Willows City Council Special Meeting

April 13, 2021
Willows City Hall
7:00 p.m.

City Council
Larry Domenighini, Mayor
Gary Hansen, Vice Mayor
Kerri Warren, Council Member
Joe Flesher, Council Member
Jeff Williams, Council Member

Interim City Manager
Wayne Peabody

City Clerk
Tara Rustenhoven

201 North Lassen Street

Willows, CA 95988

(530) 934-7041

Agenda

1. **CALL TO ORDER**- 7:00 p.m.
2. **PLEDGE OF ALLEGIANCE**
3. **ROLL CALL**
4. **PUBLIC COMMENT/WRITTEN COMMUNICATIONS**
   a. Public Comments:
   Members of the public wishing to address the Council on any item(s) not on the agenda may do so at this time when recognized by the Mayor/Vice Mayor; however, no formal action will be taken unless a majority consensus of the Council directs staff to place the item on a future agenda. Public is advised to limit discussion to one presentation per individual. While not required, please state your name and address for the record. (Oral communications will be limited to three minutes)

5. **REGULAR BUSINESS AGENDA/ITEMS REQUIRING COUNCIL ACTION**
   a. By motion, consideration to adopt a resolution entitled; **RESOLUTION OF THE CITY COUNCIL OF THE CITY OF WILLOWS APPROVING A GENERAL FUND RESERVE POLICY.**
   b. By motion, consideration to adopt a resolution entitled; **RESOLUTION OF THE CITY COUNCIL OF THE CITY OF WILLOWS, STATE OF CALIFORNIA, APPROVING THE FORM AND AUTHORIZING DISTRIBUTION OF A PRELIMINARY OFFICIAL STATEMENT AND APPROVING THE FORM AND AUTHORIZING THE EXECUTION OF A BOND PURCHASE AGREEMENT AND A CONTINUING DISCLOSURE CERTIFICATE, ALL IN CONNECTION WITH THE OFFERING AND SALE OF TAXABLE PENSION OBLIGATION BONDS, AND AUTHORIZING AND DIRECTING CERTAIN ACTIONS WITH RESPECT THERETO.**

6. **ADJOURNMENT**

This agenda was posted on April 12, 2021

Tara Rustenhoven, City Clerk

A complete agenda packet, including staff reports and back-up information, is available for public inspection during normal work hours at City Hall or the Willows Public Library at 201 North Lassen Street in Willows or on the City's website at www.cityofwillows.org.

In compliance with the Americans with Disabilities Act, the City of Willows will make available to members of the public any special assistance necessary to participate in this meeting. If requested, the agenda shall be made available in appropriate alternative formats to persons with a disability, as required by Section 202 of the Americans with Disabilities Act of 1990 (42 U.S.C. Sec. 12132). The public should contact the City Clerk's office at 934-7041 to make such a request. Notification 72 hours prior to the meeting will enable the City to make reasonable arrangements to ensure accessibility to this meeting.

The City of Willows is an Equal Opportunity Provider

AGENDA ITEM

TO: City Council Members, Wayne Peabody, Interim City Manager

FROM: David G. Ritchie, City Attorney

SUBJECT: Consideration of approving a General Fund Reserve Policy.

RECOMMENDATION

By Motion, Adopt a resolution entitled; Resolution of the City Council of the City of Willows approving a General Fund Reserve Policy.

BACKGROUND

For your consideration, is City of Willows City Council Resolution No. ___, this resolution updates the current City Reserve Policy, enacted in 1979.

The existing policy (attached to this staff report) inadequately defines the different types of reserve, does not provide guidance or policy information on how shortfalls in reserves are to be addressed, and does not provide information on how excess contributions beyond reserve minimums may be distributed. Moreover, the reserve policy from 1979 merely provides a flat dollar amount of $150,000.00 to cover City-wide operations during a "dry period" and does not address rising costs nor considerations required to guarantee the City's ability to deliver service to the community during significant periods of economic hardship.

The new reserves policy defines restricted reserves (those that are not considered available due to legal, financial or accounting restrictions) and designated reserves (those established for a specific purpose that may be available for use by way of Council Direction. It also describes the guiding principles Council and City officials are to consider when the use of reserves in contingency situations, such as a loss of sales tax revenue, become necessary.

This General Fund reserves policy operates separately from any Capital Improvement Funds or reserve which may be implemented on a per-project or fund basis by Council.

FINANCIAL CONSIDERATIONS

The City may not currently have reserves at levels specified in this policy statement, and in that event it will be incumbent on the City's Standing Committee on Finance or other appropriate body to make recommendations about how the City will replenish reserves (a one- to five-year plan for replenishment of reserves) to meet the minimum provided thresholds.

