bonds (the "Bonds"). This Agreement sets out the terms and conditions of said appointment.

The Issuer and the Custodian agree as follows:

1. The Issuer shall deposit \$_____ with Custodian on January __, 2022 and Custodian shall deposit the funds in a custody account (the "Costs of Issuance Fund") established with the Custodian in the name of the Bonds.

2. The Custodian will pay costs of issuance of the Bonds as directed by the Issuer from time to time via a written order of the Issuer. Custodian shall not be responsible or liable in any respect on account of the identity, authority or rights of the persons executing or delivering or purporting to execute or deliver any such written order on behalf of Issuer or responsible for whether or not any payment so directed to be paid is an authorized cost of issuance. All payments shall be made by check or wire transfer in accordance with the payment instructions set forth in the direction from the Issuer or in invoices submitted in accordance therewith and the Custodian may rely on such payment instructions though given by the Issuer with no duty to investigate or inquire as to the authenticity of the invoice or the payment instructions contained therein.

3. Funds held hereunder shall be the property of the Issuer, subject only to the claims for payment of authorized Costs of Issuance of the Bonds as provided in paragraph 2 hereof. Upon the Issuer's execution of the Custodian's mutual fund disclosure, the Custodian shall hold and invest the funds in Blackrock T-Fund Cash Management shares and the Issuer acknowledges that the Custodian may receive compensation from such mutual fund or its distributor. In the absence of an executed mutual fund disclosure, the Custodian shall hold all funds uninvested. Any balances remaining in the Costs of Issuance Fund (including any earnings) on the earlier of March 31, 2022 or as set forth in Section 4 below, will be disbursed to the Issuer.

4. The Custodian shall furnish the Issuer periodic cash transaction statements which include detail for all investment transactions effected by the Custodian. Upon the Issuer's election, such statements will be delivered via the Custodian's online service and upon electing such service, paper statements will be provided only upon request. The statements described will serve as the sole written notification to Issuer of any securities transaction effected by Custodian unless the Issuer request that Custodian provide written notification of such transactions pursuant to 12 CFR 12.4(a) or 12 CFR 12.4(b) at no additional cost to Customer.

5. This Agreement will terminate on March 31, 2022 or earlier, as the Issuer shall direct the Custodian in writing that the Issuer has satisfied its obligation to pay all costs due relating to the Bonds.

6. The duties and responsibilities of Custodian shall be limited to those expressly set forth in this Agreement. In no event shall the Custodian be liable for any special, indirect or consequential damages. The Custodian will not be liable for any action taken or neglected to be taken by it in good faith in any exercise of reasonable care and believed by it to be within the discretion of power conferred upon it by this Agreement. Custodian shall receive compensation for its services as agreed between Custodian and Issuer. Issuer agrees to indemnify and hold Custodian harmless from all loss, cost, damages, expenses, liabilities, judgments and attorneys' fees (including without limitation, allocated costs of in-house counsel) suffered or incurred by Custodian arising out of or in connection with this Agreement, except that this indemnity obligation shall not apply in the event of the gross negligence or willful misconduct of the Custodian. This indemnity obligation shall survive termination of this Agreement.

Executed as of the date first above written.

CITY OF GROVER BEACH

By: _____
Authorized Representative

U.S. BANK NATIONAL ASSOCIATION, as Custodian

By: _____
Authorized Representative

OFFICIAL NOTICE OF SALE

\$10,000,000*

**CITY OF GROVER BEACH
(County of San Luis Obispo, California)
2022 GENERAL OBLIGATION BONDS
(STREET IMPROVEMENTS)**

NOTICE IS HEREBY GIVEN by the City of Grover Beach (the "City"), that bids will be received by a representative of the City for the purchase of \$10,000,000* principal amount of bonds of the City designated the "City of Grover Beach 2022 General Obligation Bonds (Street Improvements)" (the "Bonds"). Bids will be received in electronic form through the Ipreo LLC's BiDCOMP™/PARITY® System ("Parity") on:

Wednesday, January 5, 2022

at 9:00 a.m. Pacific Time. ***The City reserves the right to postpone or change the sale date up to 5:00 p.m. Pacific Time on the business day preceding the date for receiving bids by publishing notice thereof on the Parity website.*** Notice of the new date and time for receipt of bids shall be given through Parity as soon as practicable following a postponement and no later than 1:00 p.m. Pacific Time on the business day preceding the new date for receiving bids. See "TERMS OF SALE – Right to Cancel, Postpone, or Reschedule Sale."

The City reserves the right to modify or amend this Official Notice of Sale in any respect, including, without limitation, increasing or decreasing the principal amount of any serial maturity or mandatory sinking fund payment for the Bonds and adding or deleting serial or term maturity and mandatory sinking fund payment dates, along with corresponding principal amounts with respect thereto; provided, that any such modification or amendment will be communicated to potential bidders through Parity not later than 5:00 P.M. Pacific Time on the business day preceding the date for receiving bids. Failure of any potential bidder to receive notice of any modification or amendment will not affect the sufficiency of any such notice or the legality of the sale. Bidders are required to bid upon the Bonds as so modified or amended. See "CLOSING CONDITIONS - Right to Modify or Amend." If the summary of the terms of sale of the Bonds posted on Parity conflicts with this Official Notice of Sale in any respect, the terms of this Official Notice of Sale shall control, unless a notice of an amendment is given as described herein.

The Bonds will be issued under the provisions of a Resolution adopted by the City Council of the City on December 13, 2021 (the "Bond Resolution") and under the laws of the State of California. Bidders are referred to the Bond Resolution and the City's Preliminary Official Statement for the Bonds dated December ___, 2021 (the "Preliminary Official Statement"), for additional information regarding the City, the Bonds, the security for the Bonds and other matters. Capitalized terms used and not defined in this Official Notice of Sale shall have the meanings ascribed to them in the Preliminary Official Statement. Copies of the Bond Resolution and the Preliminary Official Statement will be furnished to the bidder upon request.

* Preliminary, subject to change.

Important Note: The winning bidder will be required to pay, from underwriter's gross spread, certain costs of issuance of the Bonds. See "TERMS OF SALE - Payment of Issuance Costs" herein.

DESCRIPTION OF THE BONDS

THE AUTHORITY FOR ISSUANCE, PURPOSES, PAYMENT OF PRINCIPAL AND INTEREST, REDEMPTION, DEFEASANCE, SOURCES AND USES OF FUNDS, SECURITY AND SOURCES OF PAYMENT, FORM OF LEGAL OPINION OF BOND COUNSEL AND OTHER INFORMATION REGARDING THE BONDS ARE PRESENTED IN THE PRELIMINARY OFFICIAL STATEMENT, WHICH EACH BIDDER IS DEEMED TO HAVE OBTAINED AND REVIEWED PRIOR TO BIDDING FOR THE BONDS. THIS OFFICIAL NOTICE OF SALE GOVERNS ONLY THE TERMS OF SALE, BIDDING, AWARD AND CLOSING PROCEDURES FOR THE BONDS. THE DESCRIPTION OF THE BONDS CONTAINED IN THIS OFFICIAL NOTICE OF SALE IS QUALIFIED IN ALL RESPECTS BY THE DESCRIPTION OF THE BONDS CONTAINED IN THE PRELIMINARY OFFICIAL STATEMENT.

ISSUE; BOOK-ENTRY FORM: The Bonds will be issued in the aggregate principal amount of \$10,000,000* in the form of fully registered Bonds without coupons. The Bonds will be dated as of as of their original delivery, and will be issued in minimum denominations of \$5,000. The Bonds will be issued in a book entry only system with no physical distribution of the Bonds made to the public. The Depository Trust Company, New York, New York ("DTC"), will act as depository for the Bonds which will be immobilized in its custody. The Bonds will be registered in the name of Cede & Co., as nominee for DTC, on behalf of the participants in the DTC system and the subsequent beneficial owners of the Bonds. As of the date of award of the Bonds, the purchaser of the Bonds must either participate in DTC or must clear through or maintain a custodial relationship with an entity that participates in DTC.

MATURITIES: The Bonds shall be serial and/or term Bonds and principal shall be payable on, or the Bonds shall be subject to mandatory sinking fund redemption on, September 1 in each of the years, and in the amounts, as set forth in the following table. The final principal amount of the Bonds, and the final amount of each maturity of the Bonds, is subject to increase or reduction as described below under the heading "Adjustment of Principal Maturities". Each bidder must specify in its bid whether, for any particular year, the Bonds will mature or, alternately, be subject to mandatory sinking fund redemption. **Bidders for the Bonds must provide bids for all of the maturities listed below.**

* Preliminary, subject to change.

Serial Bonds Or Term Bonds (Bidder's Option)

Maturity Date (September 1)	Principal Amount*	Maturity Date (September 1)	Principal Amount*
	\$		\$

PAYMENT PROVISIONS: Interest on the Bonds will be payable on each March 1 and September 1, commencing September 1, 2022 (the "Interest Payment Dates"), to the registered owners by check or draft of U.S. Bank National Association, as paying agent (the "Paying Agent") or, in the case of the owner of Bonds in an aggregate principal amount of at least \$1,000,000, at the written request of such owner by wire transfer. Principal of and premium (if any) on any Bond will be paid upon presentation and surrender thereof at the office of the Paying Agent. Principal, interest and premium (if any) on the Bonds are payable in lawful money of the United States of America. Interest shall be calculated on the basis of a 360-day year comprised of twelve 30-day months from the dated date of the Bonds.

DESIGNATION OF INTEREST RATES: Each bidder must specify the rate or rates of interest which the Bonds will bear. The maximum rate bid on any Bonds may not exceed [8.00]% per annum. Bidders may specify any number of separate rates, and the same rate or rates may be repeated as often as desired, provided:

- each interest rate specified must be in a multiple of 1/20% or 1/8%;
- no Bond may bear more than one rate of interest;
- interest on each Bond will be computed from the date of original delivery to its stated maturity at the interest rate specified in the proposal, payable on the Interest Payment Dates as set forth above;
- the interest rate on any bond maturity must equal or exceed the interest rate of the next previous bond maturity by date; and
- all Bonds maturing at any one time will bear the same rate of interest.

ADJUSTMENT OF PRINCIPAL PAYMENTS. The principal amounts set forth in this Official Notice of Sale reflect certain estimates of the City with respect to the likely interest rates of the winning bid and the premium contained in the winning bid. In order to achieve the financial goals of the City, the City may need to adjust the schedule of principal maturities for the Bonds based on the bids that are received. **The City reserves the right to change the principal payment schedule set forth above after the determination of the successful bidder, by adjusting one or more of the principal payments of the Bonds, in increments of \$5,000, as determined in the sole discretion of the City.**

Notice of such increase or decrease shall be given to the winning bidder as soon as practicable following the notification of award, as described below. The City will attempt to maintain total underwriter compensation when adjusting maturities. Any such adjustment will not change the average per Bond dollar amount of the underwriter's discount. No such adjustment will have the effect of altering the basis upon which the best bid is determined. In the event of any such adjustment, no rebidding or recalculation of the bids submitted will be required or permitted and no successful bid may be withdrawn. The successful bidder will not be permitted to change the interest rates in its bid.

See also CLOSING CONDITIONS - Right to Modify or Amend," regarding the City's right to modify or amend this Official Notice of Sale in any respect including, without limitation, increasing or decreasing the principal amount of any serial maturity or mandatory sinking fund payment for the Bonds and adding or deleting serial or term maturity and mandatory sinking fund payment dates, along with corresponding principal amounts with respect thereto.

OPTIONAL REDEMPTION: The Bonds maturing on or before September 1, 2031 are not subject to redemption prior to their respective stated maturities. The Bonds maturing on or after September 1, 2032 are subject to redemption prior to maturity, at the option of the City, in whole or in part among maturities on such basis as designated by the City and by lot within a maturity, from any available source of funds, on September 1, 2031, and on any date thereafter, at a redemption price equal to 100% of the principal amount of Bonds to be redeemed together with accrued interest thereon to the date fixed for redemption, without premium. See the Preliminary Official Statement - "THE BONDS – Redemption - Optional Redemption."

SINKING FUND REDEMPTION: Any bidder may, at its option, specify that one or more maturities of the Bonds will consist of term Bonds which are subject to mandatory sinking fund redemption in consecutive years immediately preceding the maturity thereof, as designated in the bid of such bidder. If the bid of the winning bidder specifies that any maturity of Bonds will be term Bonds, such term Bonds will be subject to mandatory sinking fund redemption on September 1 in each year so designated in the bid, in the respective amounts for such years as set forth above under the heading "MATURITIES", at a redemption price equal to the principal amount thereof to be redeemed together with accrued interest to the redemption date, without premium. No term Bonds may be redeemed from mandatory sinking fund payments until all term Bonds maturing on preceding term maturity dates, if any, have been retired. See the Preliminary Official Statement - "THE BONDS – Redemption - Mandatory Sinking Fund Redemption."

SECURITY: The Bonds are general obligations of the City, and the City will direct the appropriate officials of the County of San Luis Obispo to levy *ad valorem* taxes for the payment of the Bonds and the interest thereon without limitation as to rate or amount for the payment of the Bonds and the interest thereon.

PURPOSE: The proceeds of the Bonds will be applied by the City for the purpose of financing the repair and resurfacing of deteriorating residential and major streets in accordance with the ballot proposition under which the issuance of the Bonds has been authorized.

RATING: S&P Global Ratings, a Standard & Poor's Financial Services LLC business, have assigned the rating of "___" to the Bonds. The cost of obtaining such rating will be borne entirely by the City and not by the successful bidder.

TAX-EXEMPT STATUS: In the opinion of Kutak Rock LLP, Bond Counsel to the City, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal individual and corporate alternative minimum taxes, although it is included in certain income and earnings in computing the alternative minimum tax imposed on certain corporations. Bidders are referred to the Preliminary Official Statement for a description of the proposed opinion of Bond Counsel. In the further opinion of Bond Counsel, such interest is exempt from California personal income taxes. If prior to the delivery of the Bonds either (a) the interest on other obligations of the same type and character shall be declared to be taxable (either at the time of such declaration or at any future date) under any federal income tax laws, either by the terms of such laws or by ruling of a federal income tax authority or official which is followed by the Internal Revenue Service, or by decision of any federal court, or (b) any federal income tax law is adopted which will have a substantial adverse effect upon owners of the Bonds as such, the winning bidder for the Bonds may, at its option, prior to the tender of the Bonds, be relieved of its obligation under the contract to purchase the Bonds, and in such case the deposit accompanying its proposal will be returned. See the Preliminary Official Statement - "TAX MATTERS."

FURTHER INFORMATION: A copy of the Preliminary Official Statement describing the Bonds, and any other information concerning the proposed financing, will be furnished upon request to the municipal advisor to the City as follows: A. M. Peché & Associates LLC, 1722 Locksley Drive, Lathrop, California 95330, telephone: (209) 888-4183, email: apeche@PecheAssociates.com. The Official Notice of Sale and Preliminary Official Statement are available from the municipal advisor and may also be viewed on the Parity website at www.i-dealprospectus.com.

TERMS OF SALE

RIGHT TO CANCEL, POSTPONE OR RESCHEDULE SALE: The City reserves the right to cancel, postpone or reschedule the sale of the Bonds upon notice on the Parity web site at www.i-dealprospectus.com, no later than 5:00 p.m. Pacific Time on the business day preceding the date for receiving bids. If the sale is postponed, notice of the new date and time for receipt of bids shall be given through Parity as soon as practicable following a postponement and no later than 1:00 p.m. Pacific Time on the business day preceding the new date for receiving bids. Failure of any bidder to receive such Parity notice or any other form of notice of canceled, postponed or rescheduled sale will not affect the legality or validity of any sale.

SUBMISSION OF BIDS: Bids will be received electronically as described below, provided that such electronic bid must be received no later than the date and time set for receipt of bids.

ELECTRONIC BIDS: The City will accept bids in electronic form solely through Parity. Neither the City, the Municipal Advisor nor Bond Counsel assumes any responsibility for, and each bidder expressly assumes risk of, any incomplete, inaccurate or untimely bid submitted

by internet transmission by such bidder, including, without limitation, by reason of garbled transmissions, mechanical failure, engaged telephone or telecommunications lines, or any other cause arising from delivery by internet transmission. Bidders must comply with the following provisions relating the receipt of electronic bids:

Registration and Admission to Bid: Only NASD registered broker-dealers and dealer banks with DTC clearing arrangements shall be eligible to bid. Bidders who have already registered with Parity may call Parity at (212) 849-5021 to confirm their ID number and password.

Bidding Details: All bids must be unconditional and submitted on the Parity BiDCOMP™/PARITY® website. No facsimile, personal delivery bids or bids delivered by any other method will be accepted.

Verification: All bids are subject to verification and approval by the City. The City has the right to deem each final bid reported on Parity immediately after the deadline for receipt of bids to be accurate and binding on the bidder. Information or calculations provided by Parity other than the information required to be provided by the bidder in accordance with this Official Notice of Sale is for information purposes only and is not be binding on either the bidder or the City. If two or more bidders offer bids for the same Bonds at the same lowest TIC, the City reserves the right to exercise its own discretion and judgment in making the award.

UNDERWRITER'S DISCOUNT; NOT-TO-EXCEED AMOUNT: The maximum Underwriter's Discount cannot exceed [1.00]% of the par amount of the issue or [\$100,000]. This will be funded as premium on the Bonds.

FORM OF BID; MINIMUM PURCHASE PRICE: *All bids must be for not less than all of the Bonds hereby offered for sale and for not less than the aggregate par amount thereof.* Upon notification of award of the bid, the successful bidder for the Bonds shall provide initial offering prices for each maturity of the Bonds. The aggregate purchase price to be paid for the Bonds may not be less than the par value thereof and must include original issue premium of at least \$_____ consisting of approximately the following amounts: a minimum of [\$100,000] to be deposited into the Debt Service Fund, \$_____ to be deposited into the Costs of Issuance Fund, and an amount not to exceed \$_____ needed to fund an Underwriter's Discount, as described above. No bid will be entertained which provides for original issue premium of less than \$_____ or more than \$_____ in premium. Therefore, original issue premium should not be less than \$_____ or more than \$_____. Individual maturities of the Bonds may be reoffered at par, a premium or a discount.

All bids will be deemed to incorporate all of the terms of this Official Notice of Sale. If the sale of the Bonds is canceled or postponed, all bids for the Bonds shall be rejected. No bid will be accepted after the time for receiving bids.

THE CITY RETAINS ABSOLUTE DISCRETION TO DETERMINE WHETHER ANY BID IS TIMELY AND COMPLETE. NONE OF THE CITY, THE MUNICIPAL ADVISOR, OR KUTAK ROCK LLP ("BOND COUNSEL") TAKES ANY RESPONSIBILITY FOR INFORMING ANY BIDDER PRIOR TO THE TIME FOR RECEIVING BIDS THAT ITS BID IS INCOMPLETE OR NOT RECEIVED.

EACH BIDDER SUBMITTING AN ELECTRONIC BID UNDERSTANDS AND AGREES BY DOING SO THAT IT IS SOLELY RESPONSIBLE FOR ALL ARRANGEMENTS WITH BiDCOMP/PARITY® AND THAT BiDCOMP/PARITY® IS NOT ACTING AS AN AGENT OF THE CITY. INSTRUCTIONS AND FORMS FOR SUBMITTING ELECTRONIC BIDS MUST BE OBTAINED FROM BiDCOMP/PARITY® AND THE CITY ASSUMES NO RESPONSIBILITY FOR ENSURING OR VERIFYING BIDDER COMPLIANCE WITH THE PROCEDURES OF BiDCOMP/PARITY®. THE CITY SHALL ASSUME THAT ANY BID RECEIVED THROUGH BiDCOMP/PARITY® HAS BEEN MADE BY A DULY AUTHORIZED AGENT OF THE BIDDER.

THE CITY WILL MAKE ITS BEST EFFORTS TO ACCOMMODATE ELECTRONIC BIDS; HOWEVER THE CITY, THE MUNICIPAL ADVISOR AND BOND COUNSEL ASSUME NO RESPONSIBILITY FOR ANY ERROR CONTAINED IN ANY BID SUBMITTED ELECTRONICALLY, OR FOR FAILURE OF ANY BID TO BE TRANSMITTED, RECEIVED OR ACCEPTED AT THE OFFICIAL TIME FOR RECEIPT OF BIDS. THE OFFICIAL TIME FOR RECEIPT OF BIDS WILL BE DETERMINED BY THE CITY AND THE CITY SHALL NOT BE REQUIRED TO ACCEPT THE TIME KEPT BY BiDCOMP/PARITY® AS THE OFFICIAL TIME.

DETERMINATION OF BEST BID: Unless all bids are rejected, the Bonds will be awarded to the responsible bidder who submits a conforming bid that represents the lowest true interest cost to the City. The true interest cost specified in any bid will be that rate which, when used in computing the present worth of all payments of principal and interest to be paid on all Bonds from the date of original delivery (which is assumed to be January __, 2022) to their respective maturity dates or mandatory sinking fund redemption dates, produces an amount equal to the purchase price specified in such bid. For purposes of computing the true interest cost represented by any proposal, the purchase price specified in such proposal shall be equal to the par amount of the Bonds plus any premium specified in such proposal, and the true interest cost shall be calculated by the use of a semiannual interval of compounding interest based on the Interest Payment Dates for the Bonds. Each proposal should include at least \$_____ of premium, but not more the \$_____ of premium. Therefore, original issue premium should not be less than \$_____ or more than \$_____.

In the event that two or more bidders offer bids for the Bonds at the same true interest cost, the City reserves the right to exercise its own discretion and judgment in making the award. If multiple bids with respect to the Bonds are received from a single bidder by any means or combination thereof, the City shall be entitled to accept the bid representing the lowest true interest cost to the City, and each bidder agrees by submitting multiple bids to be bound by the bid representing the lowest true interest cost to the City. Bid evaluations or rankings made by Parity are not binding on the City.

ESTIMATE OF TRUE INTEREST COST. Each bidder is requested, but not required, to supply an estimate of the true interest cost based upon its bid, which will be considered as informative only and not binding on either the bidder or the City.

RIGHT OF REJECTION AND WAIVER OF IRREGULARITY: The City reserves the right, in its sole discretion, to reject any and all bids and to waive any irregularity or informality in any bid which does not materially affect such bid or change the ranking of the bids.

PROMPT AWARD: An authorized representative of the City will accept the best responsible bid for the purchase of the Bonds by notice to the winning bidder. If two or more bids setting forth identical interest rates and premium, if any, are received, the City reserves the right to exercise its own discretion and judgment in making the award. An authorized representative of the City may also reject any and all bids. Sale of the Bonds will be awarded or all bids will be rejected not later than 24 hours after the expiration of the time prescribed for the receipt of proposals unless such time of award is waived by the winning bidder; provided, that the award may be made after the expiration of the specified time if the bidder does not notify the City in writing of the withdrawal of its proposal..

PLACE OF DELIVERY; CANCELLATION FOR LATE DELIVERY: It is expected that the Bonds will be delivered to DTC for the account of the winning bidder on January __, 2022. The winning bidder has the right, at the winning bidder's option, to cancel the contract of purchase if the Bonds are not tendered for delivery within 60 days from the date of the sale thereof, and in such event the Purchaser will be entitled only to the return of the Good Faith Deposit, without interest thereon.

GOOD FAITH DEPOSIT. To secure the City from any loss resulting from the failure of the apparent winning bidder to comply with the terms of its bid, the winning bidder will be required to deposit the amount of [Fifty Thousand Dollars (\$50,000)] (the "Good Faith Deposit") by no later than 12:00 p.m. Pacific Time, on the day following the receipt of the bids, by wire transfer to City, as follows:

Mechanics Bank
ABA #121102036
Beneficiary Account # _____
Beneficiary: City of Grover Beach
REF: GO Bonds Series 2022

No interest will be paid upon the Good Faith Deposit made by any bidder. The Good Faith Deposit of the Purchaser will immediately become the property of the City. The Good Faith Deposit will be held and invested for the exclusive benefit of the City. The Good Faith Deposit, without interest thereon, will be credited against the purchase price of the Bonds purchased by the Purchaser at the time of delivery thereof.

If the purchase price is not paid in full upon tender of the Bonds, the City shall retain the Good Faith Deposit and the Purchaser will have no right in or to the Bonds or to the recovery of its Good Faith Deposit, or to any allowance or credit by reason of such deposit, unless it shall appear that the Bonds would not be validly delivered to the Purchaser in the form and manner proposed, except pursuant to a right of cancellation. See "TERMS OF SALE – Place of Delivery; Cancellation for Late Delivery," above. In the event of nonpayment for the Bonds by a successful bidder, the City reserves any and all rights granted by law to recover the full purchase price of the Bonds and, in addition, any damages suffered by the City.

CLOSING CONDITIONS

PAYMENT OF PURCHASE PRICE: The winning bidder will be required to pay the purchase price of the Bonds (including any premium) to the accounts specified by the City and

in funds which are immediately available to the City. Such payment shall be made on the date of original delivery of the Bonds to DTC. Any expense for making payment in immediately available funds shall be borne by the Purchaser. The City will deliver to the Purchaser, dated as of the delivery date, the legal opinions with respect to the Bonds described in APPENDIX C – “PROPOSED FORM OF OPINION OF BOND COUNSEL” to the Preliminary Official Statement.

NO LITIGATION: There is no litigation pending restraining or enjoining the sale, issuance or delivery of the Bonds or any part thereof, or the entering into or performance of any obligation of the City, or concerning the validity of the Bonds, the ability of the City to levy and collect the *ad valorem* tax required to pay debt service on the Bonds, the corporate existence or the boundaries of the City, or the entitlement of any officers of the City who will execute the Bonds to their respective offices, and the purchaser will be furnished a no-litigation certificate certifying to the foregoing as of and at the delivery of the Bonds.

DETERMINATION OF ISSUE PRICE:

(a) The winning bidder shall assist the City in establishing the issue price of the Bonds and shall execute and deliver to the City at closing an “issue price” or similar certificate setting forth the reasonably expected initial offering price to the public of the Bonds, together with the supporting pricing wires or equivalent communications, substantially in the form attached hereto as Exhibit A, with such modifications as may be appropriate or necessary, in the reasonable judgment of the winning bidder, the City and Bond Counsel. All actions to be taken by the City under this Notice of Sale to establish the issue price of the Bonds may be taken on behalf of the City by the Municipal Advisor and any notice or report to be provided to the City may be provided to the Municipal Advisor.

(b) The City intends that the provisions of Treasury Regulation Section 1.148-1(f)(3)(i) (defining “competitive sale” for purposes of establishing the issue price of the Bonds) will apply to the initial sale of the Bonds (the “competitive sale requirements”) because:

(i) the City shall disseminate this Notice of Sale to potential underwriters in a manner that is reasonably designed to reach potential underwriters;

(ii) all bidders shall have an equal opportunity to bid;

(iii) the City may receive bids from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds; and

(iv) the City anticipates awarding the sale of the Bonds to the bidder who submits a firm offer to purchase the Bonds at the highest price (or lowest interest cost), as set forth in this Notice of Sale.

Any bid submitted pursuant to this Notice of Sale shall be considered a firm offer for the purchase of the Bonds, as specified in the bid.

CUSIP NUMBERS: It is anticipated that CUSIP numbers will be printed on the Bonds, but neither the failure to print such numbers on any Bonds nor any error with respect thereto will constitute cause for a failure or refusal by the purchaser to accept delivery of and pay for the Bonds in accordance with the terms hereof. All expenses in relation to the printing of CUSIP

numbers on the Bonds will be paid for by the City, except that the CUSIP Service Bureau charge for the assignment of said numbers will be the responsibility of and shall be paid for by the purchaser.

CALIFORNIA DEBT AND INVESTMENT ADVISORY COMMISSION FEES: All fees payable to the California Debt and Investment Advisory Commission in connection with the issuance of the Bonds are the sole responsibility of the purchaser of the Bonds.

DTC FEES: All fees due DTC with respect to the Bonds shall be paid by the successful bidder or bidders.

OFFICIAL STATEMENT: The City has approved a preliminary Official Statement relating to the Bonds. Copies of such preliminary Official Statement will be distributed to any bidder, upon request, prior to the sale in a form "deemed final" by the City for purposes of Rule 15c2-12 under the Securities Exchange Act of 1934 (the "Rule"). Within seven business days from the sale date, the City will deliver to the purchaser copies of the final Official Statement, executed by an authorized representative of the City and the City and dated the date of delivery thereof to the purchaser, in sufficient number to allow the purchaser to comply with paragraph (b)(4) of the Rule and to satisfy the Municipal Securities Rulemaking Board (the "MSRB") Rule G-32, or any other rules adopted by the MSRB, but not in excess of 100 copies, which shall include information permitted to be omitted by paragraph (b)(1) of the Rule and such other amendments or supplements as are been approved by the City (the "Final Official Statement"). The purchaser agrees that it will not confirm the sale of any Bonds unless the confirmation of sale is accompanied or preceded by the delivery of a copy of the Final Official Statement. The City will furnish to the winning bidder, at no charge, not in excess of 100 copies of the Final Official Statement for use in connection with any resale of the Bonds.

CERTIFICATE REGARDING FINAL OFFICIAL STATEMENT: A responsible officer of the City will certify to the original purchaser of the Bonds, as a condition of closing, to the best of such officer's knowledge and belief, nothing has come to his or her attention to lead him or her to believe that the Final Official Statement (excluding reoffering information and information relating to The Depository Trust Company and its book-entry system, as to which no view will be expressed) contains any 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.

CONTINUING DISCLOSURE: In order to assist bidders in complying with S.E.C. Rule 15c2-12(b)(5), the City will execute and deliver a Continuing Disclosure Certificate, under which the City undertakes to provide certain annual financial information and notices of the occurrence of certain enumerated events. A description of this undertaking is set forth in the Preliminary Official Statement and will also be set forth in the final Official Statement. Such Continuing Disclosure Certificate will be a document required to be delivered at closing by the City, and the failure by the City to deliver such document in form and substance acceptable to Bond Counsel and the winning bidder will relieve the winning bidder of its obligation to purchase the Bonds.

QUALIFICATION FOR SALE. The City will furnish such information and take such action not inconsistent with law as the purchaser may request and the City may deem necessary or appropriate to qualify the Bonds for offer and sale under the Blue Sky or other securities laws and regulations of such states and other jurisdictions of the United States of America as may be designated by the purchaser; provided, that the City will not execute a general or special consent to service of process or qualify to do business in connection with such qualification or

determination in any jurisdiction. By submitting its bid for the Bonds, the purchaser assumes all responsibility for qualifying the Bonds for offer and sale under the Blue Sky or other securities laws and regulations of the states and jurisdictions in which the purchaser offers or sells the Bonds, including the payment of fees for such qualification. Under no circumstances may the Bonds be sold or offered for sale or any solicitation of an offer to buy the Bonds be made in any jurisdiction in which such sale, offer or solicitation would be unlawful under the securities laws of the jurisdiction.

CLOSING PAPERS. Each proposal will be understood to be conditioned upon the City furnishing to the purchaser, without charge, concurrently with payment for and delivery of the Bonds, the following closing papers, each dated the date of delivery:

(a) The opinion of Bond Counsel, approving the validity of the Bonds and stating that, subject to compliance by the City with certain covenants, interest on the Bonds is excludable from gross income of the owners thereof for federal income tax purposes and is not included as an item of tax preference in computing the federal alternative minimum tax for individuals and corporations, but such interest is taken into account in computing an adjustment used in determining the federal alternative minimum tax for certain corporations and interest on the Bonds is exempt from personal income taxation imposed by the State of California. Other tax consequences to holders of the Bonds, if any, will not be addressed in the opinion;

(b) A certificate of the City certifying that on the basis of the facts, estimates and circumstances in existence on the date of issue, it is not expected that the proceeds of the Bonds will be used in a manner that would cause the Bonds to be arbitrage bonds;

(c) A certificate of the City, signed by officers and representatives of the City, certifying that the officers and representatives have signed the Bonds whether by facsimile or manual signature, and that they were respectively duly authorized to execute the same;

(d) The receipt of the Trustee evidencing the receipt of the purchase price of the Bonds;

(e) A certificate of the City, certifying that there is no known litigation threatened or pending affecting the validity of the Bonds; and

(f) A certificate of the City to the effect that at the time of the sale of the Bonds, and at all times subsequent thereto up to and including the time of the delivery of the Bonds, the Final Official Statement did not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

RIGHT TO MODIFY OR AMEND. Other than with respect to postponement or cancellation as described in this Official Notice of Sale, and in addition to the City's right to adjust the payment amounts of the Bonds as provided in "DESCRIPTION OF THE BONDS - Adjustment of Principal Payments" the City reserves the right to modify or amend this Official Notice of Sale in any respect including, without limitation, increasing or decreasing the principal amount of any serial maturity or mandatory sinking fund payment for the Bonds and adding or deleting serial or term maturity and mandatory sinking fund payment dates, along with corresponding principal amounts with respect thereto; provided, that, subject to the terms of this Notice of Sale (see "DESCRIPTION OF THE BONDS - Adjustment of Principal Payments") any such modification or amendment will be communicated to potential bidders through Parity

not later than 1:00 p.m. Pacific Time on the business day preceding the date for receiving bids. Failure of any potential bidder to receive notice of any modification or amendment will not affect the sufficiency of any such notice or the legality of the sale.

ADDITIONAL INFORMATION. Prospective bidders should read the entire Preliminary Official Statement, copies of which may be obtained in electronic form from the municipal advisor from the following address: A. M. Peché & Associates LLC, 1722 Locksley Drive, Lathrop, California 95330, telephone: (209) 888-4183, email: apeche@PecheAssociates.com.

Date: December __, 2021

EXHIBIT A

\$ _____
CITY OF GROVER BEACH
(County of San Luis Obispo, California)
2022 GENERAL OBLIGATION BONDS
(STREET IMPROVEMENTS)

ISSUE PRICE CERTIFICATE

The undersigned, on behalf of [NAME OF UNDERWRITER], the underwriter (the “Underwriter”), hereby certifies as set forth below with respect to the sale of the above-captioned obligations (the “Bonds”).

1. ***Reasonably Expected Initial Offering Price.***

(a) As of the Sale Date, the reasonably expected initial offering prices of the Bonds to the Public by the Underwriter are the prices listed in Schedule A (the “Expected Offering Prices”). The Expected Offering Prices are the prices for the Maturities of the Bonds used by the Underwriter in formulating its bid to purchase the Bonds. Attached as Schedule B is a true and correct copy of the bid provided by the Underwriter to purchase the Bonds.

(b) The Underwriter was not given the opportunity to review other bids prior to submitting its bid.

(c) The bid submitted by the Underwriter constituted a firm offer to purchase the Bond

2. ***Defined Terms.***

(a) *Maturity* means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate Maturities.

(b) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term “related party” for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

(c) *Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is January [5], 2021.

(d) *Underwriter* means (i) any person that agrees pursuant to a written contract with the City of Grover Beach (the “City”) (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents the Underwriter's interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the City with respect to certain of the representations set forth in the Tax Certificate and with respect to compliance with the federal income tax rules affecting the Bonds, and by Kutak Rock LLP in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the City from time to time relating to the Bonds.

[UNDERWRITER]

By: _____

—

Name: _____

—

Dated: January __, 2022

SCHEDULE A

EXPECTED OFFERING PRICES

SCHEDULE B

COPY OF UNDERWRITER'S BID

Note: Publication governed by Gov. Code §53692:

53692. In addition to any other requirement imposed by law, at least 15 days prior to the sale of any public securities that exceed one million dollars (\$1,000,000) but do not exceed ten million dollars (\$10,000,000) at a public sale and at least five days prior to the sale of any public securities that exceed ten million dollars (\$10,000,000) at a public sale, an issuer shall publish notice of the intention to sell the securities in a financial publication generally circulated throughout the state or reasonably expected to be disseminated among prospective bidders for the securities. The notice shall include the date, time, and place of the intended sale and the amount of the securities to be sold.

NOTICE OF INTENTION TO SELL BONDS

\$10,000,000*
CITY OF GROVER BEACH
(County of San Luis Obispo, California)
2022 GENERAL OBLIGATION BONDS
(STREET IMPROVEMENTS)

NOTICE IS HEREBY GIVEN by the City Council of the City of Grover Beach (the "City"), that bids will be received by the Municipal Advisor of the City for the purchase of \$10,000,000* principal amount of bonds of the City designated as the "City of Grover Beach, 2022 General Obligation Bonds, (Street Improvements)" (the "Bonds"). Bids will be received in electronic form through the Ipreo LLC's BiDCOMP™/PARITY® System ("Parity") on

Wednesday, January 5, 2021

at 9:00 a.m. Pacific Time. The City reserves the right to postpone or change the sale date up to 5:00 p.m. Pacific Time on the business day preceding the date for receiving bids by publishing notice thereof on the Parity website. Further information, including copies of the preliminary Official Statement and Official Notice of Sale may be obtained from the City's Municipal Advisor, A. M. Peché & Associates LLC, telephone: (209) 888-4183 or at apeche@PecheAssociates.com.

Dated: December ____, 2022

* Preliminary, subject to change.

A. M. PECHÉ & ASSOCIATES LLC

1722 Locksley Drive
Lathrop, CA 95330-8432

Phone: (209) 888-4183

email: apeche@PecheAssociates.com

**City of Grover Beach
2022 General Obligation Bonds
Time and Responsibility Schedule*
Draft of November 24, 2021**

City of Grover Beach	G
David Hale, City Attorney	CA
A. M. Peché & Associates LLC, Municipal Advisor	MA
Kutak Rock LLP, Bond and Disclosure Counsel	BC
Standard & Poor's, Rating Agency	RA
Royce Printing, Financial Printer	P
Union Bank, Paying and Fiscal Agent	PA
TBD thru Competitive Sale, Underwriter	UW
*Subject to change	

<u>Date</u>	<u>Summary of Prior Actions</u>	<u>Responsibility</u>
June 29	Preliminary call to discuss draft Time Schedule	G, MA
August 4	Call with County Auditor Controller on 2021-22 AV	MA
August 13	Call to discuss financing status of 2021-22 AVs	G, MA
August 23	City Council Update on Measure K-14 Street Rehab Program County provides 2021-22 AVs and Tax Rate	G MA
August 26	Call to discuss use of and remaining 2017 Bond proceeds	G, CA, MA, BC
September 8	Initial GO Bond Kickoff Meeting	G, CA, MA, BC
October 1	City section of Preliminary Official Statement sent to City	BC
October 15	Resolution of Intent and Issuance Resolution distributed for comments	BC
October 20	City returns City section of Preliminary Official Statement	G
November 12	Resolution of Intent sent for 11/22/21	BC
November 22	City discusses tax rates, and Council adopts Resolution of Intent with par amount of 2022 GO Bonds	G, MA
November 30	Comments due on Issuance Resolution and POS	All
December 1-3	2nd draft Issuance Resolution and 1 st draft of POS circulated 2021-22 Budget, Draft 2020-21 Audit and POS sent to S&P	BC MA

December 3	Agenda deadline for December 13th Council meeting Issuance Resolution and POS sent to City	BC
December 6	Questions from S&P to City and MA	RA
December 10	Responses from City sent to S&P	MA
December 13	City Council approves GO Resolution and related docs	G, MA, BC
December 14	Prep meeting before S&P call 10:30am Rating Call with S&P 11:00am to 12:00pm	G, CA, MA G, CA, MA, BC
December 21-22	Rating provided	RA
December 21	Notice of Intent send to Bond Buyer for 12/27/21 publication POS sent to printer	MA, BC BC, P
December 21	POS printed	BC, P
December 21	Notice of Intent printed in Bond Buyer (15-day requirement)	MA, BC
December 28	Notice of Sale finalized and send to IPREO w-POS	MA, BC
January 5	Accept Bids on Parity	MA
January 6	Good Faith Deposit wired to Mechanics Bank	UW
January 6-7	Final numbers circulated Draft of final Official Statement circulated Draft Documents and Certificates distributed	MA BC BC
January 10	Comments due on Official Statement by 12:00pm Comments due on documents by 3:00pm Print Official Statement and deliver to Underwriter Documents sent to City for signature	All All BC, P BC
January 17-19	City Officials sign documents	G
January 20	Documents returned to Bond Counsel for delivery 1/21/22	G
January 25	Preclosing	All
January 26	Closing	All

*Preliminary, subject to change

PRELIMINARY OFFICIAL STATEMENT DATED DECEMBER [___], 2021

NEW ISSUE—FULL BOOK-ENTRY

RATING: Standard & Poor's: "_____"
(See "RATING" herein)

In the opinion of Kutak Rock LLP, Irvine, California, Bond Counsel, based on existing statutes, regulations, rulings and court decisions and assuming, among other matters, compliance with certain covenants, interest on the Bonds is excludable from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"). Interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxable income, although Bond Counsel observes that it is included in adjusted current earnings in calculating corporate alternative minimum taxable income. In the further opinion of Bond Counsel, interest on the Bonds is, under existing law, exempt from State of California personal income taxes. Bond Counsel expresses no opinion regarding other federal or State tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds. See "TAX MATTERS." [TO BE UPDATED BY KUTAK]

\$10,000,000*
CITY OF GROVER BEACH
(SAN LUIS OBISPO COUNTY, CALIFORNIA)
2022 GENERAL OBLIGATION BONDS
(STREET IMPROVEMENTS)

Dated: Date of Delivery

Due September 1, as shown on inside front cover

Issuance. The general obligation bonds captioned above (the "Bonds") are being issued by the City of Grover Beach (the "City") under provisions of the California Government Code and under a Resolution adopted by the City Council of the City (the "City Council") December 13, 2021 (the "Resolution"). The Bonds were authorized at an election of the registered voters of the City held on November 4, 2014, at which more than two-thirds of the persons voting on the proposition voted to authorize the issuance and sale of not to exceed \$48,000,000 principal amount of general obligation bonds. The Bonds are the fourth series of bonds to be sold and issued under this authorization. After such issuance, there will remain \$10,000,000 of authorized but unissued bonds. See "THE BONDS—Authority for Issuance."

Security. The Bonds are general obligations of the City, payable solely from ad valorem property taxes levied and collected by the San Luis Obispo County (the "County") on behalf of the City. The City Council is empowered and is obligated to authorize the County to annually levy ad valorem taxes upon all property subject to taxation by the City, without limitation of rate or amount (except certain personal property which is taxable at limited rates) for the payment of the Bonds and the interest thereon when due. See "SECURITY FOR THE BONDS."

Purpose. The net proceeds of the sale of the Bonds will be used to (a) to finance improvements to streets within the City, and (b) to pay certain costs of executing and delivering the Bonds. See "PLAN OF FINANCE—Purpose of Issue."

Book-Entry-Only. The Bonds will be issued in book-entry form only, and will be initially issued and registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York ("DTC"). The Bonds are issuable as fully registered securities in denominations of \$5,000 or any integral multiple of \$5,000. Purchasers of the Bonds (the "Beneficial Owners") will not receive physical certificates representing their interest in the Bonds. See "THE BONDS" and "APPENDIX E—DTC AND THE BOOK-ENTRY-ONLY SYSTEM."

Payments. Interest on the Bonds accrues from the date of delivery and is payable semiannually on March 1 and September 1 of each year, commencing September 1, 2022. Payments of principal and interest on the Bonds will be paid by U.S. Bank National Association, as Paying Agent (the "Paying Agent"), to DTC for subsequent disbursement to DTC Participants, which will remit such payments to the Beneficial Owners of the Bonds. See "THE BONDS—Description of the Bonds."

Redemption. The Bonds are subject to optional and mandatory sinking fund redemption prior to maturity. See "THE BONDS—Redemption."

The following firm has served as municipal advisor to the City for this issue.

A. M. Peché & Associates LLC

Maturity Schedule
(See inside cover)

Cover Page. This cover page contains certain information for general reference only. It is not a summary of all the provisions of the Bonds. Prospective investors must read the entire Official Statement to obtain information essential to making an informed investment decision.

The Bonds will be offered when, as and if issued and accepted by the Underwriter, subject to the approval as to legality by Kutak Rock LLP, Irvine, California, Bond Counsel to the City, and subject to certain other conditions. Kutak Rock LLP, Irvine, California, is also serving as Disclosure Counsel to the City. Certain legal matters are being passed upon for the City by the City Attorney. It is anticipated that the Bonds, in book entry form, will be available for delivery by DTC, on or about January 26, 2022.

The date of this Official Statement is January ___, 2022.

* Preliminary; subject to change.
4841-3867-6475.5

\$10,000,000*
CITY OF GROVER BEACH
(SAN LUIS OBISPO COUNTY, CALIFORNIA)
2022 GENERAL OBLIGATION BONDS
(STREET IMPROVEMENTS)

MATURITY SCHEDULE
(Base CUSIP:¹ 399682)
\$_____ Serial Bonds

MATURITY DATE (SEPTEMBER 1) ²	PRINCIPAL AMOUNT	INTEREST RATE	YIELD	PRICE	CUSIP ¹
	\$	%	%	\$	

\$ _____ % Term Bond Due September 1, 20____, Yield: _____% Price: _____; CUSIP:¹

* Preliminary; subject to change.