ALTERNATE ACTIONS

1. Council could decline to adopt the resolution, however this is not recommended as the City policy on reserves would remain inadequate and would not provide sufficient guidance to staff or to council on financial matters affecting the future security in ongoing operations of the City.

RECOMMENDATION

By Motion, Adopt a resolution entitled; Resolution of the City Council of the City of Willows approving a General Fund Reserve Policy

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Respectfully submitted,

/s/ David G. Ritchie

David G. Ritchie
City Attorney

Attachments: Resolution No. ____
Policy ___-____ - General Fund Reserves
(Old) Policy 2- 1 Fund- Working Reserve

ATTACHMENT A

CITY OF WILLOWS

RESOLUTION NO. ______

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF WILLOWS APPROVING A GENRAL FUND RESERVE POLICY

RESOLVED, by the City Council (the "Council") of the City of Willows (the "City"), Glenn County, State of California, as follows:

WHEREAS, a general fund reserve policy has been developed for the City and the Council desires to adopt such policy;

NOW, THEREFORE, it is hereby ORDERED and DETERMINED, as follows:

Section 1. The general fund reserve policy, in the form attached hereto as Exhibit A, is hereby adopted by the Council for the City.

Section 2. The City Manager, the Administrative Services Director, the City Clerk, and other appropriate officials of the City are hereby authorized and directed to take any actions and execute and deliver any and all documents as are necessary to accomplish the provisions and directives of this Resolution.

Section 3. This Resolution shall be effective upon adoption by the Council.

* * * * * * * * * * *

PASSED APROVED AND ADOPTED at a meeting of the City Council on the 13th day of April, 2021, by the following vote of the members thereof:

AYES:
NOES:
ABSTAIN:
ABSENT:

APPROVED: ATTESTED:

____
Larry Domenighini, Mayor

____
Tara Rustenhoven, City Clerk

ATTACHMENT B

City of Willows
Administrative Procedure & Policy Manual

Subject: General Fund Reserve Policy		Number: ___-____
Department(s) Affected: FINANCE		Effective Date: April 13, 2021
		Supersedes: 2-1 Fund – Working Reserve (Adopted 6-12-1979)
File Reference(s):	Authority: Resolution:	
	Approved: CITY COUNCIL 04/13/2021	

1. Introduction:

This General Fund Reserve Policy (the "Reserve Policy") of the CITY OF WILLOWS (the "City") was approved by the City Council of the City (the "Council") on April 13, 2021. The General Fund Reserve Policy may be amended by Council as it deems appropriate from time to time in the prudent management of the finances of the City.

2. Background:

General Fund reserves are classified into two categories: Restricted and Designated. Restricted reserves are those that are not considered available due to financial, accounting, or legal restrictions. Designated reserves are established by Council policy for an intended purpose and are available for use per Council direction.

In addition, the Governmental Accounting Standards Board (GASB) Statement 54 Fund Reporting and Governmental Fund Type Definitions requires that the City categorize fund balances according to the following components:

- Non-spendable fund balance (inherently non-spendable)
- Restricted fund balance (externally enforceable limitations on use)
- Committed fund balance (self-imposed limitations on use)
- Assigned fund balance (limitation resulting from intended use)
- Unassigned fund balance (residual net resources)

3. Guiding Principles:

Following sound financial practices and adhering to the Government Finance Officers' of American (GFOA) recommendations, the City's designated reserves include reserves for known and unknown contingencies, which take into consideration the:

- Diversity of revenue base
- Cyclical nature of revenue
- Changes in community priorities
- Frequency of budget surpluses/deficits

- Cash flow management practices

4. Policy – Reserve Levels:

The City will set aside funds into two designated reserves to address unforeseen emergencies or disasters, significant changes in the economic environment, and key infrastructure and capital projects. These include the Catastrophic Reserve, and Budget Stabilization Reserve, the City may also set aside Capital and Special Projects Reserves as part of those projects or Capital Improvement Plan Policies.

The City commits to maintaining these reserves at a minimum of 25% of General Fund annual operating expenditures (minus one-time expenditures), equally divided between the Catastrophic Reserve (15%) and Budget Stabilization Reserve (10%), excluding any Capital and Special Projects Reserves. The Reserve Policy is reviewed by the City Council as part of the annual operating budget review and adoption process. Appropriations of any General Fund reserves require formal Council authorization.