¹ Priced to call on September 1, 20____ at par.

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GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

Use of 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 between any bond owner and the City or the Underwriter. This Official Statement and the information contained herein are subject to completion or amendment without notice.

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

No Unlawful Offers or Solicitations. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor may there be any sale of the Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

Estimates and Projections. When used in this Official Statement and in any continuing disclosure by the City, in any press release and in any oral statement made with the approval of an authorized officer of the City, the words or phrases “will likely result,” “are expected to,” “will continue,” “is anticipated,” “estimate,” “project,” “forecast,” “expect,” “intend” and similar expressions identify “forward looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Any forecast is subject to such uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material.

Information in Official Statement. The information set forth in this Official Statement has been furnished by the City and other sources which are believed to be reliable, but it is not guaranteed as to accuracy or completeness by the City.

Involvement of Underwriter. The Underwriter (as defined in “UNDERWRITING”) has reviewed the information in this Official Statement in accordance with, and as a part of, its responsibilities to investors under the Federal Securities Laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

Document Summaries. All summaries of the Resolution or other documents referred to in this Official Statement are made subject to the provisions of such documents and qualified in their entirety to reference to such documents, and do not purport to be complete statements of any or all of such provisions.

No Securities Laws Registration. 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 exceptions therein for the issuance and sale of municipal securities. The Bonds have not been registered or qualified under the securities laws of any state.

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, give rise to any implication that there has been no change in the affairs of the City, or the other parties described in this Official Statement, or the condition of the property within the City since the date of this Official Statement.

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

CITY OF GROVER BEACH

ELECTED OFFICIALS

Jeff Lee, Mayor
Karen Bright, Mayor Pro Tem
Anna Miller, Councilmember
Robert Robert, Councilmember
Daniel Rushing, Councilmember

CITY OFFICIALS

Matthew Bronson, City Manager
David P. Hale, City Attorney
Gregory A. Ray, Public Works Director
Wendi Sims, City Clerk
Deanne Purcell, Administrative Services Director

PROFESSIONAL SERVICES

BOND AND DISCLOSURE COUNSEL

Kutak Rock LLP
Irvine, California

MUNICIPAL ADVISOR

A. M. Peché & Associates LLC
Lathrop, California

BOND REGISTRAR, TRANSFER AGENT, AND PAYING AGENT

U.S. Bank National Association
Los Angeles, California

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OFFICIAL STATEMENT

\$10,000,000*
City of Grover Beach
(San Luis Obispo County, California)
2022 General Obligation Bonds
(Street Improvements)

The purpose of this Official Statement, which includes the cover page, inside cover page and attached appendices, is to set forth certain information concerning the sale and delivery of the bonds captioned above (the “Bonds”) by the City of Grover Beach (the “City”). All capitalized terms used in this Official Statement, unless noted otherwise, have the meanings set forth in the Resolution (as defined below).

INTRODUCTION

The City. The City is located in San Luis Obispo County (the “County”) along the central coast of California (the “State”), 92 miles north of Santa Barbara and 150 miles south of Monterey, midway between San Francisco and Los Angeles. The City encompasses a total area of approximately 2.25 square miles and is contiguous with the Pismo Beach area, which is visited annually by a substantial number of tourists seeking to enjoy the area’s moderate climate, beautiful ocean views and sunsets, fine restaurants, and the relaxing atmosphere unique to coastal communities. According to the California Department of Finance, the City had a population of 13,128, as of January 1, 2021. The total assessed valuation of taxable property in the City in fiscal year 2021-22 is approximately \$1,962,334,679.

The City was founded in 1887 and incorporated as a City in 1959. The City operates under a council-manager form of government. Policy making and legislative authority are vested in a city council (the “City Council”), consisting of the Mayor and four other Council Members, who are elected on at-large, on a city-wide basis. The City Council is responsible, among other matters, for passing ordinances, adopting the City budget, appointing committees, and hiring the City Manager and City Attorney. The City Manager is responsible for carrying out the policies and ordinances of the City Council, daily administration of City affairs, preparation and submission of the annual budget to the City Council for approval, for appointing the City Clerk and other employees, and otherwise managing daily operations of the City.

See “APPENDIX A—FINANCIAL, ECONOMIC AND DEMOGRAPHIC INFORMATION FOR THE CITY OF GROVER BEACH AND THE SAN LUIS OBISPO COUNTY” and “APPENDIX B—COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR YEAR ENDED JUNE 30, [2020/21],” for demographic and financial information regarding the City.

The Bonds

Authority for Issuance. The Bonds represent a sale of bonds approved by more than two-thirds of the qualified voters in the City voting at a municipal election on November 4, 2014

* Preliminary; subject to change.

to approve the issuance of up to \$48,000,000 of general obligation bonds (the “Authorization”). On March 25, 2015, the City issued and sold the first series of general obligation bonds pursuant to the Authorization, the “City of Grover Beach (San Luis Obispo County, California) 2015 General Obligation Bonds (Street Improvements)” (the “2015 G.O. Bonds”), in the principal amount of \$5,000,000; on March 30, 2016, the City issued and sold the second series of general obligation bonds pursuant to the Authorization, the “City of Grover Beach (San Luis Obispo County, California) 2016 General Obligation Bonds (Street Improvements)” (the “2016 G.O. Bonds”), in the principal amount of \$8,000,000 and on December 20, 2017 the City issued and sold the third series of general obligation bonds pursuant to the Authorization, the “City of Grover Beach (San Luis Obispo County, California) 2017 General Obligation Bonds (Street Improvements)” (the “2017 G.O. Bonds”), in the principal amount of \$15,000,000. The Bonds are the fourth series of bonds issued under the Authorization. Immediately following the issuance of the Bonds, \$10,000,000* of the Authorization will remain available for future issuance. Proceeds of bonds issued pursuant to the Authorization may be used, generally, for projects that improve and repair streets, increase street safety, and promote economic and job growth. See “THE BONDS—Authority for Issuance.”

The Bonds are being issued under Article 1 of Chapter 4 of Part 3 of Division 4 of Title 4 of the Government Code of the State of California, commencing with Section 43600 thereof, and Section 53506 et seq. of the Government Code of the State of California. The City authorized the issuance of the Bonds under a Resolution adopted by the City Council of the City (the “City Council”) on December 13, 2021 (the “Resolution”).

Payment and Registration of the Bonds. The Bonds will be dated their date of original issuance and delivery (the “Dated Date”) and will be issued as fully registered bonds, without coupons, in the denominations of \$5,000 or any integral multiple of \$5,000, registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York (“DTC”), and will be available under the book-entry system maintained by DTC, only through brokers and dealers who are or act through DTC Participants as described below. Beneficial Owners will not be entitled to receive physical delivery of the Bonds. See “THE BONDS—Description of the Bonds” and “—Payment of Principal and Interest” herein and “APPENDIX E—DTC AND THE BOOK-ENTRY-ONLY SYSTEM” attached hereto.

Interest on the Bonds accrues from the Dated Date and is payable semiannually on March 1 and September 1 of each year, commencing September 1, 2022, and principal is payable with respect to the Bonds will be paid on the dates set forth in the Maturity Schedule on the inside cover hereof. Payments of principal of and interest on the Bonds will be paid by the Paying Agent, to DTC for subsequent disbursement to DTC Participants who will remit such payments to the Beneficial Owners of the Bonds. See “THE BONDS—Description of the Bonds” and “—Payment of Principal and Interest” herein.

Redemption. The Bonds are subject to optional and mandatory sinking fund redemption prior to their maturity as described in “THE BONDS—Redemption” herein.

* Preliminary; subject to change.

Purpose

The net proceeds of the sale of the Bonds will be used to (a) to finance improvements to streets within the City and (b) to pay certain costs of executing and delivering the Bonds. See “PLAN OF FINANCE—Purpose of Issue” herein.

Security and Sources of Payment for the Bonds

The Bonds are general obligations of the City, payable solely from ad valorem property taxes levied and collected by the County on behalf of the City. The City Council is empowered and is obligated to authorize the County to annually levy ad valorem taxes upon all property subject to taxation by the City, without limitation of rate or amount (except certain personal property which is taxable at limited rates) for the payment of the Bonds and the interest thereon when due. See “SECURITY FOR THE BONDS” herein.

Tax Matters

In the opinion of Kutak Rock LLP, Irvine, California, Bond Counsel, based on existing statutes, regulations, rulings and court decisions and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest on the Bonds is excluded pursuant to Section 103(a) of the Internal Revenue Code of 1986 (the “Tax Code”) from the gross income of the owners thereof for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax. In the further opinion of Bond Counsel, interest on the Bonds is exempt from State personal income tax. See “TAX MATTERS” herein. **[KUTAK ROCK TO CONFIRM]**

Offering and Delivery of the Bonds

The Bonds are offered when, as and if issued, subject to approval as to their legality by Bond Counsel. It is anticipated that the Bonds in book-entry form will be available for delivery through the facilities of DTC on or about January 26, 2022 (the “Delivery Date”).

Continuing Disclosure

The City will covenant for the benefit of the Owners and Beneficial Owners of the Bonds to make available certain financial information and operating data relating to the City and to provide notices of the occurrence of certain listed events, in order to assist the Underwriter in complying with S.E.C. Rule 15c2-12(b)(5) (the “Rule”). See “CONTINUING DISCLOSURE” herein. The specific nature of the information to be made available and the notices of listed events required to be provided are described in “APPENDIX D—FORM OF CONTINUING DISCLOSURE CERTIFICATE” attached hereto.

Forward Looking Statements

Certain statements included or incorporated by reference in this Official Statement (including the appendices hereto), including, but not limited to statements of future economic performance within the City, and statements of the assumptions underlying or relating thereto, 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,”

“project,” “budget,” “intend,” or other similar words. Such forward-looking statements include, but are not limited to, certain statements contained in the information regarding the City herein.

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. NONE OF THE CITY OR ANY PURVEYOR PLANS TO ISSUE ANY UPDATES OR REVISIONS TO THE FORWARD-LOOKING STATEMENTS SET FORTH IN THIS OFFICIAL STATEMENT.

Professionals Involved in the Offering

Kutak Rock LLP, Irvine, California, is acting as Bond Counsel with respect to the Bonds. Kutak Rock LLP, Irvine, California, is also serving as Disclosure Counsel to the City. Such law firm will receive compensation contingent upon the sale and delivery of the Bonds. Certain legal matters are being passed upon for the City by the City Attorney.

Other Information

This Official Statement speaks only as of its date, and the information contained herein is subject to change. Except as required by the Continuing Disclosure Certificate to be executed by the City with respect to the Bonds (the “Continuing Disclosure Certificate”), the City has no obligation to update the information in this Official Statement. See “CONTINUING DISCLOSURE” herein and “APPENDIX D—FORM OF CONTINUING DISCLOSURE CERTIFICATE” attached hereto.

No dealer, broker, salesperson or other person has been authorized by the City to give any information or to make any representations other than as contained herein and, if given or made, such other information or representations must not be relied upon as having been authorized by the City. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

This Official Statement is not to be construed as a contract with the purchasers of the Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of fact. The summaries and references to documents, statutes and constitutional provisions referred to herein do not purport to be comprehensive or definitive, and are qualified in their entireties by reference to each of such documents, statutes and constitutional provisions.

Certain of the information set forth herein, other than that provided by the City, has been obtained from official sources which are believed to be reliable but it is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the City. The information and expressions of opinions herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City since the date hereof. 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.

Brief descriptions of the Bonds, the Resolution, and the City are included in this Official Statement. Such descriptions do not purport to be comprehensive or definitive. All references herein to the Resolution and the Constitution and the laws of the State, as well as the proceedings of the City with respect to the operations thereof and with respect to the Bonds, are qualified in their entirety by reference to such documents. References herein to the Bonds are qualified in their entirety by reference to the form thereof included in the Resolution. Copies of the proceedings of the City referred to above, the Resolution and other documents described in this Official Statement are available for inspection at the offices of the City at: City of Grover Beach, 154 S. Eighth Street, Grover Beach, California 93433, Attention: City Clerk. The City may impose a charge for copying, mailing and handling.

THE BONDS

Authority for Issuance

The Bonds are issued under Article 1 of Chapter 4 of Part 3 of Division 4 of Title 4 of the Government Code of the State of California, commencing with Section 43600 thereof, and Section 53506 et seq. of the Government Code of the State of California (the "Act") and other applicable law. The City authorized the issuance of the Bonds pursuant to the Resolution.

The City received the Authorization at an election held on November 4, 2014, by an affirmative vote of 68.02% of the eligible voters within the City to issue up to \$48,000,000 of general obligation bonds. On March 25, 2015, the City issued and sold the 2015 G.O. Bonds in the principal amount of \$5,000,000; on March 30, 2016, the City issued and sold the 2016 G.O. Bonds in the principal amount of \$8,000,000 and on December 20, 2017, the City issued and sold the 2017 G.O. Bonds in the principal amount of \$15,000,000. The Bonds are the fourth series of bonds issued under the Authorization. Immediately following the issuance of the Bonds, \$10,000,000* of the Authorization will remain available for future issuance. Proceeds of bonds issued pursuant to the Authorization may be used, generally, for projects that improve and repair streets, increase street safety, and promote economic and job growth.

Description of the Bonds

Book-Entry Form. The Bonds will be issued in book-entry form only, and will be initially issued and registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York ("DTC"). Purchasers of the Bonds (the "Beneficial Owners") will not receive physical certificates representing their interest in the Bonds. Payments of principal of and interest on the Bonds will be paid by U.S. Bank National Association, as Paying Agent (the "Paying Agent"), to DTC for subsequent disbursement to DTC Participants which will remit such payments to the Beneficial Owners of the Bonds.

As long as DTC's book-entry method is used for the Bonds, the Paying Agent will send any notice of prepayment or other notices to owners only to DTC. Any failure of DTC to advise any DTC Participant, or of any DTC Participant to notify any Beneficial Owner, of any such notice and its content or effect will not affect the validity or sufficiency of the proceedings relating to the prepayment of the Bonds called for prepayment or of any other action premised on such notice.

The Paying Agent, the City, and the Underwriter of the Bonds have no responsibility or liability for any aspects of the records relating to or payments made on account of beneficial

* Preliminary; subject to change.

ownership, or for maintaining, supervising or reviewing any records relating to beneficial ownership, of interests in the Bonds.

See “APPENDIX E—DTC AND THE BOOK-ENTRY-ONLY SYSTEM” attached hereto.

Payment of Principal and Interest

Payment of Principal and Interest. Interest on the Bonds accrues from the Dated Date and is payable semiannually on March 1 and September 1 of each year (the “Interest Payment Dates”), commencing September 1, 2022, and principal is payable with respect to the Bonds will be paid on the dates set forth in the Maturity Schedule on the inside cover hereof. See the maturity schedule on the inside cover page hereof and “DEBT SERVICE SCHEDULE” below. Interest on the Bonds will be calculated on the basis of a 360-day year comprised of twelve 30-day months.

Interest on the Bonds is payable from the Interest Payment Date next preceding the date of authentication thereof unless (a) a Bond is authenticated as of an Interest Payment Date, in which event it will bear interest from such date; (b) a Bond is authenticated prior to an Interest Payment Date and after the close of business on the fifteenth day of the month preceding the Interest Payment Date (each, a “Record Date”), in which event it will bear interest from such Interest Payment Date; (c) a Bond is authenticated on or before August 15, 2022, in which event it shall bear interest from the Closing Date; or (d) at the time of authentication of a Bond, interest is in default thereon, in which event it will bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon.

Interest on the Bonds (including the final interest payment upon maturity) is payable by check of the Paying Agent mailed to the owner thereof at such owner’s address as it appears on the Registration Books (as defined below) at the close of business on the fifteenth day of the month preceding the Interest Payment Date, except that at the written request of the Owner of at least \$1,000,000 aggregate principal amount of the Bonds, which written request is on file with the Paying Agent as of any Record Date, interest on such Bonds shall be paid by wire transfer on the succeeding Interest Payment Date to an account in the United States of America as shall be specified in such written request.

Principal of and premium, if any, on the Bonds is payable in lawful money of the United States of America upon presentation and surrender at the principal office of the Paying Agent.

Denominations and Maturity. The Bonds shall be issued in the denomination of \$5,000 each or any integral multiple of \$5,000. The Bonds mature on September 1 in the years and amounts set forth on the inside cover page hereof. See the maturity schedule on the inside cover page hereof and “DEBT SERVICE SCHEDULE” herein.

Redemption*

Optional Redemption. The Bonds maturing on or before September 1, 20__ are not subject to redemption prior to their respective stated maturities. The Bonds maturing on or after September 1, 20__ are subject to redemption prior to maturity, at the option of the City, in whole or in part among maturities on such basis as designated by the City and by lot within a maturity, from any available source of funds, on September 1, 20__, and on any date thereafter, at a

* Preliminary; subject to change.

redemption price equal to 100% of the principal amount of Bonds to be redeemed together with accrued interest thereon to the date fixed for redemption, without premium.

Mandatory Sinking Fund Redemption. The Term Bonds maturing on September 1, 20____, September 1, 20____, September 1, 20____ and September 1, 20____ (the "Term Bonds") are subject to redemption prior to their stated maturity date, without a redemption premium, in part by lot, from mandatory sinking fund payments on each September 1, on and after September 1, 20____, in the principal amounts as set forth in the following tables:

\$_____ Term Bond Due September 1, 20____

Payment Date (September 1)	Payment Amount
-------------------------------	----------------

\$

(Maturity)

\$_____ Term Bond Due September 1, 20____

Payment Date (September 1)	Payment Amount
-------------------------------	----------------

\$

(Maturity)

Redemption Procedure. The Paying Agent will cause notice of any redemption to be mailed, first class mail, postage prepaid, at least 30 days but not more than 60 days prior to the date fixed for redemption, (a) to the Securities Depositories and the Municipal Securities Rulemaking Board; and (b) to the respective Owners of any Bonds designated for redemption, at their addresses appearing on the Registration Books (as defined below) maintained by the Paying Agent. Such mailing will not be a condition precedent to such redemption and failure to mail or to receive any such notice will not affect the validity of the proceedings for the redemption of such Bonds.

Such notice will state the redemption date and the redemption price and, if less than all of the then Outstanding Bonds are to be called for redemption, will designate the serial numbers of the Bonds to be redeemed by giving the individual number of each Bond or by stating that all Bonds between two stated numbers, both inclusive, or by stating that all of the Bonds of one or more maturities have been called for redemption, and will require that such Bonds be then surrendered at the principal office of the Paying Agent for redemption at the said redemption price, giving notice also that further interest on such Bonds will not accrue from and after the redemption date.

Partial Redemption. Upon surrender of Bonds redeemed in part only, the City will execute and the Paying Agent will authenticate and deliver to the owner, at the expense of the City, a new Bond or Bonds, of the same maturity, of authorized denominations in aggregate principal amount equal to the unredeemed portion of the Bond or Bonds.

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

Defeasance

The City has the option to pay and discharge the entire indebtedness on all or any portion of the outstanding Bonds in any one or more of the following ways:

- (a) by paying or causing to be paid the principal of and interest on such Bonds, as and when the same become due and payable;
- (b) by irrevocably depositing, in trust, at or before maturity:
 - (i) lawful money of the United States of America in an amount equal to the principal amount of such Bonds and all unpaid interest thereon to maturity; or
 - (ii) Government Obligations (as defined below), the principal of and interest on, which when due, in the opinion of a certified public accountant delivered to the City, will provide money sufficient to pay the principal of and all unpaid interest to maturity on the Bonds to be paid, as such principal and interest become due; and
- (c) by delivering such Bonds to the Paying Agent for cancellation by it.

“*Government Obligations*” means direct and general obligations of the United States of America, or obligations that are unconditionally guaranteed as to principal and interest by the United States of America (which may consist of obligations of the Resolution Funding Corporation that constitute interest strips), or “pre-refunded” municipal obligations rated in the highest rating category by Moody’s Investors Service (“Moody’s”) or Standard & Poor’s Ratings Services, a Standard & Poor’s Financial Services LLC business (“S&P”). In the case of direct and general obligations of the United States of America, Government Obligations shall include evidences of direct ownership of proportionate interests in future interest or principal payments of such obligations. Investments in such proportionate interests must be limited to circumstances where (A) a bank or trust company acts as custodian and holds the underlying United States obligations; (B) the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor of the underlying United States obligations; and (C) the underlying United States obligations are held in a special account, segregated from the custodian’s general assets, and are not available to satisfy any claim of the custodian, any person claiming through the custodian, or any person to whom the custodian may be obligated; provided that such obligations are rated or assessed at least as high as direct and general obligations of the United States of America by either Moody’s or S&P.

Discontinuation of Book-Entry-Only System; Payment to Beneficial Owners

If the book-entry system as described above is no longer used with respect to the Bonds, the following provisions will govern the registration, transfer, and exchange of the Bonds.

Registration Books. The Paying Agent will keep or cause to be kept sufficient books for the registration and transfer of the Bonds (the “Registration Books”), which will at all times be open to inspection by the City upon reasonable notice; and, upon presentation for such purpose, the Paying Agent shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on said books, the Bonds.

Transfer. Any Bond may, in accordance with its terms, be transferred, upon the Registration Books, by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Bond for cancellation at the principal office of the Paying Agent, accompanied by delivery of a written instrument of transfer in a form approved by the Paying Agent, duly executed.

Whenever any Bond or Bonds are surrendered for transfer, the City will execute and the Paying Agent will authenticate and deliver a new Bond or Bonds, for a like aggregate principal amount of other authorized denominations of the same interest rate and maturity.

Exchange. Bonds may be exchanged at the principal office of the Paying Agent for a like aggregate principal amount of Bonds of the same series, interest rate and maturity. The City may require the payment by any Bond owner requesting any such transfer of any tax or other governmental charge required to be paid with respect to such transfer or exchange.

No transfer or exchange of Bonds shall be required to be made by the Paying Agent during the period from the Record Date (as defined in this Official Statement) next preceding each interest payment date to such interest payment date or after a notice of redemption shall have been mailed with respect to such Bond.

PLAN OF FINANCE

Purpose of Issue; Deposit of Bond Proceeds

A portion of the net proceeds of the Bonds will be used to pay certain costs of executing and delivering the Bonds. The remaining net proceeds of the Bonds will be deposited into a special account established for the payment of the Bonds to be held by the City separate and apart from all other funds of the City (the “Project Fund”) and used to finance improvements to streets within the City and, generally, to finance projects permitted under the Authorization. See “THE BONDS—Authority for Issuance” herein. Any amounts remaining on deposit in the Project Fund and not needed for the purposes thereof shall be withdrawn from the Project Fund and transferred to the Debt Service Fund (defined below), to be applied to pay the principal of and interest and premium, if any, on the Bonds.