Should a catastrophic disaster or loss of a significant source of the City's sales tax revenue occur, the required reserve level should be adequate to meet the City's immediate financial needs. For example, in the event of natural disaster, the Catastrophic Reserve would provide necessary coverage for basic operating expenses for approximately 90 days, including salary and benefits for safety and non-safety City employees, while still meeting debt service obligations. This time frame would enable the City to explore other available cash alternatives, including the use of internal service funds. Likewise, should the City experience a loss of a primary sales tax contributor, the reserve level in the Budget Stabilization Fund would provide for a transition period, giving the City adequate time to realign its operating costs with available resources, while minimizing service impacts.

Key General Fund Designated Reserves

Catastrophic Reserve: Funds reserved under this category shall be used to mitigate costs associated with unforeseen emergencies, including natural disasters or catastrophic events. Should unforeseen and unavoidable events occur that require the expenditure of City resources beyond those provided for in the annual budget, the City Manager or designee shall have authority to approve Catastrophic Reserve appropriations. The City Manager or designee shall then present to the City Council a budget amendment confirming the nature of the emergency and authorizing the appropriation of reserve funds.

Budget Stabilization Reserve: Funds reserved under this category shall be used to mitigate, should they occur, annual budget revenue shortfalls (actual revenues less than projected revenues) due to changes in the economic environment and/or one-time expenditures that will result in future efficiencies and/or budgetary savings. Examples of "economic triggers" and one-time uses include, but are not limited to:

- Significant decrease in property or sales tax, or other economically sensitive revenues;
- Loss of businesses considered to be significant sales tax generators;
- Reductions in revenue due to actions by the state/federal government;

- Workflow/technical system improvements to reduce ongoing, personnel costs and enhance customer service;
- One-time maintenance of service levels due to significant economic/budget constraints; and
- One-time transitional costs associated with organizational restructuring to secure long-term personnel cost savings.

Capital and Special Projects Reserve: Funds reserved under these categories are designated for key infrastructure and capital/special projects as identified in the City's Capital Improvement Plan, as there is no ongoing funding source to support the City's capital needs.

5. Policy – Replenishment of Reserves:

In keeping with the principles discussed in this Reserve Policy, when either fund is used or below the policy-directed reserve level(s), the City Council will develop a 1 to 5 year reserve replenishment plan to meet the minimum threshold of 25% of General Fund ongoing, operating expenditures, excluding one-time expenditures.

6. Policy – Excess Reserves:

At the end of each fiscal year, the Administrative Services Director or designee reports on the audited year-end budgetary fiscal results. Should actual General Fund revenues exceed expenditures and encumbrances, a year-end operating surplus shall be reported. Any year-end surplus that results in the General Fund, fund balance exceeding the level required by the Reserve Policy shall be available for allocation for the following, subject to Council approval:

- Offset projected future deficits
- Anticipated intergovernmental fiscal impacts
- One-time funding, non-recurring needs

Upon funding of the above, any remaining surplus balances shall be divided equally between the Budget Stabilization Reserve and Capital and Special Projects Reserve for appropriation within the Capital Improvement Program budget.

City of Willows
Administrative Procedure & Policy Manual

Subject : Fund- Working Reserve		Number: 2-1
Department(s) Affected: Finance		Effective Date: 06-12-1979
		Supersedes:
File Reference(s):	Authority: City Council 06-12-1979 Resolution:	
	Approved:	

I. PURPOSE

To establish purpose for Working Reserve Fund.

II. POLICY

Working Reserve Fund is established for an amount of $150,000 to operate the City during "dry period".

AGENDA ITEM

TO: City Council Members, Wayne Peabody, Interim City Manager

FROM: David G. Ritchie, City Attorney

SUBJECT: Execution of a Bond Purchase Agreement and a Continuing Disclosure Certificate, All in Connection with the Offering and Sale of Taxable Pension Obligation Bonds, and Authorizing and Directing Certain Actions With Respect Thereto.

RECOMMENDATION

By Motion, adopt a Resolution entitled; Resolution of the City Council of the City of Willows, State of California, approving the form and authorizing distribution of a Preliminary official statement and approving the form and authorizing the execution of a Bond Purchase Agreement and continuing disclosure certificate, all in connection with the offering and sale of taxable pension obligation bonds, and authorizing and directing certain actions with respect thereto.

BACKGROUND

For your consideration, is City of Willows City Council Resolution No. xx-2021, this resolution is the result of several months of work of the Ad-Hoc Committee in reviewing and evaluating options for refinancing the City's Unfunded CalPERS liability. There have been several prior actions in support of these efforts by the Council, aided by the City's Municipal Advisors to determine that significant savings in cost could be achieved if the City were to issue a Pension Obligation Bond at more favorable interest rates than those charged by CalPERS for the City's assessed unfunded liability.

The City previously also filed a validation action in support of the issuance of Bonds and in order to receive support from the Court system verifying that the Bond debt would be a replacement for the City's current statutory debt obligations to CalPERS. That judgment was signed by the Court on December 23, 2020.

This action is necessary now in order that the City can proceed with the issuance of Bonds previously authorized on October 13, 2020 by way of City of Willows Resolution No. 39-20. Following approval, staff will be participating in a ratings call with Standard and Poors on April 19, 2021.

Included in this Resolution is approval of three items:

A - Bond Purchase Agreement: The Bond purchase agreement is the document that is executed between the City and the underwriter (our selected underwriter is Hilltop Securities). This document sets the terms and conditions associated with the decision to sell and deliver the Taxable Pension Obligation Bonds, Series 2021 to the underwriter on the closing date, and the price at which the underwriter will purchase said bonds. The Bond Purchase Agreement also sets out that the City will execute a Disclosure Certificate and Trust Agreement providing that the City will annually report information and/or provide notice upon certain events arising. The Bond Purchase Agreement also contains the warranties and representations made by the City, including the City's agreement to an obligation that the proceeds from the sale of bonds will be used as provided in the trust agreement (Note: the City's purpose as explained in the Validation suit filed in Superior Court included an assurance that the Bonds proposed to be issued here are a replacement of the Statutory Debt Obligation to pay the cost of Unfunded Accrued Liability (Pension Costs) and the proceeds of the sale of Bonds will be used for that purpose and any related costs of issue.)

B – Preliminary Official Statement: The preliminary official statement (POS) contains a full description of the transaction, the trust agreement and the method by which bonds are to be payable and subject to redemption. Once final pricing and interest rates are determined as agreed between the City and Underwriter it then becomes referred to as the "Official Statement" fully describing the bond sale transaction. Once approved in Form, any remaining table data in the Preliminary Official statement may be updated prior to becoming final.

C – Continuing Disclosure Certificate: The Continuing Disclosure Certificate is provided for the benefit of the purchasers and to ensure compliance with Securities Laws, setting out the information that the City will report on an annual basis. It is recommended that the City contract with a dissemination agent who will assist in preparing and distributing these annual reports. This continuing disclosure certificate specifies that the contents of the annual reports include (but are not limited to): audited financial statements, other financial information such as general find revenue sources, the annual contribution to CalPERS for City Retirement costs, and the adopted City Budget for the General Fund. It also requires the City to report significant events such as delinquencies or defaults, or other types of significant events that may affect the rights of the bondholders.

FINANCIAL CONSIDERATIONS

The execution of a bond purchase agreement and approval of the Preliminary Official statement will enable the City to move forward with the sale of Pension Obligation Bonds and to use the proceeds to pay off the City's current Unfunded Accrued Liability to CalPERS (UAL). Currently, CalPERS charges the City 7.5% on the UAL amount, and it is anticipated that the cost of Pension Obligation Bonds will significantly reduce the total amount the City will pay in debt service for its UAL obligations over the same or a shorter repayment schedule.

ALTERNATE ACTIONS

1. Council could decline to adopt the resolution, however this is not recommended as the City would not then move forward with the issuance of Pension Obligation Bonds and any savings that may be achieved therefrom would not be realized.

RECOMMENDATION

By Motion, adopt a Resolution entitled; Resolution of the City Council of the City of Willows, State of California, approving the form and authorizing distribution of a Preliminary official statement and approving the form and authorizing the execution of a Bond Purchase Agreement and continuing disclosure certificate, all in connection with the offering and sale of taxable pension obligation bonds, and authorizing and directing certain actions with respect thereto.

Respectfully submitted,

/s/ David G. Ritchie

David G. Ritchie
City Attorney

Attachments: Resolution No. ____
Preliminary Official Statement (Form)
Bond Purchase Agreement
Continuing Disclosure Authorization
December 23, Judgment – Validation Action

CITY OF WILLOWS

RESOLUTION NO. ___-2021

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF WILLOWS, STATE OF CALIFORNIA, APPROVING THE FORM AND AUTHORIZING DISTRIBUTION OF A PRELIMINARY OFFICIAL STATEMENT AND APPROVING THE FORM AND AUTHORIZING THE EXECUTION OF A BOND PURCHASE AGREEMENT AND A CONTINUING DISCLOSURE CERTIFICATE, ALL IN CONNECTION WITH THE OFFERING AND SALE OF TAXABLE PENSION OBLIGATION BONDS, AND AUTHORIZING AND DIRECTING CERTAIN ACTIONS WITH RESPECT THERETO