All ad valorem taxes collected for payment of the Bonds, will be deposited into a special account established for the payment of the Bonds to be held by the County separate and apart from all other funds held by the County on behalf of the City. The account was created by the Resolution specifically for payment of the Bonds (the “Debt Service Fund”) and has been irrevocably pledged for the payment of principal of and interest on the Bonds when due pursuant to the Resolution.

Sources and Uses of Funds

The estimated sources and uses of funds with respect to the Bonds will be applied as follows:

Sources of Funds:

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

Uses of Funds:

Deposit to Project Fund	\$
Deposit to Debt Service Fund	
Costs of Issuance*	
Total Uses	\$

* Includes the Underwriter's discount, Municipal Advisor fees, Bond Counsel and Disclosure Counsel fees, printing costs, rating agency fees and other related costs.

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DEBT SERVICE SCHEDULE

The following table shows the debt service schedule with respect to the Bonds (assuming no optional redemptions).

Year Ending September 1	Principal	Interest	Total Debt Service
	\$	\$	\$

Total	\$	\$	\$
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SECURITY FOR THE BONDS

General

The Bonds are general obligations of the City. The Board of Supervisors of the County has the power and is obligated, and under the Resolution has been directed by the City, to levy and collect ad valorem taxes on behalf of the City without limitation as to rate or amount upon all property subject to taxation by the City (except certain property which is taxable at limited rates) to ensure the timely payment of debt service. Such taxes, when collected, will be deposited into the Debt Service Fund held by the County on behalf of the City, which has been irrevocably pledged for the payment of principal of and interest on the Bonds when due. Although the County is obligated to initially collect the ad valorem tax for the payment of the Bonds, the Bonds are not a debt of the County.

City property taxes are assessed and collected by the County in the same manner and at the same time, and in the same installments as other ad valorem taxes on real property, and will have the same priority, become delinquent at the same times and in the same proportionate amounts, and bear the same proportionate penalties and interest after delinquency, as do the other ad valorem taxes on real property. As described below, the County has adopted the Teeter Plan. The City Council adopted a resolution to opt into the Teeter Plan on February 17, 2015 and the County Board of Supervisors adopted a resolution on February 24, 2015 authorizing the City to opt into the County's Teeter Plan, effective beginning fiscal year 2015-16. Since fiscal year 2015-16, the City has received all of the property taxes that are due and payable whether or not they are actually collected, and the County will retain any penalties and interest on delinquent taxes. See "TAX BASE FOR PAYMENT OF BONDS—Alternative Method of Tax Apportionment—Teeter Plan" below.

At the option of the City Council, other available funds of the City that are not restricted by law to specific uses may be used to pay debt service on the Bonds.

Factors Affecting Property Tax Security for the Bonds

The annual property tax rate for repayment of the Bonds will be based on the total assessed value of taxable property in the City and the scheduled debt service on the Bonds in each year, less any other lawfully available funds applied by the City for repayment of the Bonds. Fluctuations in the annual debt service on the Bonds, the assessed value of taxable property in the City, and the availability of such other funds in any year, may cause the annual property tax rate applicable to the Bonds to fluctuate. Issuance by the City of additional authorized bonds payable from ad valorem property taxes may cause the overall property tax rate to increase.

Discussed below are certain factors that may affect the City's ability to levy and collect sufficient taxes to pay scheduled debt service on the Bonds each year.

Total Assessed Value of Taxable Property in the City. The greater the assessed value of taxable property in the City, the lower the tax rate necessary to generate taxes sufficient to pay scheduled debt service on bonds. The total assessed valuation of taxable property in the City in fiscal year 2021-22 is approximately \$1,962,334,679. During economic downturns, declining real estate values, increased foreclosures, and increases in requests submitted to the County tax assessor for reductions in assessed value have generally caused a reduction in the assessed value of some properties in the City. See "TAX BASE FOR PAYMENT OF BONDS—Assessed Valuation" and "—Appeals of Assessed Value" below.

Natural and economic forces can affect the assessed value of taxable property in the City. The City is located in a seismically active region, and damage from an earthquake in or near the City could cause moderate to extensive or total damage to taxable property. Other natural or man-made disasters, such as flood, fire, toxic dumping or acts of terrorism, could also cause a reduction in the assessed value of taxable property within the City. Economic and market forces, such as a downturn in the State's economy generally or a relocation out of the City or financial difficulty or bankruptcy by one or more major property taxpayer or employer of City residents, 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).

The City expects any future growth in net assessed valuation of taxable property in the City will be dependent on new construction and development projects within the City.

Concentration of Taxable Property Ownership. The more property (by assessed value) owned by any single assessee, the more exposure of tax collections to weakness in that taxpayer's financial situation and ability or willingness to pay property taxes. **[CONFIRM:** For fiscal year 2020-21, no single assessee owned more than 1.0% of the total taxable property in the City.] See "TAX BASE FOR PAYMENT OF BONDS—Major Taxpayers" below.

Property Tax Rates. One factor in the ability of taxpayers to pay additional taxes for general obligation bonds is the cumulative rate of tax. The total tax rate per \$100 of assessed value (including the basic countywide 1% rate required by statute) is discussed below in "TAX BASE FOR PAYMENT OF BONDS—Tax Rates."

Additional Debt; Authorized but Unissued Bonds. Issuance of additional authorized bonds can cause the overall property tax rate to increase. Following the issuance of the Bonds, the City will have approval to issue up to \$10,000,000* in additional aggregate principal amount of general obligation bonds pursuant to the Authorization, which would also be payable from ad valorem property taxes. See "THE BONDS—Authority for Issuance" herein and "—City Bonded Debt Structure" below. In addition, the City could propose further bond measures to the voters from time to time to help meet its future capital needs.

Debt Service Fund; Investment of Funds

All ad valorem taxes collected for payment of the Bonds, will be deposited into the Debt Service Fund, which has been irrevocably pledged for the payment of principal of and interest on the Bonds when due pursuant to the Resolution. Further, any amounts remaining on deposit in the Project Fund and not needed for the purposes thereof shall be withdrawn from the Project Fund and transferred to the Debt Service Fund to be applied to pay the principal of and interest and premium, if any, on the Bonds. The County will transfer amounts in the Debt Service Fund, to the extent necessary to pay the principal of and interest on the Bonds as the same become due and payable, to the Paying Agent as required to pay the principal of and interest and premium, if any, on the Bonds.

The Project Fund is expected to be invested in any investment of the City in which moneys in the General Fund of the City are invested. The Debt Service Fund is expected to be invested

* Preliminary; subject to change.

in the County's Treasury Investment Pool. All interest earned on the Project Fund and Debt Service Fund, respectively, will be retained in the same account to which is accrued. See "APPENDIX F—SAN LUIS OBISPO COUNTY QUARTERLY REPORT OF INVESTMENTS" attached hereto for additional information regarding the investment of the Debt Service Fund.

If, after payment in full of the Bonds, any amounts remain on deposit in the Debt Service Fund, the County will transfer such amounts to the City and the City will deposit such amounts in the Project Fund and, if the Project Fund is closed, will transfer such amounts to its street maintenance fund and use such amounts solely for costs of acquisition or improvement of real property for which the Bond proceeds are authorized to be expended under the Authorization.

Statutory Lien

On July 13, 2015, Governor Jerry Brown signed new legislation ("SB 222") into law that improves the security for general obligation bonds issued in the State, including the Bonds. This law went into effect on January 1, 2016. SB 222 provides that general obligation bonds issued by a local agency, including cities, shall be secured by a "statutory lien" on all revenues received pursuant to the levy and collection of the ad valorem property tax. Under the federal bankruptcy code, a statutory lien is a lien that arises solely by statute and not as a result of the parties' agreement. Previously, the governing statutes relating to the issuance of general obligation bonds by cities required that all taxes levied and collected be used for the payment of principal and interest on general obligation bonds and for no other purpose, but did not provide for a statutory lien.

City General Obligation Bonded Debt Structure

The City received the Authorization at an election held on November 4, 2014, by an affirmative vote of 68.02% of the eligible voters within the City to issue up to \$48,000,000 of general obligation bonds. On March 25, 2015, the City issued and sold the 2015 G.O. Bonds in the principal amount of \$5,000,000; on March 30, 2016, the City issued and sold the 2016 G.O. Bonds in the principal amount of \$8,000,000 and on December 20, 2017, the City issued and sold the 2017 G.O. Bonds in the principal amount of \$15,000,000. The Bonds are the fourth series of bonds issued under the Authorization.

The following table summarizes the City's annual debt service requirements for all outstanding general obligation bonds of the City:

Year Ending September 1	2015 G.O. Bonds	2016 G.O. Bonds	2017 G.O. Bonds	The Bonds	Total Debt Service
2022	\$ 316,431.25	\$ 478,843.75	\$ 912,350.00		
2023	313,931.25	477,093.75	912,850.00		
2024	316,181.25	479,843.75	912,350.00		
2025	317,931.25	476,843.75	910,850.00		
2026	314,181.25	478,343.75	908,350.00		
2027	315,181.25	479,093.75	909,850.00		
2028	315,681.25	477,093.75	910,100.00		
2029	315,681.25	479,693.75	909,100.00		
2030	314,381.25	474,943.75	911,850.00		
2031	317,931.25	475,043.75	908,100.00		
2032	316,181.25	479,843.75	908,100.00		
2033	313,993.75	479,193.75	912,900.00		
2034	316,650.00	478,243.75	908,100.00		
2035	318,381.25	476,993.75	912,850.00		
2036	314,775.00	475,443.75	911,850.00		
2037	316,000.00	478,593.75	910,250.00		
2038	315,200.00	476,293.75	908,050.00		
2039	319,000.00	478,168.75	910,250.00		
2040	317,200.00	479,575.00	911,700.00		
2041	--	474,950.00	912,400.00		
2042	--	--	912,350.00		
2043	--	--	911,550.00		
Total	\$6,004,893.75	\$9,554,137.50	\$20,036,100		

TAX BASE FOR PAYMENT OF BONDS

Property Tax Collection Procedures

In California, property which is subject to ad valorem taxes is classified as "secured" or "unsecured." The "secured roll" is that part of the assessment roll containing state assessed public utilities' property and property, the taxes on which are a lien on real property sufficient, in the opinion of the county assessor, to secure payment of the taxes. A tax levied on unsecured property does not become a lien against such unsecured property, but may become a lien on certain other property owned by the taxpayer. Every tax which becomes a lien on secured property has priority over all other liens arising pursuant to State law on such secured property, regardless of the time of the creation of the other liens. Secured and unsecured properties are entered separately on the assessment roll maintained by the county assessor. The method of collecting delinquent taxes is substantially different for the two classifications of property.

Property taxes on the secured roll are due in two installments, on November 1 and February 1 of each fiscal year. If unpaid, such taxes become delinquent after December 10 and April 10, respectively, and a 10% penalty attaches to any delinquent payment. In addition, property on the secured roll with respect to which taxes are delinquent is declared tax defaulted on or about June 30 of the fiscal year. Such property may thereafter be redeemed by payment of the delinquent taxes and a delinquency penalty, plus a redemption penalty of 1-1/2% per month to the time of redemption. If taxes are unpaid for a period of five years or more, the property is subject to sale by the County.

Property taxes are levied for each fiscal year on taxable real and personal property situated in the taxing jurisdiction as of the preceding January 1. A bill enacted in 1983, SB813 (Statutes of 1983, Chapter 498), however, provided for the supplemental assessment and taxation of property as of the occurrence of a change of ownership or completion of new construction. Thus, this legislation eliminated delays in the realization of increased property taxes from new assessments. As amended, SB813 provided increased revenue to taxing jurisdictions to the extent that supplemental assessments of new construction or changes of ownership occur subsequent to the January 1 lien date and result in increased assessed value.

Property taxes on the unsecured roll are due on the January 1 lien date and become delinquent, if unpaid on the following August 31. A 10% penalty is also attached to delinquent taxes in respect of property on the unsecured roll, and further, an additional penalty of 1-1/2% per month accrues with respect to such taxes beginning the first day of the third month following the delinquency date. The taxing authority has four ways of collecting unsecured personal property taxes: (i) a civil action against the taxpayer; (ii) filing 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; (iii) 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 (iv) seizure and sale of personal property, improvements or possessory interests belonging or assessed to the assessee. The exclusive means of enforcing the payment of delinquent taxes in respect of property on the secured roll is the sale of the property securing the taxes for the amount of taxes which are delinquent.

Taxation of State-Assessed Utility Property

Some amount of property tax revenue of the City is derived from utility property which is considered part of a utility system with components located in many taxing jurisdictions ("unitary property"). Under the State Constitution, such property is assessed by the State Board of Equalization ("SBE") as part of a "going concern" rather than as individual pieces of real or personal property. Such State-assessed property is allocated to the counties by the SBE, taxed at special county-wide rates, and the tax revenues distributed to taxing jurisdictions (including the City) according to statutory formulae generally based on the distribution of taxes in the prior year.

The California electric utility industry has been undergoing significant changes in its structure and in the way in which components of the industry are regulated and owned. Sale of electric generation assets to largely unregulated, nonutility companies may affect how those assets are assessed, and which local agencies are to receive the property taxes. The City is unable to predict the impact of these changes on its utility property tax revenues, or whether legislation may be proposed or adopted in response to industry restructuring, or whether any future litigation may affect ownership of utility assets or the State's methods of assessing utility property and the allocation of assessed value to local taxing agencies, including the City.

Assessed Valuation

Assessed Valuation History. The following is a table summarizing the historical and current assessed valuation of the taxable property in the City.

TABLE 1
City of Grover Beach Assessed Valuations of All Taxable Property
Fiscal Years 2012-13 to 2021-22

	Local Secured	Utility (Non-Unitary Only)	Unsecured	Total
2012-13	\$1,215,240,432	\$375,376	\$32,243,239	\$1,247,859,047
2013-14	1,271,077,986	369,633	38,299,020	1,309,746,639
2014-15	1,357,476,862	350,890	34,901,022	1,392,728,774
2015-16	1,428,946,072	340,461	36,037,996	1,465,324,529
2016-17	1,507,554,753	307,339	40,884,371	1,548,746,463
2017-18	1,589,746,399	311,781	37,279,480	1,627,337,660
2018-19	1,691,583,881	295,068	39,046,792	1,730,925,741
2019-20	1,774,051,571	295,699	42,274,382	1,816,621,652
2020-21	1,855,486,235	290,500	45,734,135	1,901,510,870
2021-22	1,934,674,078	285,642	27,374,959	1,962,334,679

Source: California Municipal Statistics, Inc.

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Assessed Valuation by Land Use. The following table shows the land use of parcels in the City for fiscal year 2021-22, according to assessed valuation. As shown, the majority of land in the City is used for residential purposes.

TABLE 2
City of Grover Beach Assessed Valuation
and Parcels by Land Use
Fiscal Year 2021-22

	Fiscal Year 2021-22 Assessed Valuation*	% of Total	No. of Parcels	% of Total
Non-Residential:				
Agricultural/Rural	\$1,556,026	0.08%	2	0.04%
Commercial/Office	201,639,785	10.42	400	7.95
Vacant Commercial	13,409,144	0.69	55	1.09
Industrial	55,603,915	2.87	83	1.65
Vacant Industrial	7,251,843	0.37	26	0.52
Government/Social/Institutional	3,534,508	0.18	61	1.21
Miscellaneous	<u>606,441</u>	<u>0.03</u>	<u>2</u>	<u>0.04</u>
Subtotal Non-Residential	\$283,601,662	14.66%	629	12.50%
Residential:				
Single Family Residence	\$1,345,259,820	69.53%	3,529	70.12%
Condominium Units	42,316,059	2.19	161	3.20
Mobile Home	12,870,126	0.67	173	3.44
Mobile Home Park	4,261,225	0.22	5	0.10
2-4 Residential Units	167,342,145	8.65	391	7.77
5+ Residential Units/Apartments	66,905,938	3.46	57	1.13
Vacant Residential	<u>12,117,103</u>	<u>0.63</u>	<u>88</u>	<u>1.75</u>
Subtotal Residential	\$1,651,072,416	85.34%	4,404	87.50%
Total	\$1,934,674,078	100.00%	5,033	100.00%

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

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Assessed Valuation of Single Family Residential Parcels. The following table shows a breakdown of the assessed valuations of improved single-family residential parcels in the City, according to assessed valuation.

**TABLE 3
City of Grover Beach Per Parcel
Fiscal Year 2021-22
Assessed Valuation of Single Family Homes**

	No. of Parcels	Fiscal Year 2021-22 Assessed Valuation	Average Assessed Valuation	Median Assessed Valuation
Single Family Residential	3,529	\$1,345,259,820	\$381,201	\$370,742

Fiscal Year 2021-22 Assessed Valuation	No. of Parcels*	% of Total	Cumulative % of Total	Total Valuation	% of Total	Cumulative % of Total
\$0 - \$49,999	89	2.522%	2.522%	\$3,286,631	0.244%	0.244%
\$50,000 - \$99,999	132	3.74	6.262	9,775,268	0.727	0.971
\$100,000 - \$149,999	181	5.129	11.391	23,153,276	1.721	2.692
\$150,000 - \$199,999	283	8.019	19.411	49,869,757	3.707	6.399
\$200,000 - \$249,999	362	10.258	29.668	81,419,764	6.052	12.451
\$250,000 - \$299,999	317	8.983	38.651	86,931,988	6.462	18.914
\$300,000 - \$349,999	283	8.019	46.670	91,826,712	6.826	25.740
\$350,000 - \$399,999	273	7.736	54.406	102,257,040	7.601	33.341
\$400,000 - \$449,999	279	7.906	62.312	118,536,016	8.811	42.152
\$450,000 - \$499,999	321	9.096	71.408	151,907,518	11.292	53.444
\$500,000 - \$549,999	252	7.141	78.549	132,423,414	9.844	63.288
\$550,000 - \$599,999	254	7.198	85.747	146,124,088	10.862	74.150
\$600,000 - \$649,999	191	5.412	91.159	118,710,218	8.824	82.974
\$650,000 - \$699,999	152	4.307	95.466	102,208,029	7.598	90.572
\$700,000 - \$749,999	64	1.814	97.28	46,301,530	3.442	94.014
\$750,000 - \$799,999	41	1.162	98.441	31,662,308	2.354	96.368
\$800,000 - \$849,999	22	0.623	99.065	18,111,706	1.346	97.714
\$850,000 - \$899,999	17	0.482	99.547	14,905,274	1.108	98.822
\$900,000 - \$949,999	4	0.113	99.66	3,677,424	0.273	99.095
\$950,000 - \$999,999	7	0.198	99.858	6,760,144	0.503	99.598
\$1,000,000 and greater	<u>5</u>	<u>0.142</u>	100.000	<u>5,411,715</u>	<u>0.402</u>	100.000
	3,529	100.00%		\$1,345,259,820	100.00%	

* Improved single family residential parcels. Excludes condominiums and parcels with multiple family units.
Source: California Municipal Statistics, Inc.

Alternative Method of Tax Apportionment—Teeter Plan

The Board of Supervisors of the County has approved the implementation of the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the “Teeter Plan”), as provided for in Section 4701 et seq. of the California Revenue and Taxation

Code. Under the Teeter Plan, the County apportions secured property taxes as they are collected throughout the year to participating political subdivisions. Then, as of June 30 each year, the County advances the remaining current year ad valorem secured taxes and direct charges that are due and unpaid to all the local agencies participating in the Teeter Plan. In return, the County receives and retains delinquent payments, penalties and interest collected that would have been due the local agency in the absence of the Teeter Plan. The City Council adopted a resolution to opt into the Teeter Plan on February 17, 2015 and the County Board of Supervisors adopted a resolution on February 24, 2015 authorizing the City to opt into the County's Teeter Plan, effective in fiscal year 2015-16.

The property tax levies and collections for the City for 2010-11 through 2020-21 are shown in the following table:

TABLE 4
City of Grover Beach
Secured Tax Charges and Delinquencies
Fiscal Years 2010-11 to 2020-21
(dollar amounts in thousands)

	Secured Tax Charge*	Amount Delinquent June 30**	% Delinquent June 30
2010-11	\$1,865,663.42	\$52,885.91	2.83%
2011-12	1,815,308.62	35,005.70	1.93
2012-13	1,769,867.21	25,507.52	1.44
2013-14	1,875,062.13	22,397.63	1.19
2014-15	2,007,542.86	22,457.82	1.12
2015-16	2,095,240.12	19,795.50	0.94
2016-17	2,219,622.10	20,877.43	0.94
2017-18	2,333,876.58	22,521.18	0.96
2018-19	2,475,403.38	23,177.53	0.94
2019-20	2,566,559.70	42,140.76	1.64
2020-21	2,683,132.36	30,925.21	1.15

* 1% General Fund apportionment.

**Reflects County-wide delinquency rate

Source: California Municipal Statistics, Inc.

The general obligation bond levies and collections for the City for 2015-16 through 2020-21 are shown in the following table

TABLE 5
City of Grover Beach
General Obligation Bond Levy and Delinquencies
Fiscal Years 2015-16 to 2020-21
(dollar amounts in thousands)

	Secured Tax Charge*	Amount Delinquent June 30	% Delinquent June 30
2015-16	\$ 340,322.71	\$ 2,651.19	0.78%
2016-17	513,551.08	3,953.11	0.77
2017-18	811,082.12	7,715.11	0.95
2018-19	1,427,699.83	14,913.66	1.04
2019-20	1,497,888.26	23,648.52	1.58
2020-21	1,565,264.41	19,782.91	1.26

* City's General Obligation Bond Debt Service Levy.
Source: California Municipal Statistics, Inc.

Appeals of Assessed Value

There are two types of appeals of assessed values that could adversely impact property tax revenues within the City.

Appeals may be based on Proposition 8 of November 1978, which requires that for each January 1 lien date, the taxable 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 Proposition 8 reduction of their property tax assessment by filing a written application, in form prescribed by the State Board of Equalization, with the 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. Proposition 8 reductions may also be unilaterally applied by the County Assessor.

Any reduction in the assessment ultimately granted as a result of such appeal applies to the year for which application is made and during which the written application was filed. These reductions are subject to yearly reappraisals 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.

A second type of assessment appeal involves a challenge to the base year value of an assessed 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.

The City cannot predict the changes in assessed values that might result from pending or future appeals by taxpayers. Any reduction in aggregate City assessed valuation due to appeals, as with any reduction in assessed valuation due to other causes, will cause the tax rate levied to repay the Bonds to increase accordingly, so that the fixed debt service on the Bonds (and other outstanding general obligation bonds, if any) may be paid.

Tax Rates

The table below shows historical property tax rates within the City:

TABLE 6
City of Grover Beach
Typical Tax Rate Per \$100
Assessed Valuation
(Typical Tax Rate per \$100 Assessed Valuation: TRA 5-000]¹⁾

	2017-18	2018-19	2019-20	2020-21	2021-22
General Tax Rate	1.00000	1.00000	1.00000	1.00000	1.00000
State Water Project	0.00400	0.00400	0.00400	0.00400	0.00400
City of Grover Beach	0.05135	0.08500	0.08500	0.08500	0.08500
Lucia Mar Unified School District	0.08194	0.08094	0.07234	0.05749	0.05878
San Luis Obispo Community College District	0.01925	0.01925	0.01925	0.01925	0.01925
San Luis Obispo County Flood Zone 3	<u>0.00732</u>	<u>0.00489</u>	<u>0.00489</u>	<u>0.00600</u>	<u>0.00600</u>
Total Tax Rate	1.16386	1.19408	1.18548	1.17174	1.17303

(1) 2021-22 assessed valuation of TRA 5-000 is \$1,254,002,053 which is 63.9% of the City's total assessed valuation.
 Source: California Municipal Statistics, Inc.

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Major Taxpayers

The following table shows the 20 largest taxpayers in the City as determined by their secured assessed valuations in fiscal year 2021-22.

TABLE 7
City of Grover Beach
10 Largest Fiscal Year 2021-2022 Local Secured Taxpayers

Property Owner	Primary Land Use	Fiscal Year 2021-22 Assessed Valuation	% of Total*
1. ACI Real Estate SPE 151 LLC	Supermarket	\$13,682,631	0.71%
2. Searidge LP	Apartments	11,611,000	0.6
3. Siyaram LLC	Hotel/Motel	10,250,000	0.53
4. 998 & 1030 Partners LLC	Warehouse	7,858,074	0.41
5. John B. Forde, Trustee	Office Building	7,148,666	0.37
6. California Fine Wire Co.	Light Industrial	6,515,224	0.34
7. Vision to Life LLC	Commercial Land	5,593,308	0.29
8. Manfred G. Freutel, Trustee	Apartments	5,287,641	0.27
9. TDR Properties LLC	Commercial Land	5,167,784	0.27
10. Behrooz Zarrabian, Trustee	Shopping Center	4,594,181	0.24
11. Cal Coast Properties	Shopping Center	3,989,387	0.21
12. David W. Stearns, Trustee	Restaurant	3,937,953	0.20
13. Beach Cities Enterprises LLC	Automotive Service	3,924,552	0.20
14. Beach Place Enterprises LLC	Commercial/Recreational	3,900,277	0.20
15. Phillip and Sylvia Korte	Apartments	3,719,315	0.19
16. Monroe B. Weiner, Trustee	Shopping Center	3,687,014	0.19
17. Rivergrove LLC	Commercial	3,584,375	0.19
18. Sunset Terrace Grover Beach LP	Apartments	3,573,043	0.18
19. Ramona Palms LLC	Apartments	3,554,577	0.18
20. Khushal Investment LLC	Shopping Center	<u>3,550,000</u>	<u>0.18</u>
Total		\$ 115,129,002	5.95%

* Fiscal year 2021-22 Local Secured Assessed Valuation: \$1,934,674,078.

Source: California Municipal Statistics, Inc.

Direct and Overlapping Debt

Set forth below is a direct and overlapping debt report (the "Debt Report") prepared by California Municipal Statistics, Inc. and effective January 1, 2022. The Debt Report is included for general information purposes only. The City has not reviewed the Debt Report for completeness or accuracy and makes no representation in connection therewith.

The Debt Report generally includes long-term obligations sold in the public credit markets by public agencies whose boundaries overlap the boundaries of the City in whole or in part. Such long-term obligations generally are not payable from revenues of the City (except as indicated) nor are they necessarily obligations secured by land within the City. In many cases, long-term obligations issued by a public agency are payable only from the general fund or other revenues of such public agency.

The contents of the Debt Report are as follows: (a) the first column indicates the public agencies which have outstanding debt as of the date of the Debt Report and whose territory overlaps the City; (b) the second column shows the percentage that the City's assessed valuation represents of the total assessed valuation of each public agency identified in the first column; and (c) the third column is an apportionment of the dollar amount of each public agency's outstanding debt to property in the City, as determined by multiplying the total outstanding debt of each agency by the percentage of the City's assessed valuation represented in the second column.

TABLE 8
City of Grover Beach
Statement of Direct and Overlapping Bonded Debt
(As of January 1, 2022)

2021-22 Assessed Valuation: \$1,962,334,679

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 1/1/22</u>
San Luis Obispo County Flood Control and Water Conservation District, Zone No. 3	18.423%	\$ 1,110,907
San Luis Obispo Community College District	3.116	5,101,983
Lucia Mar Unified School District	11.425	12,697,200
City of Grover Beach	100.000	<u>25,135,000</u> ⁽¹⁾
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$44,045,090
<u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>		
San Luis Obispo County Certificates of Participation	3.129%	\$ 700,777
San Luis Obispo County Pension Obligation Bonds	3.129	933,791
Lucia Mar Unified School District Certificates of Participation	11.425	1,889,124
City of Grover Beach General Fund Obligations	100.000	<u>574,308</u> ⁽²⁾
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT		\$4,098,000
<u>OVERLAPPING TAX INCREMENT DEBT (Successor Agency):</u>		\$2,820,000
COMBINED TOTAL DEBT		\$50,963,090 ⁽³⁾

- (1) Excludes general obligation bonds to be sold.
(2) City's share of San Luis Obispo County 2020 Lease Revenue Bonds.
(3) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

Ratios to 2021-22 Assessed Valuation:

Direct Debt (\$25,135,000)	1.28%
Total Direct and Overlapping Tax and Assessment Debt	2.24%
Combined Direct Debt (\$25,709,308)	1.31%
Combined Total Debt	2.60%

Ratios to Redevelopment Incremental Valuation (\$202,806,968):

Total Overlapping Tax Increment Debt	1.39%
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¹ Excludes general obligation bonds 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.

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING CITY REVENUES AND APPROPRIATIONS

The principal of and interest on the Bonds are payable from the proceeds of an ad valorem tax levied by the County for the payment thereof. (See "SECURITY FOR THE BONDS" herein.) Articles XIII A, XIII B, XIII C and XIII D of the State Constitution and Propositions 22, 26, 62, 111, 218 and 1A, and certain other provisions of law discussed below, are included in this section to describe the potential effect of these Constitutional and statutory measures on the ability of the County to levy taxes and the ability of the City to spend tax proceeds for operating and other purposes, and it should not be inferred from the inclusion of such materials that these laws impose any limitation on the ability of the County to levy taxes for payment of the Bonds. The taxes levied by the County for payment of the Bonds were approved by the voters of the City in compliance with Article XIII A, Article XIII C, and all applicable laws.

Article XIII A of the State Constitution

Article XIII A ("Article XIII A") of the State Constitution limits the amount of ad valorem property taxes on real property to 1% of "full cash value" as determined by the county assessor. Article XIII A defines "full cash value" to mean "the county assessor's valuation of real property as shown on the 1975-76 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," subject to exemptions in certain circumstances of property transfer or reconstruction. Determined in this manner, the full cash value is also referred to as the "base year value." The full cash value is subject to annual adjustment to reflect increases, not to exceed 2% for any year, or decreases in the consumer price index or comparable local data, or to reflect reductions in property value caused by damage, destruction or other factors.

Article XIII A has been amended to allow for temporary reductions of assessed value in instances where the fair market value of real property falls below the adjusted base year value described above. Proposition 8—approved by the voters in November of 1978—provides for the enrollment of the lesser of the base year value or the market value of real property, taking into account reductions in value due to damage, destruction, depreciation, obsolescence, removal of property, or other factors causing a similar decline. In these instances, the market value is required to be reviewed annually until the market value exceeds the base year value. Reductions in assessed value could result in a corresponding increase in the annual tax rate levied by the County to pay debt service on the Bonds. See "SECURITY FOR THE BONDS" and "TAX BASE FOR PAYMENT OF BONDS" herein.

Article XIII A requires a vote of two-thirds or more of the qualified electorate of a city, county, special district or other public agency to impose special taxes, while totally precluding the imposition of any additional ad valorem, sales or transaction tax on real property. Article XIII A exempts from the 1% tax limitation any taxes above that level required to pay debt service (a) on any indebtedness approved by the voters prior to July 1, 1978; or (b), as the result of an amendment approved by State voters on June 3, 1986, on any bonded indebtedness approved by two-thirds of the votes cast by the voters for the acquisition or improvement of real property on or after July 1, 1978; or (c) bonded indebtedness incurred by a school district or community college district for the construction, reconstruction, rehabilitation or replacement of school facilities or the acquisition or lease of real property for school facilities, approved by 45% or more of the votes cast on the proposition, but only if certain accountability measures are included in the proposition. In addition, Article XIII A requires the approval of two-thirds of all members of the state legislature to change any state taxes for the purpose of increasing tax revenues.

Legislation Implementing Article XIII A

Legislation has been enacted and amended a number of times since 1978 to implement Article XIII A. Under current law, local agencies are no longer permitted to levy directly any property tax (except to pay voter-approved indebtedness). The 1% property tax is automatically levied by the county and distributed according to a formula among taxing agencies. The formula apportions the tax roughly in proportion to the relative shares of taxes levied prior to 1979.

Increases of assessed valuation resulting from reappraisals of property due to new construction, change in ownership or from the annual adjustment not to exceed 2% are allocated among the various jurisdictions in the "taxing area" based upon their respective "situs." Any such allocation made to a local agency continues as part of its allocation in future years.

All taxable property value included in this Official Statement is shown at 100% of taxable value (unless noted differently) and all tax rates reflect the \$1 per \$100 of taxable value.

Both the United States Supreme Court and the California State Supreme Court have upheld the general validity of Article XIII A.

Article XIII B of the State Constitution

Article XIII B ("Article XIII B") of the State Constitution, as subsequently amended by Propositions 98 and 111, respectively, limits the annual appropriations of the State and of any city, county, school district, authority or other political subdivision of the State to the level of appropriations of that particular governmental entity for the prior fiscal year, as adjusted for changes in the cost of living and in population and for transfers in the financial responsibility for providing services and for certain declared emergencies. For fiscal years beginning on or after July 1, 1990, the appropriations limit of each entity of government shall be the appropriations limit for the 1986-87 fiscal year adjusted for the changes made from that fiscal year pursuant to the provisions of Article XIII B, as amended.

The appropriations of an entity of local government subject to Article XIII B limitations include the proceeds of taxes levied by or for that entity and the proceeds of certain state subventions to that entity. "Proceeds of taxes" include, but are not limited to, all tax revenues and the proceeds to the entity from (a) regulatory licenses, user charges and user fees (but only to the extent that these proceeds exceed the reasonable costs in providing the regulation, product or service); and (b) the investment of tax revenues. Appropriations subject to limitation do not include (i) refunds of taxes, (ii) appropriations for debt service such as the Bonds, (iii) appropriations required to comply with certain mandates of the courts or the federal government, (iv) appropriations of certain special districts, (v) appropriations for all qualified capital outlay projects as defined by the legislature, (vi) appropriations derived from certain fuel and vehicle taxes and (vii) appropriations derived from certain taxes on tobacco products.

Article XIII B includes a requirement that all revenues received by an entity of government other than the State in a fiscal year and in the fiscal year immediately following it in excess of the amount permitted to be appropriated during that fiscal year and the fiscal year immediately following it shall be returned by a revision of tax rates or fee schedules within the next two subsequent fiscal years.

The City has never exceeded its appropriations limit. Because the issuance of the Bonds has been approved by the voters, the tax levy which is required to pay debt service on the Bonds is not subject to the limitations of Article XIII B.

Articles XIII C and XIII D of the State Constitution

On November 5, 1996, the voters of the State approved Proposition 218 ("Proposition 218"), known as the "Right to Vote on Taxes Act." Proposition 218 added to the California Constitution Articles XIII C and XIII D (respectively, "Article XIII C" and "Article XIII D") 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. Proposition 218 does not affect the levy and collection of taxes for voter-approved debt. However, Proposition 218 affects the City's finances in other ways. Article XIII C requires that all new local taxes be submitted to the electorate for approval before such taxes become effective. Taxes for general governmental purposes of the City require a majority vote and taxes for specific purposes require a two-thirds vote. Under Proposition 218, the City can only continue to collect taxes that were imposed after January 1, 1995 if voters subsequently approved such taxes by November 6, 1998. All of the City's local taxes subject to such approval have been either reauthorized in accordance with Proposition 218 or discontinued. The voter approval requirements of Article XIII C reduce the City's flexibility to manage fiscal problems through new, extended or increased taxes. No assurance can be given that the City will be able to raise taxes in the future to meet increased expenditure requirements.

In addition, Article XIII C also removes limitations on the initiative power in matters of reducing or repealing local taxes, assessments, fees or charges, subject to certain limitations imposed by the courts and additional limitations with respect to taxes levied to repay bonds. 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.

The State Constitution and the laws of the State impose a duty on the Board of Supervisors of the County to levy a property tax sufficient to pay debt service coming due with respect to the City's general obligation bonds in each year. The initiative power cannot be used to reduce or repeal the authority and obligation to levy such taxes which are pledged as security for payment of the City's general obligation bonds or to otherwise interfere with performance of the duty of the City with respect to such taxes which are pledged as security for payment of those bonds.

Article XIII D contains several provisions making it generally more difficult for local agencies, such as the City, to levy and maintain "assessments" (as defined in Article XIII D) for municipal services and programs. These provisions include, among other things, (i) a prohibition against assessments which exceed the reasonable cost of the proportional special benefit conferred on a parcel; (ii) a requirement that assessments must confer a "special benefit," as defined in Article XIII D, 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 party; and (iv) a prohibition against fees and charges which are used for general governmental services, including police, fire or library services, where the service is available to the public at large in substantially the same manner as it is to property owners. If the City is unable to continue to collect these revenues, the services and programs funded with these revenues would have to be curtailed and/or the City's General Fund might have to be used to support them. The City is unable to predict whether or not in the future it will be able to continue all existing services and programs funded by the fees, charges

and assessments in light of Proposition 218 or, if these services and programs are continued, which amounts, if any, would be used from the City's General Fund to continue to support these activities. Reductions in service levels could adversely affect the value of property within the City.

Proposition 62

Proposition 62 was adopted by the voters at the November 4, 1986, general election and (a) requires that any new or higher taxes for general governmental purposes imposed by local governmental entities such as the City be approved by a two-thirds vote of the governmental entity's legislative body and by a majority vote of the voters of the governmental entity voting in an election on the tax; (b) requires 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 of the governmental entity voting in an election on the tax; (c) restricts the use of revenues from a special tax to the purposes or for the service for which the special tax was imposed; (d) prohibits the imposition of ad valorem taxes on real property by local governmental entities except as permitted by Article XIII A; (e) prohibits the imposition of transaction taxes and sales taxes on the sale of real property by local governmental entities; and (f) requires that any tax imposed by a local governmental entity on or after August 1, 1985, be ratified by a majority vote of the voters voting in an election on the tax within two years of the adoption of the initiative or be terminated by November 15, 1988.

California appellate court cases have overturned the provisions of Proposition 62 pertaining to the imposition of taxes for general government purposes. However, in *Santa Clara County Local Transportation Authority v. Guardino*, 11 Cal. 4th 220 (1995) (the "Santa Clara decision"), the California Supreme Court upheld a Court of Appeal decision invalidating a one-half cent countywide sales tax for transportation purposes levied by a local transportation authority. The California Supreme Court based its decision on the failure of the authority to obtain a two-thirds vote for the levy of a "special tax" as required by Proposition 62. The Santa Clara decision did not address the question of whether it should be applied retroactively. In *McBrearty v. City of Brawley*, 59 Cal. App. 4th 1441 (1997), the Court of Appeal, Fourth District, concluded that the Santa Clara decision is to be applied retroactively to require voter approval of taxes enacted after the adoption of Proposition 62 but before the Santa Clara decision.

Certain matters regarding Proposition 62 were not addressed in the Supreme Court's decision, such as what remedies exist for taxpayers subject to a tax not in compliance with Proposition 62, and whether the decision applies to charter cities. The City has not experienced any substantive adverse financial impact as a result of the passage of this initiative.

Proposition 1A

Proposition 1A, proposed by the Legislature in connection with the State's fiscal year 2004-05 Budget, approved by the voters in November 2004 and generally effective in fiscal year 2006-07, provides 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 generally prohibits the State from shifting to schools or community colleges any share of property tax revenues allocated to local governments for any fiscal year, as set forth under the laws in effect as of November 3, 2004. Any change in the allocation of property tax revenues among local governments within a county must be approved by two-thirds of both houses of the Legislature. 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,

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. The State may also approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county.

Proposition 1A also provides that if the State reduces the motor vehicle license fee rate currently in effect, 0.65% of vehicle value, the State must provide local governments with equal replacement revenues. Further, Proposition 1A requires the State, beginning July 1, 2005, to suspend State mandates affecting cities, counties and special districts, excepting mandates relating to employee rights, schools or community colleges, in any year that the State does not fully reimburse local governments for their costs to comply with such mandates.

Proposition 1A may result in increased and more stable City revenues. The magnitude of such increase and stability is unknown and would depend on future actions by the State. However, Proposition 1A could also result in decreased resources being available for State programs. This reduction, in turn, could affect actions taken by the State to resolve budget difficulties. Such actions could include increasing State taxes, decreasing spending on other State programs or other action, some of which could be adverse to the City.

Proposition 22

Proposition 22 ("Proposition 22") which was approved by California voters in November 2010, prohibits the State, even during a period of severe fiscal hardship, from delaying the distribution of tax revenues for transportation, redevelopment, or local government projects and services and prohibits fuel tax revenues from being loaned for cash-flow or budget balancing purposes to the State General Fund or any other State fund. In addition, Proposition 22 generally eliminates the State's authority to temporarily shift property taxes from cities, counties, and special districts to schools, temporarily increase a school and community college district's share of property tax revenues, prohibits the State from borrowing or redirecting redevelopment property tax revenues or requiring increased pass-through payments thereof, and prohibits the State from reallocating vehicle license fee revenues to pay for State-imposed mandates. In addition, Proposition 22 requires a two-thirds vote of each house of the State Legislature and a public hearing process to be conducted in order to change the amount of fuel excise tax revenues shared with cities and counties. While Proposition 22 will not change overall State and local government costs or revenues by the express terms thereof, it will cause the State to adopt alternative actions to address its fiscal and policy objectives.

Due to the prohibition with respect to the State's ability to take, reallocate, and borrow money raised by local governments for local purposes, Proposition 22 supersedes certain provisions of Proposition 1A (2004). In addition, Proposition 22 supersedes Proposition 1A of 2006. Accordingly, the State is prohibited from borrowing sales taxes or excise taxes on motor vehicle fuels or changing the allocations of those taxes among local governments except pursuant to specified procedures involving public notices and hearings.

Proposition 26

On November 2, 2010, the voters approved Proposition 26 ("Proposition 26"), revising certain provisions of Articles XIII A and XIII C of the California Constitution. Proposition 26 re-categorizes many State and local fees as taxes, requires local governments to obtain two-thirds voter approval for taxes levied by local governments, and requires the State to obtain the approval of two-thirds of both houses of the State Legislature to approve State laws that increase taxes.

Furthermore, pursuant to Proposition 26, any increase in a fee beyond the amount needed to provide the specific service or benefit is deemed to be a tax and the approval thereof will require a two-thirds vote. In addition, for State-imposed charges, any tax or fee adopted after January 1, 2010 with a majority vote which would have required a two-thirds vote if Proposition 26 were effective at the time of such adoption is repealed as of November 2011 absent the re-adoption by the requisite two-thirds vote.

Proposition 26 amends Article XIIC of the State Constitution to state that a “tax” means a levy, charge or exaction of any kind imposed by a local government, except (a) a charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege; (b) a charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of providing the service or product; (c) a charge imposed for the reasonable regulatory costs to a local government for issuing licenses and permits, performing investigations, inspections and audits, enforcing agricultural marketing orders, and the administrative enforcement and adjudication thereof; (d) a charge imposed for entrance to or use of local government property or the purchase rental or lease of local government property; (e) 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, including late payment fees, fees imposed under administrative citation ordinances, parking violations, etc.; (f) a charge imposed as a condition of property development; or (g) assessments and property related fees imposed in accordance with the provisions of Proposition 218. Fees, charges and payments that are made pursuant to a voluntary contract that are not “imposed by a local government” are not considered taxes and are not covered by Proposition 26.

Proposition 26 applies to any levy, charge or exaction imposed, increased, or extended by local government on or after November 3, 2010. Accordingly, fees adopted prior to that date are not subject to the measure until they are increased or extended or if it is determined that an exemption applies.

If the local government specifies how the funds from a proposed local tax are to be used, the approval will be subject to a two-thirds voter requirement. If the local government does not specify how the funds from a proposed local tax are to be used, the approval will be subject to a 50% voter requirement. Proposed local government fees that are not subject to Proposition 26 are subject to the approval of a majority of the governing body. In general, proposed property charges will be subject to a majority vote of approval by the governing body although certain proposed property charges will also require approval by a majority of property owners.

Future Initiatives and Changes in Law

Articles XIIA, XIIB, XIIC and XIID and Propositions 22, 26, 62, 98, 111, 218 and 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 revenues of the City or the City’s ability to expend revenues. The nature and impact of these measures cannot be anticipated by the City.

On April 25, 2013, the California Supreme Court in *McWilliams v. City of Long Beach* (April 25, 2013, No. S202037), held that the claims provisions of the Government Claims Act (California Government Code Section 900 et. seq.) govern local tax and fee refund actions (absent another State statute governing the issue), and that local ordinances were without effect.

The effect of the McWilliams case is that local governments could face class actions over disputes involving taxes and fees. Such cases could expose local governments to significant refund claims in the future. The City cannot predict whether any such class claims will be filed against it in the future, the outcome of any such claim or its impact on the City.

See the section entitled “CITY FINANCES—State Budget and its Impact on the City” in Appendix A for information about the State’s fiscal year 2015-16 budget and a shift of local property revenues under Proposition 1A.

TAX MATTERS

General. In the opinion of Bond Counsel, under existing laws, regulations, rulings and judicial decisions, interest on the Bonds is excluded from gross income for federal income tax purposes. Bond Counsel is further of the opinion that interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that it is included in adjusted current earnings for purposes of the federal alternative minimum tax imposed on individuals and corporations. The opinions described in the preceding sentences assume the accuracy of certain representations and compliance by the City with covenants designed to satisfy the requirements of the Internal Revenue Code of 1986 (the “Code”) that must be met subsequent to the issuance of the Bonds. Failure to comply with such requirements could cause interest on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. The City will covenant to comply with such requirements. Bond Counsel has expressed no opinion regarding other federal tax consequences arising with respect to the Bonds. Bond Counsel is of the opinion that under existing laws, regulations, rulings and judicial decisions, interest on the Bonds is exempt from State of California personal income taxes.

The accrual or receipt of interest on the Bonds may otherwise affect the federal income tax liability of the owners of the Bonds. The extent of these other tax consequences will depend upon such owners’ particular tax status and other items of income or deduction. Bond Counsel has expressed no opinion regarding any such consequences. Purchasers of the Bonds, particularly purchasers that are corporations (including S corporations and foreign corporations operating branches in the United States), property or casualty insurance companies, banks, thrifts or other financial institutions, certain recipients of social security or railroad retirement benefits, taxpayers otherwise entitled to claim the earned income credit, or taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, should consult their tax advisors as to the tax consequences of purchasing or owning the Bonds.

Tax Treatment of Original Issue Discount and Premium. If the initial offering price to the public (excluding bond houses and brokers) at which a Bond is sold is less than the amount payable at maturity thereof, then such difference constitutes “original issue discount” for purposes of federal income taxes and State of California personal income taxes. If the initial offering price to the public (excluding bond houses and brokers) at which a Bond is sold is greater than the amount payable at maturity thereof, then the excess of the tax basis of a purchaser of such Bond (other than a purchaser who holds such Bond as inventory, stock in trade or for sale to customers in the ordinary course of business) over the principal amount of such Bond constitutes “original issue premium” for purposes of federal income taxes and State of California personal income taxes.

Under the Code, original issue discount is excludable from gross income for federal income tax purposes to the same extent as interest on the Bonds. Further, such original issue

discount accrues actuarially on a constant interest rate basis over the term of each such Bond and the basis of such Bond acquired at such initial offering price by an initial purchaser of each such Bond will be increased by the amount of such accrued discount. The Code contains certain provisions relating to the accrual of original issue discount in the case of purchasers of the Bonds who purchase such Bonds after the initial offering of a substantial amount thereof. Owners who do not purchase such Bonds in the initial offering at the initial offering prices should consult their own tax advisors with respect to the tax consequences of ownership of such Bonds. All holders of such Bonds should consult their own tax advisors with respect to the allowance of a deduction for any loss on a sale or other disposition to the extent that calculation of such loss is based on accrued original issue discount.

Under the Code, original issue premium is amortized for federal income tax purposes over the term of such a Bond based on the purchaser's yield to maturity in such Bonds, except that in the case of such a Bond callable prior to its stated maturity, the amortization period and the yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on such Bond. A purchaser of such a Bond is required to decrease his or her adjusted basis in such Bond by the amount of bond premium attributable to each taxable year in which such purchaser holds such Bond. The amount of bond premium attributable to a taxable year is not deductible for federal income tax purposes. Purchasers of such Bonds should consult their tax advisors with respect to the precise determination for federal income tax purposes of the amount of bond premium attributable to each taxable year and the effect of bond premium on the sale or other disposition of such a Bond, and with respect to the state and local tax consequences of owning and disposing of such a Bond.

Changes in Federal and State Tax Law. From time to time, there are legislative proposals in the Congress and in the various state legislatures that, if enacted, could alter or amend federal and state tax matters referred to above or adversely affect the market value of the Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value of the Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Bonds or the market value thereof would be impacted thereby. Purchasers of the Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Bonds and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any pending legislation, regulatory initiatives or litigation.

Form of Opinion. A copy of the proposed form of opinion of Bond Counsel is attached hereto as Appendix C. The statutes, regulations, rulings, and court decisions on which such opinions will be based are subject to change.

LEGAL OPINIONS

All legal matters in connection with the issuance of the Bonds are subject to the approval of Kutak Rock LLP, Irvine, California, as Bond Counsel. Kutak Rock LLP, Irvine, California, is also serving as Disclosure Counsel to the City. Certain legal matters are being passed upon for the City by the City Attorney.

NO LITIGATION

There is no action, suit or proceeding known to be pending or threatened, restraining or enjoining the issuance or delivery of the Bonds, the Resolution, or in any way contesting or affecting the validity of the foregoing or any proceedings of the City taken with respect to any of the foregoing. The City is not aware of any litigation pending or threatened questioning the political existence of the City or its powers, or contesting the City's ability to receive ad valorem taxes or to collect other revenues, or contesting the City's ability to issue and pay principal of or interest on the Bonds.

Although the City is subject to a number of lawsuits in the ordinary conduct of its affairs, including a number of actions that if successful would be payable from the City's General Fund. In the opinion of the City Attorney, there are no claims or actions, threatened or pending, which, if determined against the City, would impair the ability of the City to make debt service payments or otherwise meet its General Fund debt obligations, or which would materially impair the City's ability to fund current operations.

AUDITED FINANCIAL STATEMENTS

The comprehensive annual financial report of the City for the year ended June 30, 2020, included as Appendix B to this Official Statement, have been audited by Glenn Burdette, San Luis Obispo, California (the "Auditor"), the City's independent auditor, as stated in their report appearing herein. In connection with the inclusion of such financial statements and the report of the Auditor thereon, the City did not request the Auditor to, and the Auditor has not undertaken to, update its report or to take any action intended or likely to elicit information concerning the accuracy, completeness or fairness of the statements made in this Official Statement, and no opinion is expressed by the Auditor with respect to any event subsequent to the date of its report.

CONTINUING DISCLOSURE

The City has covenanted for the benefit of the owners of the Bonds to annually provide certain financial information and operating data relating to the Bonds to the Municipal Securities Rulemaking Board by not later than April 1 (such date, the "Annual Report Filing Deadline") after the end of each fiscal year of the City (currently June 30) (such information and data, the "Annual Report") commencing for fiscal year 2014-15 and to provide notices of the occurrence of certain enumerated events so long as the Bonds are outstanding. If the Annual Report Filing Deadline falls on a non-business day, then the Annual Report will be submitted on the next regularly scheduled business day. The Annual Report and notices of events will be filed by the City with the Municipal Securities Rulemaking Board (the "MSRB"), as repository, and in accordance with the requirements of the Rule.

The above covenants with respect to continuing disclosure have been made in order to assist the Underwriter in complying with Securities Exchange Commission Rule 15c2-12(b)(5). The specific nature of the information to be contained in the Annual Report or the notices of enumerated events is set forth in "APPENDIX D—FORM OF CONTINUING DISCLOSURE CERTIFICATE," attached to this Official Statement.

Previous Undertakings. In the past five years, [DISCLOSURE TO COME].

Future Undertakings. The City believes that it has implemented sufficient policies and procedures in order to ensure the timely and correct filing of future Annual Reports and notices of

enumerated events required under its existing continuing disclosure obligations, including the obligation pertaining to the Bonds. To assist it in meeting its continuing disclosure obligations, the City has retained A. M. Peché & Associates LLC, as its dissemination agent for the Bonds.

MUNICIPAL ADVISOR

A. M. Peché & Associates LLC, :Lathrop, California (the “Municipal Advisor”) served as Municipal Advisor to the City with respect to the sale of the Bonds. The Municipal Advisor assisted the City in matters relating to the planning, structuring, and sale of the Bonds and review of this Official Statement and will receive compensation contingent upon the sale and delivery of the Bonds. The Municipal Advisor has not independently verified any of the data contained in this Official Statement or conducted a detailed investigation of the affairs of the City to determine the accuracy or completeness of this Official Statement. The Municipal Advisor provides financial advisory services and does not engage in the underwriting, marketing, or trading of municipal securities or other negotiable instruments.

The Municipal Advisor has provided the following sentence for inclusion in this Official Statement: “The Municipal Advisor has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to the City and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Municipal Advisor does not guarantee the accuracy or completeness of such information.”

PROFESSIONAL FEES

In connection with the execution and delivery of the Bonds, fees payable to Bond Counsel, Disclosure Counsel, the Municipal Advisor and the Paying Agent are contingent upon the execution and delivery of the Bonds.

RATING

Upon issuance of the Bonds, S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC (“S&P”) will assign the Bonds a rating of “___.” Such rating reflects only the views of the ratings agency and any desired explanation of the significance of such ratings should be obtained from S&P at the following address: Standard & Poor’s, a Standard & Poor’s Financial Services LLC business, 45th Floor, 55 Water Street, New York, New York 10041. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance that any rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by such rating agency, if, in the judgment of such rating agency, circumstances so warrant. The City undertakes no responsibility to oppose any such revision or withdrawal. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

UNDERWRITING

Under the terms of a competitive bid held on January _____, 2022 _____ (the “Underwriter”) has agreed to purchase the Bonds at a price of \$_____ (which is equal to the aggregate principal amount of the Bonds (\$_____)), plus/less a net original issue premium/discount of \$_____, less an Underwriter’s discount of \$_____). The obligations of the Underwriter are subject to certain conditions precedent set forth in the “Official Notice of Sale,” including the approval of certain legal matters by counsel and certain other conditions, and the Underwriter will be obligated to purchase all Bonds if any

are purchased. The Underwriter intends to offer the Bonds to the public initially at the prices and/or yield 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 reallocate any such discounts on sales to other dealers.

In reoffering Bonds to the public, the Underwriter may over allocate 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.

The Underwriter and its affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, investment management, principal investment, hedging, financing and brokerage activities. The Underwriter and its respective affiliates have, from time to time, performed, and may in the future perform, various investment banking services for the City for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriter and its affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the City.

MISCELLANEOUS

Quotations from and summaries and explanations of the California Government Code, other applicable legislation, the Resolution, the City, agreements and other documents referenced herein, do not purport to be complete, and reference is made to said documents, constitutional provisions and statutes for full and complete statements of their provisions. Prospective purchasers of the Bonds are advised to refer to such documents, provisions, and reports for full and complete statements of their contents. 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 be realized. This Official Statement is not to be construed as a contract or agreement between the City and the purchasers or Owners of any of the Bonds.

Some of the data contained herein has been taken or constructed from City records. Appropriate officials of each of the City, acting in their official capacities, have reviewed this Official Statement and have determined that, as of the date hereof, the information contained herein is, to the best of their knowledge and belief, true and correct in all material respects and does not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made herein, in light of the circumstances under which they were made, not misleading.

EXECUTION

The execution of this Official Statement and its delivery have been approved by the City Council.

CITY OF GROVER BEACH

By _____
_____, City Manager

APPENDIX A

CERTAIN INFORMATION CONCERNING THE CITY OF GROVER BEACH

This Appendix A to the Official Statement of the City of Grover Beach, California (the “City”) covers general information about the City’s governance structure, budget processes, and tax and revenue sources, City expenditures, labor relations, employment benefits and retirement costs, and investments, bonds, and other long-term obligations.

The various reports, documents, websites and other information referred to herein are not incorporated herein by such references. The City has referred to certain specified documents in this Appendix A, including financial information, concerning the City is available from the City’s publications, websites and its departments. Any such information that is inconsistent with the information set forth in this Official Statement should be disregarded and is not a part of or incorporated into this Appendix A. The information contained in this Official Statement, including this Appendix A, speaks only as of its date, and the information herein is subject to change. Prospective investors are advised to read the entire Official Statement to obtain information essential to the making of an informed investment decision.

Introduction

The City is located in San Luis Obispo County (the “County”) along the central coast of California (the “State”), 92 miles north of Santa Barbara and 150 miles south of Monterey, midway between San Francisco and Los Angeles. The City encompasses a total area of approximately 2.25 square miles and is contiguous with the Pismo Beach area, which is visited annually by a substantial number of tourists seeking to enjoy the area’s moderate climate, beautiful ocean views and sunsets, fine restaurants, and the relaxing atmosphere unique to coastal communities. According to the California Department of Finance, the City had a population of 13,128 as of January 1, 2021. The total assessed valuation of taxable property in the City in fiscal year 2021-22 is approximately \$1,962,334,679.

Population

Population figures for the City, the County and the State for the last five years are shown in the following table.

**City of Grover Beach
Population Estimates As of January 1**

Year	City of Grover Beach	County of San Luis Obispo	State of California
2017	13,465	278,361	39,352,398
2018	13,415	278,250	39,519,535
2019	13,304	277,850	39,605,361
2020	13,204	276,818	39,648,938
2021	13,128	271,172	39,466,855

Source: California State Department of Finance, Demographic Research Unit
(estimates as of January 1)

City Government

The City was founded in 1887 and incorporated as a City in 1959. The City operates under a council-manager form of government. Policy making and legislative authority are vested in a city council (the “City Council”), consisting of the Mayor and four other Council Members, who are elected on at-large, on a city-wide basis. The City Council is responsible, among other matters, for passing ordinances, adopting the City budget, appointing committees, and hiring the City Manager and City Attorney. The City Manager is responsible for carrying out the policies and ordinances of the City Council, daily administration of City affairs, preparation and submission of the annual budget to the City Council for approval, for appointing the City Clerk and other employees, and otherwise managing daily operations of the City.

The members of the City Council and their terms of office are shown below:

City Council Member	Term Expires
Jeff Lee, Mayor	December 2022
Karen Bright, Mayor Pro Tem	December 2024
Anna Miller, Councilmember	December 2024
Robert Robert, Councilmember	December 2022
Daniel Rushing, Councilmember	December 2022

The City provides a full range of municipal services including police protection and fire protection with a joint powers authority; construction and maintenance of City streets, sanitary services, water system, storm drains, bridges and other infrastructure assets; and park maintenance, and community recreation activities. In terms of business type activities, the City provides water, wastewater and storm water collection services through operation of its “utility enterprises.”

City Manager

Matthew Bronson serves as City Manager for the City of Grover Beach, California and was appointed by the Grover Beach City Council in May 2016. Mr. Bronson oversees the day-to-day operations for the City organization with a total budget of \$35 million and a workforce of approximately 80 employees. Mr. Bronson has nearly 25 years of local government experience working for cities and counties in California and North Carolina. Prior to Grover Beach, Mr. Bronson served as Assistant City Manager for the City of San Mateo, California where he provided support to the City Council and City Manager on special projects and oversaw the City’s economic development, sustainability, communications, volunteer engagement, and downtown parking and maintenance programs. He previously served in the County Administrator’s Office in Marin County, California and the City Manager’s Office and Budget and Evaluation Office in the City of Charlotte, North Carolina.

Mr. Bronson has an undergraduate degree in environmental policy from the University of California, Davis and a master’s degree in public administration from the University of North Carolina at Chapel Hill. He is a credentialed manager and member of the International City/County Management Association (ICMA) and serves on the Cal-ICMA Ethics Committee and Davenport Institute for Public Engagement and Civic Leadership Advisory Council. On a local level, Mr. Bronson is a member of the Grover Beach/Five Cities Rotary Club and also serves as Treasurer of the Board of Directors for the San Luis Obispo County YMCA and President of the Board of Directors for the Arroyo Grande Valley Little League.

Labor Relations

As of June 30, 2021, the City employed approximately 67 full-time equivalent budgeted employees. There are two employee labor unions and three required employee groups as shown below. The City has not experienced any work stoppages or strikes by its employees.

City of Grover Beach Labor Relations

Labor Organization	Employees	Contract Expiration Date
Service Employees International Union Local	19	June 30, 2024
Police Officers Association	22	June 30, 2024
Management and Confidential Employees	10	June 30, 2024
Grove Beach Police Management and Confidential Employees Group	4	June 30, 2024
Executive Management	6	June 30, 2024

Source: City of Grover Beach

CITY FINANCIAL INFORMATION

Accounting Policies and Financial Reporting

The accounts of the City are organized on the basis of funds and account groups, to account for different activities. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which the spending activities are controlled. The City's general fund and other governmental fund types use the modified accrual basis of accounting. All of the City's other funds, including proprietary fund types and fiduciary fund types use the accrual basis of accounting. The basis of accounting for all funds is more fully explained in the "Notes to the Financial Statements" contained in Appendix B hereto.

The City Council contracts with 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, all its funds and the funds of certain other component entities of the City are audited annually by a certified public accounting firm. The firm of Glenn Burdette, San Luis Obispo, California, is the City's current auditor (the "Auditor"). The annual comprehensive financial report of the City for fiscal year 2020-21 is attached hereto as Appendix B. 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 Governmental Accounting Standards Board (“GASB”) published its Statement No. 34 “Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments” on June 30, 1999. Statement No. 34 provides guidelines to auditors, state and local governments and special purpose governments such as school districts and public utilities, on new requirements for financial reporting for all governmental agencies in the United States. Generally, the basic financial statements and required supplementary information should include (a) Management’s Discussion and Analysis; (b) government-wide financial statements prepared using the economic measurement focus and the accrual basis of accounting and fund financial statements prepared using both the current financial resources measurement focus and the modified accrual method of accounting (governmental funds) and funds using the economic measurement focus and the accrual basis of accounting (proprietary funds); and (c) required supplementary information. The City’s financial statements are prepared in conformance with the requirements of Statement No. 34.

Budgetary Process and Administration

The City employs a one-year budget process. Annual budgets are adopted on a business consistent with accounting principles generally accepted in the United States of America for governmental funds. The City’s budget ordinance requires that by June 1 each year, the City Manager must submit a preliminary budget that includes projected expenditures and the means of financing them, to the City Council for the fiscal year commencing the following July 1. As modified during public study sessions, the preliminary budget becomes the proposed budget. Following public hearings on the proposed budget, the final annual budget is adopted by the City Council in June the next fiscal year. After adoption of the final budget, transfers of appropriations within a general fund department, or within other funds, can be made by the City Manager. Budget modifications between funds; increases or decreases to a fund’s overall budget; transfers between general fund departments; or transfers that affect capital projects, must be approved by the City Council. Numerous properly authorized amendments are made during the fiscal year.

Revenues and expenditures relating to the City’s general governmental operations are budgeted and accounted for in the City’s general fund, including public safety, health and welfare, culture and recreation, community development, housing and economic development and the Local Transportation Fund, including highways and streets and other transit related costs. General taxes and fees support most of these activities. The “business” or proprietary activities of the City are accounted for in each of two enterprise funds, which include those established for water, sewage treatment, pumping stations, and collection systems. These activities are intended to be completely or largely self-supporting through user fees and charges. The City does make annual transfers from the water and wastewater utility enterprises to the City’s General Fund as part of the indirect cost allocation for such utility enterprises to the City. In Fiscal Year 2020-21 such General Fund transfer totaled \$486,000 in amount and such General Fund transfers are expected to increase in amount by a factor of the Consumer Price Index (“CPI”) each year.

The balance of this Appendix is concerned with the operations and performance of the City’s General Fund, unless otherwise noted.

Comparative Financial Statements

The following tables provide the City’s (i) comparative General Fund balance sheet from fiscal year 2016-17 through fiscal year 2020-21 (unaudited), and (ii) its comparative General Fund revenues, expenditures, transfers, and ending fund balances from fiscal year 2016-17 through fiscal year 2019-20 (audited actuals) and for fiscal 2020-21 (unaudited actuals).

**City of Grover Beach
General Fund Balance Sheet
(as of June 30)**

	Audited Actual FY 2016-17	Audited Actual FY 2017-18	Audited Actual FY 2018-19	Audited Actual FY 2019-20	Unaudited Actual FY 2020-21
Assets:					
Cash and Investments	\$3,789,137	\$2,033,360	\$2,666,412	\$2,470,437	\$6,029,776
Accounts Receivable	589,933	550,445	854,227	1,295,885	1,252,979
Interest Receivable	7,121	--	6,916	8,056	3,996
Loans Receivable	--	100,000	--	--	--
Advance Receivable	579,767	124,598	99,598	--	--
Prepaid Expense	--	--	--	84,503	1,211
Due From Funds	--	390,309	526,030	1,361,447	786,873
Deposits	<u>1,612</u>	<u>1,612</u>	<u>1,612</u>	<u>1,612</u>	<u>1,612</u>
Total Assets	<u>\$4,967,570</u>	<u>\$3,200,324</u>	<u>\$4,154,795</u>	<u>\$5,221,940</u>	<u>\$8,076,447</u>
Liabilities and Fund Balances:					
Liabilities:					
Accounts Payable	\$150,411	\$192,155	\$291,342	\$236,428	\$269,622
Accrued Wages	326,437	301,810	215,980	335,324	448,440
Deferred Revenue	--	--	--	--	--
Advances Payable	1,435,656	1,435,656	1,435,656	1,361,058	1,386,059
Unearned Revenue	--	--	--	--	<u>1,921,282</u>
Total Liabilities:	<u>1,912,504</u>	<u>1,929,621</u>	<u>1,942,978</u>	<u>1,932,810</u>	<u>4,025,403</u>
Deferred Inflows of Resources:					
Unavailable Revenue	--	--	--	<u>20,000</u>	--
Total Deferred Inflows of Resources	<u>--</u>	<u>--</u>	<u>--</u>	<u>20,000</u>	<u>--</u>
Fund Balances:					
Nonspendable:					
Prepaid Expenses	--	--	--	84,503	1,211
Deposits	1,612	1,612	1,612	1,612	1,612
Advance Receivable	--	--	--	--	--
Unassigned	<u>3,053,454</u>	<u>1,269,091</u>	<u>2,210,205</u>	<u>3,183,015</u>	<u>4,048,221</u>
Total Fund Balances	<u>3,055,066</u>	<u>1,270,703</u>	<u>2,211,817</u>	<u>3,269,130</u>	<u>4,051,044</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 4,967,570</u>	<u>\$ 3,200,324</u>	<u>\$4,154,795</u>	<u>\$5,221,940</u>	<u>\$8,076,447</u>

Source: City of Grover Beach, Comprehensive Annual Financial Reports for 2016-17 through 2020-21 (unaudited)

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City of Grover Beach
Statement of General Fund Revenues, Expenditures and Ending Fund Balances*
(as of June 30)
(dollar amounts in thousands)

	Audited Actual FY 2016-17	Audited Actual FY 2017-18	Audited Actual FY 2018-19	Audited Actual FY 2019-20	Unaudited Actual FY 2020-21
Revenues:					
Taxes	\$7,452,828	\$7,576,246	\$9,366,497	\$10,819,559	\$12,708,557
Licenses, Permits, and Fees	258,201	295,736	430,005	406,479	335,682
Intergovernmental	43,570	40,746	33,644	616,825	340,446
Charges for Services	555,269	713,471	901,242	719,208	624,174
Fines and Forfeitures	79,365	71,626	62,378	57,198	40,845
Use of Money and Property	274,969	267,755	332,493	207,783	72,378
Other	<u>240,725</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Total Revenues	<u>8,904,927</u>	<u>8,965,580</u>	<u>11,126,259</u>	<u>12,827,052</u>	<u>14,122,082</u>
Expenditures:					
General Government	1,951,745	2,518,969	2,589,635	3,056,601	4,210,209
Public Safety	5,257,867	5,630,062	5,661,193	6,659,519	7,165,935
Community Development	520,060	540,375	510,706	572,510	547,071
Public Works	1,037,853	1,026,392	1,216,099	1,243,857	1,202,725
Parks and Recreation	362,344	432,830	430,558	412,190	327,463
Capital Outlay	639,849	1,124,647	596,619	241,235	81,186
Debt Service:					
Principal	23,130	45,169	142,695	139,627	142,171
Interest	<u>2,490</u>	<u>2,258</u>	<u>12,737</u>	<u>15,805</u>	<u>12,449</u>
Total Expenditures	<u>9,795,338</u>	<u>11,320,702</u>	<u>11,160,242</u>	<u>12,341,344</u>	<u>13,689,209</u>
Excess of Revenues Over (Under) Expenditures	<u>(890,411)</u>	<u>(2,355,122)</u>	<u>(33,983)</u>	<u>485,708</u>	<u>432,873</u>
Other Financing Sources (Uses):					
Long-Term Debt Issued	--	99,227	434,614	--	--
Transfers In ¹	566,979	471,532	540,483	571,605	578,000
Transfers Out	<u>(80,010)</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>(228,959)</u>
Total Other Financing Sources (Uses)	<u>486,969</u>	<u>570,759</u>	<u>975,097</u>	<u>571,605</u>	<u>349,041</u>
Net Change in Fund Balance	(403,442)	(1,784,363)	941,114	1,057,313	781,914
Fund Balances – July 1	<u>3,458,508</u>	<u>3,055,066</u>	<u>1,270,703</u>	<u>2,211,817</u>	<u>3,269,130</u>
Fund Balances –June 30	<u>\$3,055,066</u>	<u>\$1,270,703</u>	<u>\$2,211,817</u>	<u>\$3,269,130</u>	<u>\$4,051,044</u>

* Totals may not add due to rounding.

¹ Generally consists of the annual transfers from the water and wastewater utility enterprises to the City's General Fund as part of the indirect cost allocation for such utility enterprises to the City.

Source: City of Grover Beach Comprehensive Annual Financial Reports; City of Grover Beach for 2020-21 Unaudited numbers

City Reserve Policy

Pursuant to the City's financial policies, the City has set a minimum overall reserve level of 20% of its operating expenditures. Such reserves are generally held as: (a) a general contingency equal to 5% of City operating expenditures, held to provide funding to meet operational appropriation requirements in the event of minor or routine anticipated increases in expenditures, with any transfer of funds from the such general contingency occurring only after City Council approval of an amendment to the City's annual appropriation resolution; (b) a general reserve equal to 10% of City operating expenditures, held to provide funding to meet operation appropriation requirements in the event that the City experiences shortfalls in the collection of General Fund revenues or major unanticipated increases in expenditures, with any transfer of funds from the such general reserve occurring only after City Council approval of an amendment to the City's annual appropriation resolution; and (c) an emergency reserve equal to at least 5% of City operating expenditures, held to provide emergency funding as a result of a declared emergency, or to fund an unanticipated urgent event affecting or threatening the public health, safety, and welfare of the City, with any transfer of funds from the such emergency reserve

occurring only after City Council approval of an amendment to the City’s annual appropriation resolution and after the City Council makes an appropriate finding of emergency conditions. The City has set, as a fiscal goal, its intention to build the emergency reserve to equal one year of collections of its then-largest revenue source (which source is currently Property Tax revenue). See “—General Fund Revenues” below. The projected City General Fund cash balance as of June 30, 2022 is anticipated to be approximately \$4,608,684, or reflecting an overall reserve level of approximately 32% of the City’s annual appropriation of \$14,925,454.

General Fund Revenues

A majority of the City’s General Fund revenues come from ad valorem taxes levied on behalf of the City upon all property subject to taxation by the City. See “TAX BASE FOR PAYMENT OF BONDS” herein. In addition to property taxes, the City has several other major tax and fee revenue sources, as described below. The following table summarizes the City’s actual general fund revenues from fiscal year 2016-17 through fiscal 2020-21.

City of Grover Beach General Fund Revenues (as of June 30)

	Actual FY 2016-17	Actual FY 2017-18	Actual FY 2018-19	Actual FY 2019-20	Unaudited FY 2020-21
Property Taxes	\$2,997,366	\$3,090,022	\$3,301,905	\$3,427,351	\$3,561,370
Sales Tax	2,221,417	2,188,629	2,657,246	2,904,437	3,846,966
Cannabis Tax	0	16,359	953,342	1,936,729	2,424,914
Business Tax Certificate	86,869	88,363	149,528	165,533	154,560
Hotel Tax	368,672	371,169	433,249	433,460	580,423
Utility Users Tax	163,041	162,653	169,493	172,593	184,866
Vehicle In-Lieu	1,159,419	1,218,254	1,295,802	1,359,955	1,423,505
Parking Fines	51,327	45,126	26,249	20,054	18,278
Subtotal	<u>7,048,111</u>	<u>7,180,575</u>	<u>8,986,814</u>	<u>10,420,112</u>	<u>12,194,882</u>
Other Revenues	<u>2,333,796</u>	<u>2,249,095</u>	<u>2,775,526</u>	<u>2,978,545</u>	<u>2,505,200</u>
Total	<u>\$9,381,907</u>	<u>\$9,429,670</u>	<u>\$11,762,340</u>	<u>\$13,398,657</u>	<u>\$14,700,082</u>

Source: City of Grover Beach

Sales and Use Tax. The sales tax is an excise tax imposed on retailers for the privilege of selling or leasing tangible personal property. The use tax is an excise tax imposed for the storage, use, or other consumption of tangible personal property purchased from any retailer. The total sales tax rate within the City is currently 8.75%, which includes a one-half percent sales tax increase approved by a majority of voters in the City at a November 7, 2006 election and a one percent sales tax increase approved by a majority of voters in the City at the November 3, 2020 election that is collected and distributed by the Board of Equalization to the City. The proceeds of sales and uses taxes imposed within the City are distributed by the State to various agencies, with the City receiving 1.0% of the amount collected.

Collection of the sales and use tax is administered by the California State Board of Equalization. Under its procedures, the State Board of Equalization 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 State

Board of Equalization's quarterly projection. During the last month of each quarter, the State Board of Equalization adjusts the amount remitted to reflect the actual receipts of the sales and use tax for the previous quarter. The Board of Equalization 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.

Factors that have historically affected sales tax revenues include the overall economic growth of the City, County, competition from neighboring cities, the growth of specific industries within the City, employment levels within the City, the City's business attraction and retention efforts, and catalog and Internet sales. In fiscal year 2020-21, revenues from sales and use taxes increased by 32.5% (\$3,846,966) from fiscal year 2019-20 (\$2,904,437). See also "—Commercial Activity" below.

Cannabis Tax. The City started collecting cannabis tax revenue in 2018 and it is already the City's third largest tax revenue generator in the General Fund at 12%. Cannabis tax revenue has increased significantly over the past four years increasing from \$16,000 in the first year of collection to over \$2.4 million in FY 2020-21. The industry has a degree of uncertainty as cannabis businesses begin operating in nearby cities and the industry in general continues to face significant pressure from an illegal market that is not taxed or regulated.

Utility Users Tax. The City imposes a 1% tax on users of gas, electricity, telephone and water. Some of the factors affecting this revenue stream include consumer demand for these utilities, legislative and regulatory action, rate changes, and the evolution of technology. In fiscal year 2020-21, revenues from utility users taxes increased by 7.1% (\$184,866) from fiscal year 2019-20 (\$172,593).

Business Tax Certificate. The City requires all businesses within the City to obtain a business tax certificate for each business location and/or type of business. The annual tax is determined based on the square footage of the business located in Grover Beach. Business located outside of the City are required to pay a minimum tax of \$64 per year with the exception of vending machines which are based on gross receipts and apartments which are based on the number of dwelling units. The overall revenue from this tax is dependent on the number of license renewals each year and the growth of businesses and industries within the City. In fiscal year 2020-21, revenues from the business license tax decreased by 6.6% (\$154,560) from fiscal year 2019-20 (\$165,533). This was mainly due to business impacts from the pandemic.

Property Transfer Tax. The City collects \$0.55 per \$1,000 on the value of any documented sale or transfer of real property within the City. The tax is due when the transfer is recorded with the County. Title companies collect the tax as part of the sale closing process and remit the funds to the County when sales or transfers are finalized. The County remits the amounts due monthly, and the amounts are credited to the general fund. In fiscal year 2020-21, revenues from the property transfer tax increased by 67% (\$103,403) from fiscal year 2019-20 (\$61,768).

Vehicle In Lieu Fees. Vehicle license fees ("VLF") imposed for the operation of vehicles on state highways are collected by the State Department of Motor Vehicles in lieu of personal property taxes on vehicles. In connection with the offset of the VLF, the State Legislature authorized appropriations from the State General Fund to "backfill" the offset so that local governments, which receive all of the vehicle license fee revenues, would not experience any loss of revenues. The legislation that established the VLF offset program also provided that if there

were insufficient State General Fund moneys to fully “backfill” the VLF offset, the percentage offset would be reduced proportionately (i.e., the license fee payable by drivers would be increased) to assure that local governments would not be underfunded.

As part of the 2004 Budget Act negotiations, an agreement was made between the State and local government officials under which the VLF rate was permanently reduced from 2% to 0.65%. In order to protect local governments, the reduction in VLF revenue to cities and counties from this rate change was replaced by an increase in the amount of property tax they receive. Commencing in fiscal year 2004-05, local governments began to receive their full share of replacement property taxes, and those replacement property taxes now enjoy constitutional protection against certain transfers by the State because of the approval of Proposition 1A at the November 2004 election.

As a part of its fiscal year 2009-10 budget, California increased the vehicle license fee from 0.65% to 1.15% for registration fees due on or after the May 19, 2009 special election. This provision expired on July 1, 2011. On July 1, 2011, vehicle license fees returned to 0.65%. In fiscal year 2020-21, the City’s revenues from VLF increased by 4.7% (\$1,423,505) from fiscal year 2019-20 (\$1,359,955). The City is unaware of any current State legislative efforts likely to increase VLF fees in the future.

Other Revenues. The City also collects additional general fund revenues from franchise fees, transient occupancy taxes (TOT), and other more minor sources. In fiscal year 2020-21, TOT revenues increased by 34% (\$580,423) from fiscal year 2019-20 (\$433,460) mainly due to the new short-term rental ordinance that was passed by the City. Franchise fees increased by 3% (\$600,228) from fiscal year 2019-20 (585,035) and is expected to increase by an additional \$100,000 in FY 2021-22 that includes the new fiber optic cable.

State Budget and Its Impact on the City

A portion of the City’s revenues come in the form of intergovernmental transfers from the State government. Thus, the City’s fiscal situation is affected by the health of the local real estate market, the local business and tourist economy, and by budgetary decisions made by the State which depend, in turn, on the health of the larger State economy. Additionally, the fact that the City’s annual budget is adopted before the State budget adds uncertainty to the budget process and necessitates flexibility so that spending decisions can be adjusted during the course of the fiscal year.

The City cannot predict what actions will be taken in the future by the California Legislature and the Governor to deal with changing State revenues and expenditures. It is anticipated that there could be additional future legislation which addresses State general fund reserve levels and/or liabilities, and in such event the City cannot currently predict what the impact, if any, of actions by the State. Given the magnitude of the State’s budgetary deficits from time to time, and prior practices by the Legislature, it is possible that future legislation will impact revenues of the City.

Information about the fiscal year 2021-22 State budget and other State budgets is regularly available at various State-maintained websites. An impartial analysis of the budget is posted by the Legislative Analyst Office at www.lao.ca.gov. In addition, various State official statements, many of which contain a summary of the current and past State budgets, may be found at the website of the State Treasurer, www.treasurer.ca.gov. The information referred to in this paragraph is prepared by the respective State agency maintaining each website and not by

the City, and the City takes no responsibility for the continued accuracy of the Internet addresses or for the accuracy or timeliness of information posted there, and such information is not incorporated in this Official Statement by these references.

Retirement Programs

The following information regarding CalPERS, the Safety (Police) Plan, the Safety (Police) PEPRA Plan, the Safety (Fire) Plan, the Safety (Fire) PEPRA Plan, the Miscellaneous Employee Plan, and the Miscellaneous Employee PEPRA Plan (as all are defined herein), other than the information provided by the City regarding its annual contributions thereto, has been obtained from publicly available sources which are believed to be reliable but are not guaranteed as to accuracy or completeness, and should not to be construed as a representation by the City.

Full-time City employees are members of the California Public Employees' Retirement System ("CalPERS"). CalPERS acts as the common investment and administrative agent for participating public entities within the State of California, providing retirement benefits, annual cost-of-living adjustments, and death benefits to employee plan members and their beneficiaries. Benefit provisions are established by the State statutes, as legislatively amended from time to time. CalPERS operates a number of retirement plans, including (a) the CalPERS 3% at 50 Risk Pool Retirement Plan (the "Safety (Police) Plan"); (b) the CalPERS 2.7% at 57 Risk Pool Retirement Plan (the "Safety (Police) PEPRA Plan"); (c) the CalPERS 2% at 55 Risk Pool Retirement Plan (the "Safety (Fire) Plan"); (d) the CalPERS 1/2% at 55 Risk Pool Retirement Plan (the "Safety (Fire) PEPRA Plan"); (e) the CalPERS 2% at 55 Risk Pool Retirement Plan (the "Miscellaneous Employee Plan"); and (f) the CalPERS 2% at 62 Risk Pool Retirement Plan (the "Miscellaneous Employee PEPRA Plan"), which are the six multiple-employer defined benefit retirement plans in which the City participates. Employees participating in such defined benefit retirement plans generally become fully vested in their retirement benefits earned to date after five years of credited service.

Contributions by employer members to the defined benefit retirement plans are based upon actuarial rates determined annually, and contributions by members may vary based upon their date of hire. The City is currently required to contribute to CalPERS with respect to (a) the Safety (Police) Plan at an actuarially determined rate, which is 21.746% of eligible salary expenditures for fiscal year 2020-21; (b) the Safety (Police) PEPRA Plan at an actuarially determined rate, which is 13.044% of eligible salary expenditures for fiscal year 2020-21; (c) the Safety (Fire) Plan at an actuarially determined rate, which is 0.0% of eligible salary expenditures for fiscal year 2020-21; (d) the Safety (Fire) PEPRA Plan at an actuarially determined rate, which is 0.0% of eligible salary expenditures for fiscal year 2020-21; (e) the Miscellaneous Employee Plan at an actuarially determined rate, which is 12.361% of eligible salary expenditures for fiscal year 2020-21; and (f) the Miscellaneous Employee PEPRA Plan at an actuarially determined rate, which is 7.732% of eligible salary expenditures for fiscal year 2020-21. The employee participants' portion of contributions with respect to (i) the Safety (Police) Plan is 12% of eligible salary expenditures; (ii) the Safety (Police) PEPRA Plan is 13% of eligible salary expenditures; (iii) the Safety (Fire) Plan is 0.0% of eligible salary expenditures; (iv) the Safety (Fire) PEPRA Plan is 0.0% of eligible salary expenditures; (v) the Miscellaneous Employee Plan is 8.0% of eligible salary expenditures; and (vi) the Miscellaneous Employee PEPRA Plan is 6.75% of eligible salary expenditures, none which is paid by the City on behalf of each eligible employee.

In Fiscal Year 2019-20, the City's aggregate annual contribution to CalPERS was \$1,090,101.25, for Fiscal Year 2020-21 the City's aggregate annual contribution to CalPERS was \$1,206,570 and for Fiscal Year 2021-22 the City's aggregate annual contribution to CalPERS is

budgeted to be \$1,823,122. In each such year such contributions were equal to 100% of the required contributions.

For further information about the City's contributions to CalPERS, see "APPENDIX B—COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR YEAR ENDED JUNE 30, 2020—Notes to Basic Financial Statements, Note 7, Pension Plans" herein.

CalPERS issues a separate comprehensive financial report that includes financial statements and required supplemental information. Copies of such financial report may be obtained from CalPERS from its executive office at Post Office Box 942703, Sacramento, California 94229-2703. Moreover, CalPERS maintains a website, at www.calpers.ca.gov. However, the information presented in such financial reports or on such websites is not incorporated into this Official Statement by any reference.

CalPERS has a substantial statewide unfunded liability. The amount of this unfunded liability and its effects upon a given risk pool will vary depending on actuarial assumptions, returns on investments, salary scales and participant contributions. In recent years, the Legislature of the State and the CalPERS Board of Administration (the "CalPERS Board") have each taken steps, as described below, intended to reduce the amount of the unfunded accrued actuarial liability of CalPERS plans, including the plans in which the City participates as described above.

On March 14, 2012, the PERS Board of Administration (the "PERS Board") voted to lower the CalPERS' rate of expected price inflation and its investment rate of return (net of administrative expenses) (the "CalPERS Discount Rate") from 7.75% to 7.5%. As one consequence of such decrease, the annual contribution amounts paid by CalPERS member public agencies, including the City, increased by 1 to 2% for miscellaneous plans and by 2 to 3% for safety plans beginning in Fiscal Year 2013-14. On December 21, 2016, the CalPERS Board voted to further, incrementally lower the CalPERS Discount Rate from 7.5% to 7.0%, beginning in the Fiscal Year 2018-19 for public agencies, as follows: (a) in Fiscal Year 2018-19 the rate shall be 7.375%, (b) in Fiscal Year 2019-20 the rate shall be 7.25%, and (c) in Fiscal Year 2020-21 and thereafter the rate shall be 7.00%.

On September 12, 2012, the Governor of the State signed into law the California Public Employee's Pension Reform Act of 2013 ("PEPRA"), which makes changes to CalPERS, most significantly affecting new employees hired after January 1, 2013 (the "Implementation Date"). For non-safety CalPERS participants hired after the Implementation Date, including all Wastewater System employees hired thereafter, PEPRA changes the normal retirement age by increasing the eligibility for the 2% age factor from age 55 to 62 and increases the eligibility requirement for the maximum age factor of 2.5% to age 67. Among other changes, PEPRA also: (a) requires all new participants enrolled in CalPERS after the Implementation Date to contribute at least 50% of the total annual normal cost of their pension benefit each year as determined by an actuary, (b) requires CalPERS to determine the final compensation amount for employees based upon the highest annual compensation earnable averaged over a consecutive 36-month period as the basis for calculating retirement benefits for new participants enrolled after the Implementation Date, and (c) caps "pensionable compensation" for new participants enrolled after the Implementation Date at 100% of the federal Social Security contribution (to be adjusted annually based on changes to the Consumer Price Index for all Urban Consumers) and benefit base for members participating in Social Security or 120% for members not participating in social security (to be adjusted annually based on changes to the Consumer Price Index for all Urban Consumers), while excluding previously allowed forms of compensation under the formula such

as payments for unused vacation, annual leave, personal leave, sick leave, or compensatory time off.

On April 17, 2013, the CalPERS Board approved new actuarial policies aimed at returning CalPERS to fully-funded status within 30 years. The policies include a rate smoothing method with a 30-year amortization period for gains and losses, a five-year increase of public agency contribution rates, including the contribution rate at the onset of such amortization period, and a five year reduction of public agency contribution rates at the end of such amortization period. The CalPERS Board delayed the implementation of the new actuarial policies until fiscal year 2015-16 for the State and all other public agencies and such policies have since been implemented as planned.

On February 20, 2014, the CalPERS Board approved new demographic assumptions reflecting (a) expected longer life spans of public agency employees and related increases in costs for the CalPERS system; and (b) trends of higher rates of retirement for certain public agency employee classes, including police officers and firefighters. The increase in liability due to the new assumptions will be amortized over 20 years with increases phased in over five years, beginning with the contribution requirement for fiscal year 2016-17. The new demographic assumptions affect the State and all other public agencies.

Finally, on November 18, 2015, the CalPERS Board adopted a funding risk mitigation policy aimed to incrementally lower the CalPERS Discount Rate in years of good investment returns, help pay down the pension fund's unfunded liability, and provide greater predictability and less volatility in contribution rates for employers. Under the funding risk mitigation policy, a mechanism will be established to reduce the CalPERS Discount Rate by a minimum of 0.05 percentage points to a maximum of 0.25 percentage points in years when investment returns outperform the existing CalPERS Discount Rate (then 7.5%) by at least four percentage points. The four percentage point threshold would work to offset increases to employer contribution rates that would otherwise increase when the discount rate is lowered, and help pay down CalPERS' unfunded liability. As of the date of the policy's adoption, CalPERS staff anticipated that the policy would result in a lowering of the expected portfolio volatility to 8 percent in about 21 years, improve funding levels gradually over time, and cut risk in the CalPERS system by lowering the volatility of investment returns. While rates are expected to increase for CalPERS employers in the future, the policy is designed to minimize any increases above projected rates.

The City can provide no assurances that its required contributions to CalPERS will not increase in the future as a result of the initiatives described above, or due to additional State of CalPERS Board action.

Post-Employment Health Benefits

The City provides an early retirement medical cost reimbursement incentive under extremely specific criteria. Five employees have qualified and opted to take this early retirement incentive. The City is refunding the employee's medical costs up to \$500 per month until eligible for Medicare. The City's maximum potential liability with respect to this early retirement incentive as of June 30, 2016, was \$140,347.

Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, or restriction of assets; errors or omissions; injuries to employees; or acts of God. The City is a member of the California Joint Powers Insurance Authority (“CJPIA”).

See Appendix B, Note 9, for detailed information about the City’s insurance and workers’ compensation coverage.

City General Obligation Bonded Debt Structure

General Obligation Bonded Indebtedness. The City received the Authorization at an election held on November 4, 2014, by an affirmative vote of 68.02% of the eligible voters within the City to issue up to \$48,000,000 of general obligation bonds. On March 25, 2015, the City issued and sold the 2015 G.O. Bonds in the principal amount of \$5,000,000, and on April 14, 2016, the City issued and sold the 2016 G.O. Bonds in the principal amount of \$8,000,000 and on December 5, 2017, the City issued and sold the 2017 G.O. Bonds in the principal amount of \$15,000,000. The Bonds are the fourth series of bonds issued under the Authorization. See “SECURITY FOR THE BONDS—City General Obligation Bonded Debt Structure” herein for a summary of the City’s annual debt service requirements for all its outstanding general obligation bonds.

State Loan. The City has also entered into a loan agreement with the California Energy Resources Conservation and Development Commission, the proceeds of which were spent on an energy savings project (the “State Loan”). State Loan funds were disbursed on a reimbursement basis. The energy savings project funded by the State Loan was completed on December 31, 2011, and payments thereon began on December 22, 2012 and will terminate on December 22, 2026, bearing an annual interest rate of 1.00% and being payable on a semi-annual basis. Future minimum payment obligations for the loan payable as of June 30, 2021, are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2021	\$ 24,071	\$1,549	\$ 25,620
2022	24,312	1,307	25,619
2023	24,556	1,063	25,619
2024	24,880	819	25,619
2025	25,051	568	25,619
2026-2027	<u>38,047</u>	<u>383</u>	<u>38,430</u>
Total	\$160,837	\$5,689	\$166,526

Source: City of Grover Beach

Redevelopment Dissolution

General. On December 29, 2011, the State Supreme Court upheld Assembly Bill 1x26 (“AB 1x26”), which dissolved redevelopment agencies in the State. AB 1x26 terminated the redevelopment functions of the Grover Beach Improvement Agency (the “Improvement Agency”) and resulted in the transfer of such functions to a successor agency (the City, referred to in this context as the “Successor Agency”) tasked with winding down the Improvement Agency’s

redevelopment activities. Under AB 1x26, the Successor Agency cannot enter into new redevelopment projects or obligations and its assets can be used only to pay “enforceable obligations” in existence in mid-2011, when AB 1x26 was signed by the Governor (the “Enforceable Obligations”). The Successor Agency will receive incremental tax revenues in certain amounts that were previously allocated to the Improvement Agency, which amounts are expected to be sufficient to pay 100% (but no greater amount) of such Enforceable Obligations until they are paid in full, at which time the Successor Agency will be dissolved. An additional portion of incremental tax revenues generated within the boundaries of the Successor Agency and exceeding the amount needed to pay the Enforceable Obligations may be redirected to other taxing agencies, such as the County, school districts and the City. The Successor Agency’s activities are subject to review by an oversight board established under AB 1x26 (the “Oversight Board”).

On June 27, 2012, the Governor signed Assembly Bill 1484 (“AB 1484”), which made certain amendments to AB 1x26. Under AB 1484, the County Auditor-Controller, the State Department of Finance (the “DOF”) and the State Controller (the “Controller”) may require the return of funds improperly spent or transferred to a public entity in conflict with the provisions of California Community Redevelopment Law, constituting Part 1, Division 24 (commencing with Section 33000) of the California Health and Safety Code (the “Redevelopment Law”), as amended by AB 1x26 and AB 1484 (the Redevelopment Law, as amended by the provisions of AB X1 26 and by AB 1484, being the “Dissolution Act”). If such funds are not returned within 60 days, they may be recovered through an offset of sales and use tax or ad valorem property tax allocations to the local agency, which, in the case of the Successor Agency, is the City.

Impact on the City. Pursuant to the Dissolution Act, the City elected to serve as the Successor Agency. The Dissolution Act expressly provides that the Successor Agency is a separate legal entity from the City. The assets and the liabilities of the Improvement Agency were transferred to the Successor Agency, and such assets and liabilities are not assets and liabilities of the City. In addition, under the provisions of the Dissolution Act the City determined to assume the low and moderate income housing obligations, assets and powers of the Improvement Agency. Although the City will not receive tax increment for purposes of such housing development as the Improvement Agency did, other funds, including General Fund funds, could be used by the City for those purposes (subject to City Council approval).

Since fiscal year 2012-13, certain expenditures of the Improvement Agency have been borne by the General Fund to the extent that they were not considered either Enforceable Obligations or to fall within a prescribed administrative allowance for the operation and wind down of the Improvement Agency’s activities. The City believes that the dissolution of the Improvement Agency has not had and will not have a material adverse impact on its General Fund.

Significant provisions of the Dissolution Act and implementing actions of affected parties, including the Successor Agency, the Oversight Board, the County and the DOF, may be subject to legal challenge, statutory or administrative changes and other clarifications which could affect the impact of the dissolution of redevelopment on the City and its General Fund. While certain administrative costs previously charged to the Improvement Agency by the General Fund will no longer be supported by the Successor Agency, certain property tax revenues formerly allocated to the Improvement Agency will now be received by the City’s General Fund.

Repayment of Moneys by the Successor Agency to City. From time to time since the inception of the Improvement Agency, the City has loaned General Fund moneys to the Improvement Agency for redevelopment purposes (collectively, the “Redevelopment Loan”). As

of June 30, 2021 the amount of Redevelopment Loan due to the City was \$29,869. There is no forma payment schedule and loan payments are made when moneys become available, with an annual interest rate of 0.5%.

Following the Successor Agency's receipt of its Finding of Completion on April 26, 2013, the Successor Agency presented the Redevelopment Loan to the Oversight Board for review, and the Oversight Board recognized the Redevelopment Loan as an Enforceable Obligation and has approved the repayment thereof on the applicable Recognized Obligations Payment Schedules. The repayment is subject to the formula outlined in California Health and Safety Code Section 34191.4(b)(2). The Last and Final Recognized Obligations Payment Schedule ("ROPS") was approved by the Department of Finance on January 12, 2021.

There can be no assurances that the Dissolution Act and/or subsequent implementing statutes will not interfere with the receipt by the City from the Successor Agency of the amounts contemplated to be received by the City pursuant to the Redevelopment Loan or otherwise.

Industry and Employment

The County makes up the San Luis Obispo-Paso Robles-Arroyo Grande Metropolitan Statistical Area. The unemployment rate in San Luis Obispo County was 5.5% in August 2021, down from 5.7% in July 2021, and below the year-prior of 8.6%. This compares with an unadjusted unemployment rate of 7.5% for California and 5.2% for the nation during the same period.

The following table summarizes the civilian labor force, employment and unemployment in San Luis Obispo County for the calendar years 2016 through 2020. These figures are county-wide statistics and may not necessarily accurately reflect employment trends in the City.

**San Luis Obispo County
Civilian Labor Force, Employment and Unemployment
(Annual Averages)**

	2016	2017	2018	2019	2020
Civilian Labor Force: ¹	139,484	140,345	140,099	139,591	132,690
Employment	133,438	135,263	135,867	135,508	122,495
Unemployment	6,046	5,082	4,232	4,083	101,955
Unemployment Rate	4.3%	3.6%	3.0%	2.9%	7.7%
Wage and Salary Employment: ¹					
Total Farm	5,100	5,700	5,400	5,100	4,900
Total Non-Farm	113,200	113,200	116,600	118,400	107,300
Total Private	90,500	90,500	93,900	95,100	84,700
Mining, Logging & Construction	7,300	7,700	8,100	8,500	8,400
Manufacturing	7,000	7,500	8,000	7,900	7,400
Wholesale Trade	2,800	2,700	2,600	2,700	2,500
Retail Trade	14,200	14,300	14,300	13,700	13,000
Transportation, Warehousing & Utilities	4,000	3,900	3,800	3,900	3,300
Information	1,300	1,300	1,200	1,200	1,100
Financial Activities	3,800	3,900	3,900	3,900	3,600
Professional and Business Services	10,500	10,700	11,000	11,300	10,400
Educational and Health Services	16,900	17,900	17,500	17,800	16,600
Leisure and Hospitality	18,900	19,300	19,500	20,100	15,300
Other Services	3,800	4,000	4,000	4,100	3,100
Federal Government	500	500	500	600	800
State Government	9,100	9,300	9,300	9,200	9,300
Local Government	<u>13,100</u>	<u>13,000</u>	<u>12,900</u>	<u>13,500</u>	<u>12,500</u>
Total, All Industries ³	322,000	325,400	332,500	337,000	304,200

¹ Labor force data is by place of residence; includes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

² Industry employment is by place of work; excludes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

³ Data is not seasonally adjusted. Data may not add due to rounding.

Source: Labor Market Information Division of the California State Employment Development Department

The following tables show the major employers in the City and the County.

**City of Grover Beach
Major Employers
(July 1, 2021)**

Employer	Industry
Vons	Grocery
Voler Team Apparel	Cycling Apparel
California Fine Wire	Aerospace and Medical wire
City of Grover Beach	Government
Miner's ACE Hardware	Retail Hardware
Lucia Mar Unified School District	Education
AJ Spurs Saloon & Dining Hall	Restaurant
Burger King	Restaurant
McDonald's	Restaurant
Wells Fargo Bank	Banking
Vons	Grocery

Source: City of Grover Beach

**San Luis Obispo County
Major Employers
(July 1, 2021)**

Employer Name	Industry
California Polytechnic State University, SLO	Education
County of San Luis Obispo	Government
Atascadero State Hospital	Healthcare
Pacific Gas & Electric	Public Utility
California Men's Colony	Correctional Facility
Cal Poly Corp.	Services
Tenet Healthcare	Healthcare
Compass Health Inc.	Healthcare
Lucia Mar Unified School District	Education
Paso Robles Public Schools	Education

Source: State of California Employment Development Department, extracted from the America's Labor Market Information System (ALMIS) Employer Database, 2022 1st Edition

Commercial Activity

The number of establishments selling merchandise subject to sales tax and the valuation of taxable transactions in the City during the past five years in which data is available is shown in the following table. Total taxable sales during calendar year 2020 in the County were reported to

be \$5,501,001,806, a 3.6% decline over the total taxable sales of \$5,785,934,020 reported during calendar year 2019. Data for the third and fourth quarters of 2021 is not yet available.

**City of Grover Beach
Taxable Retail Sales
Number of Permits and Valuation of Taxable Transactions
(dollars in thousands)**

Year	Retail Stores & Food Services		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2016	188	\$77,183	349	\$120,046
2017	180	76,817	343	120,435
2018	163	85,704	313	134,191
2019	158	103,840	319	150,446
2020	149	121,754	283	159,281
2021*	110	68,481	110	80,085

* Includes two three quarters of 2021.

Source: California State Board of Equalization; Avenue Insights and Analytics

Total taxable sales during calendar year 2020 in the County were reported to be \$5,501,001,806, a 4.92% decrease over the total taxable sales of \$5,785,934,020 reported during calendar year 2019. Data for the fourth quarter of 2021 and the first quarter of 2022 is not yet available.

Construction Activity

The following tables show a five-year summary of the valuation of building permits issued in the City and a five-year summary of the valuation of building permits issued in the County.

**City of Grover Beach
Total Building Permit Valuations
(valuations in thousands)**

Year	Valuation
2016	\$ 6,993,516.00
2017	7,356,925.22
2018	8,647,304.71
2019	23,929,089.18
2020	6,826,661.49

APPENDIX B
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR YEAR ENDED JUNE 30, 2020

APPENDIX C

PROPOSED FORM OF OPINION OF BOND COUNSEL

[Closing Date]

[Addressees]

Re: \$_____ City of Grover Beach (San Luis Obispo County, California) 2022
General Obligation Bonds (Street Improvements)

Members of the City Council:

We have acted as bond counsel in connection with the issuance by the City of Grover Beach (the "City") of its City of Grover Beach (San Luis Obispo County, California) 2022 General Obligation Bonds (Street Improvements) issued in the aggregate principal amount of \$_____ (the "Bonds"). The Bonds are being issued by the City under the Constitution of the State of California, and laws of the State of California, including but not limited to Article 1 of Chapter 4 of Part 3 of Division 4 of Title 4 of the Government Code of the State of California, commencing with Section 43600 thereof, and Section 53506 et seq. of the Government Code of the State of California, and Resolution No. _____ of the City Council of the City of Grover Beach, adopted on December 13, 2021 (the "Resolution"). We have examined the law and such certified proceedings and other papers as we deem necessary to render this opinion. Capitalized undefined terms used herein have the meanings ascribed thereto in the Resolution.

In this connection, we have also examined such other documents, opinions and instruments as we have deemed necessary in order to render the opinions expressed herein. In such examination, we have assumed the genuineness of all signatures on original documents (other than signatures of the City) and the conformity to the original documents of all copies submitted to us. We have also assumed the due execution and delivery of all documents (other than with respect to the City) which we have examined where due execution and delivery are a prerequisite to the effectiveness thereof. As to the various questions of fact material to our opinion, we have relied upon statements or certificates of officers and representatives of the City, public officials and others.

On the basis of the foregoing examination and assumptions and in reliance thereon and on all such other matters of fact as we deemed relevant under the circumstances, and upon consideration of the applicable law, we are of the opinion that:

1. The City is duly organized and validly existing as a general law city and municipal corporation under the Constitution and laws of the State of California, with the power to adopt the Resolution, perform the agreements on its part contained therein and issue the Bonds.
2. The Bonds are valid and binding general obligations of the City, payable solely from the sources provided therefore in the Resolution.
3. The City has the power, is obligated and in the Resolution has covenanted to levy ad valorem taxes upon all property within the City which is subject to taxation by the City, without limitation of rate or amount, for the payment of the Bonds and the interest thereon.

4. Interest received by the owners of the Bonds is excludable under existing statutes, regulations, rulings and court decisions, from gross income for Federal income tax purposes pursuant to Section 103(a) of the Internal Revenue Code of 1986, as amended (the "Code"). Interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although the interest is included in adjusted current earnings in calculating corporate alternative minimum taxable income. Interest received by the owners of the Bonds is exempt from personal income taxes of the State of California under present law.

In rendering the opinions expressed in paragraph 4 above, we are relying upon representations and covenants of the City in the Resolution and in the Tax Certificate of the City, dated as of the date hereof, concerning the use of the facilities being financed with Bond proceeds, the investment and use of Bond proceeds and the rebate, if any, to the Federal government of certain earnings thereon. In addition, we have assumed that all such representations are true and correct and that the City will comply with such covenants. We express no opinion with respect to the exclusions of the interest from gross income under Section 103(a) of the Code in the event that any such representations are untrue or the City fails to comply with such covenants. Except as stated above, we express no opinion as to any Federal tax consequences of the receipt of interest on, or the ownership or disposition of, the Bonds.

Certain agreements, requirements and procedures contained or referred to in the Resolution, the Tax Certificate and other relevant documents may be changed, and certain actions may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. No opinion is expressed herein as to any payment of interest on the Bonds if any such change occurs or action is taken or omitted to be taken upon the advice or approval of counsel other than ourselves.

Further, we note that the rights of the owners of the Bonds and the enforceability of the Bonds or the Resolution may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other similar laws affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against governmental entities in the State of California. We express no opinion with respect to any indemnification, contribution, choice of law, choice of forum or waiver provisions contained in the foregoing documents, nor do we express any opinion with respect to the plans, specifications, maps, reports, or other engineering or financial details of the proceedings, or the validity of the ad valorem taxes levied upon any individual parcel in the City. Finally, we undertake no responsibility herein 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.

Respectfully submitted,

APPENDIX D

\$ _____
**CITY OF GROVER BEACH
(SAN LUIS OBISPO COUNTY, CALIFORNIA)
2022 GENERAL OBLIGATION BONDS
(STREET IMPROVEMENTS)**

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (this “Disclosure Certificate”) is executed and delivered by the City of Grover Beach (the “City”) in connection with the issuance of the bonds captioned above (the “Bonds”). The Bonds are being issued under the Constitution and laws of the State of California, including but not limited to, Article 1 of Chapter 4 of Part 3 of Division 4 of Title 4 of the Government Code of the State of California commencing with Section 43600 thereof, and Section 53506 et. seq. of the Government Code of the State of California, under a resolution adopted by the City Council of the City on December 13, 2021 (the “Resolution”).

The City hereby 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 in the Resolution, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section 2, the following capitalized terms have the following meanings:

“*Annual Report*” means any Annual Report provided by the City pursuant to, and as described in, Sections 3 and 4.

“*Annual Report Date*” means the date not later than April 1 after the end of each fiscal year of the City (currently June 30th).

“*Dissemination Agent*” means the City or any other Dissemination Agent designated in writing by the City and which has filed with the City a written acceptance of such designation. As of the date of this Disclosure Certificate, A. M. Peché & Associates LLC is initially acting as Dissemination Agent.

“*Listed Events*” means any of the events listed in Section 5(a).

“*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.

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

“*Participating Underwriter*” means any of the original underwriters 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 the same 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, 2023 with the report for the 2021-22 fiscal year, 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; provided, however, that the first Annual Report due no later than April 1, 2023 shall consist solely of the Official Statement. 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) in a timely manner to the MSRB, 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 preceding fiscal year:

(i) Assessed value of taxable property within the jurisdiction of the City;

(ii) If and to the extent such information is available from the County, property tax collection delinquencies for the City; and

(iii) Principal amount of all outstanding general obligation debt of the City, and annual debt service on such general obligation debt for the preceding year.

(c) In addition to any of the information expressly required to be provided under this Disclosure Certificate, the City shall provide such further material information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

(d) 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 events with respect to the Bonds, if material:

(1) Principal and interest payment delinquencies.

(2) Non-payment related defaults.

(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 Section 5(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 Section 5(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 Bonds under the Resolution.

(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.” The City shall cause a notice to be filed as set forth in paragraph 5(b) above with respect to any such event only to the extent that the City determines the event’s occurrence is material for purposes of U.S. federal securities law.

(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 subparagraph (a)(15) and (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 clause (i) or (ii). The term financial obligation shall not include municipal securities as to which a final official statement has been provided to the MSRB 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 redemption 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. Any Dissemination Agent 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 bond 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 Resolution for amendments to the Resolution with the consent of holders, or (ii) does not, in the opinion of nationally recognized bond 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 financial information 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 the undertaking specifying the accounting principles to be followed in preparing financial statements, the annual financial information 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 the change in the accounting principles 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 Resolution, 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. Notices. Any notice or communications to be among any of the parties to this Disclosure Certificate may be given as follows:

To the City: City of Grover Beach
154 South Eighth Street
Grover Beach, California 93433
(805) 473-4567

Any person may, by written notice to the other persons listed above, designate a different address or telephone number(s) to which subsequent notices or communications should be sent.

Section 14. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the City, the Dissemination Agent, the Participating Underwriter and holders and beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Section 15. 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.

Dated: January _____, 2022

CITY OF GROVER BEACH

By _____,
_____, City Manager

EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: City of Grover Beach (the "City")

Name of Bond Issue: City of Grover Beach
(San Luis Obispo County, California)
2022 General Obligation Bonds
(Street Improvements)

Date of Issuance: January _____, 2022

NOTICE IS HEREBY GIVEN that the City has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Certificate, dated January _____, 2022. The City anticipates that the Annual Report will be filed by _____.

Dated: _____, 20__

[DISSEMINATION AGENT]

By _____
Name _____
Title _____

APPENDIX E

DTC AND THE BOOK-ENTRY-ONLY SYSTEM

This information concerning The Depository Trust Company (“DTC”) and DTC’s book-entry system, has been furnished by DTC for use in official statements and neither the City nor the Municipal Advisors takes any responsibility for the completeness or accuracy thereof. As used in this appendix, “Securities” means the Bonds, “Issuer” means the City, and “Agent” means the Paying Agent.

Unless a successor securities depository is designated pursuant to the Indenture, DTC will act as Securities Depository for the Bonds. The Bonds will be issued as fully-registered securities, registered in the name of Cede & Co., DTC’s partnership nominee, or such other name as may be requested by an authorized representative of DTC. One fully-registered 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.

DTC and Its Participants. 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 Enterprise, a “clearing corporation” within the meaning of the New York Uniform Commercial Code and a “clearing corporation” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2.2 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 transfer 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, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, FICC, and EMCC, also subsidiaries of DTCC) as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others, such as both U.S. and non-U.S. securities brokers and dealers, banks and 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 Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchase of Ownership Interests. Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf

of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds 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 Bonds; 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.

Notices and Other Communications. 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. THE CITY AND THE PAYING AGENT WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATION TO SUCH DTC PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE BONDS.

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

Voting Rights. Neither DTC nor Cede & Co. will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to an 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 the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption Proceeds. Payments of principal and interest with respect to the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts on interest payment dates in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on the interest payment date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Paying Agent, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, principal and interest to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC is the responsibility of the Paying 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.

THE PAYING AGENT AND THE CITY SHALL NOT HAVE ANY RESPONSIBILITY OR OBLIGATION TO ANY DTC PARTICIPANT, ANY BENEFICIAL OWNER OR ANY OTHER PERSON CLAIMING A BENEFICIAL OWNERSHIP INTEREST IN THE BONDS UNDER OR THROUGH DTC OR ANY DTC PARTICIPANT, OR ANY OTHER PERSON WHICH IS NOT

SHOWN ON THE REGISTRATION BOOKS OF THE PAYING AGENT AS BEING AN OWNER OF BONDS, WITH RESPECT TO THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DTC PARTICIPANT; THE PAYMENT BY DTC OR ANY DTC PARTICIPANT OF ANY AMOUNT IN RESPECT OF THE PRINCIPAL OF, AND PREMIUM, IF ANY, OR INTEREST WITH RESPECT TO THE BONDS; ANY NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN TO OWNER OF THE BONDS UNDER THE INDENTURE; THE SELECTION BY DTC OR ANY DIRECT OR INDIRECT PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE BONDS; ANY CONSENT OR OTHER ACTION TAKEN BY DTC AS OWNER OF THE BONDS; OR ANY OTHER PROCEDURES OR OBLIGATIONS OF DTC UNDER THE BOOK-ENTRY SYSTEM.

SO LONG AS CEDE & CO. IS THE REGISTERED OWNER OF THE BONDS, AS NOMINEE OF DTC, REFERENCES HEREIN TO THE REGISTERED OWNERS OF THE BONDS SHALL MEAN CEDE & CO., AS AFORESAID, AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE BONDS (EXCEPT FOR THE MATTERS UNDER THE CAPTION "TAX MATTERS" HEREIN)

The foregoing description of the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal and interest with respect to the Bonds to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial owner interest in such Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owner 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.

Discontinuance of Book-Entry Enterprise. DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the City or the Paying Agent. Under such circumstances, in the event that a successor securities depository is not obtained, Bonds are required to be printed and delivered as described in the Indenture.

The City may decide to discontinue use of the system of Book-Entry-Only transfers through DTC (or a successor securities depository). In that event, Bonds will be printed and delivered as described in the Indenture.

APPENDIX F

SAN LUIS OBISPO COUNTY QUARTERLY REPORT OF INVESTMENTS