RESOLVED, by the City Council (the "Council") of the City of Willows (the "City"), Glenn County, State of California, as follows:

WHEREAS, the City has previously elected to become a contracting member of the California Public Employees' Retirement System ("CalPERS");

WHEREAS, the Public Employees' Retirement Law (commencing with section 20000 of the California Government Code) and the contract (the "CalPERS Contract") between the Board of Administration of CalPERS and the City Council of the City (the "City Council") obligate the City to (i) make contributions to CalPERS to fund pension benefits for certain City employees, (ii) amortize the unfunded accrued actuarial liability with respect to such pension benefits, and (iii) appropriate funds for the foregoing purposes;

WHEREAS, the City desires to authorize the issuance of its City of Willows Taxable Pension Obligation Bonds, Series 2021 (the "Bonds"), in a principal amount not to exceed $10,380,000, pursuant to the provisions of Articles 10 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code, commencing with section 53570 of said Code, for the purpose of refunding all or a portion of the City's obligation to PERS, as evidenced by the PERS Contract, to pay the unfunded accrued actuarial liability of the City with respect to pension benefits under the Public Employees' Retirement Law, and paying the costs of issuance of the Bonds;

WHEREAS, on October 13, 2020, the City adopted its Resolution No. 39-2020 authorizing issuance of the Bonds and approving the form and authorizing execution of the various documents prepared in connection therewith; and

WHEREAS, a preliminary official statement to be used in connection with the offering and sale of the Bonds has been prepared and it is appropriate at this time for the Council to approve the form thereof and its distribution to prospective purchasers of the Bonds;

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF WILLOWS AS FOLLOWS:

SECTION 1. Approval of the Preliminary Official Statement. The Council hereby approves and deems final within the meaning of Rule 15c2-12 of the Securities Exchange Act of 1934 except for permitted omissions, a preliminary official statement describing the Bonds in the form on file with the City Clerk (the "Preliminary Official Statement"). Distribution of the Preliminary Official Statement by Hilltop Securities Inc. (the "Underwriter") to prospective purchasers of the Bonds is hereby approved. The Mayor, the Interim City Manager and the Administrative Services Director, or any designee thereof (each, an "Authorized Officer"), each acting alone, are hereby authorized to execute the final form of an official statement, including as it may be modified by such additions thereto and changes therein as an Authorized Officer shall deem necessary, desirable or appropriate (the "Final Official Statement"), and the execution of the Final Official Statement by an Authorized Officer shall be conclusive evidence of the approval of any such additions and changes. The Council hereby authorizes the distribution of the Final Official Statement by the Underwriter. The Final Official Statement shall be executed in the name and on behalf of the City by an Authorized Officer.

SECTION 2. Approval of Bond Purchase Agreement. The Council hereby authorizes the sale of the Bonds to the Underwriter so long as the true interest rate on the Bonds does not exceed 4.50% per annum and Underwriter's discount, excluding original issue discount which does not constitute compensation to the Underwriter, does not exceed 0.85%. A bond purchase agreement, by and between the City and the Underwriter (the "Bond Purchase Agreement"), in the form on file with the City Clerk, is hereby approved and the Authorized Officers, each acting alone, are hereby authorized and directed, for and in the name and on behalf of the City, to execute and deliver the Bond Purchase Agreement in such form together with such changes therein, deletions therefrom and additions thereto as the Authorized Officer executing the same shall approve, subject to the advice of Bond Counsel and the City Attorney, such approval to be conclusively evidenced by the execution and delivery of the Bond Purchase Agreement. Under no circumstances shall the elected Mayor be authorized to make any such changes on his or her own. The Council hereby authorizes the delivery and performance of the Bond Purchase Agreement.

SECTION 3. Approval of Continuing Disclosure Certificate. The continuing disclosure certificate, in the form on file with the City Clerk (the "Continuing Disclosure Certificate"), is hereby approved and any Authorized Officer is hereby authorized and directed, for and in the name and on behalf of the City, to execute and deliver the Continuing Disclosure Certificate in such form together with such changes therein, deletions therefrom and additions thereto as the Authorized Officer executing the same shall approve, such approval to be conclusively evidenced by the execution and delivery of the Continuing Disclosure Certificate. The Council hereby authorizes the delivery and performance of the Continuing Disclosure Certificate.

SECTION 4. Official Actions. The Mayor, the Interim City Manager, the Administrative Services Director, the City Clerk, and all other officers of the City are each authorized and directed in the name and on behalf of the City to make any and all assignments, certificates, agreements, notices, consents, instruments of conveyance and other documents, which they or any of them might deem necessary or appropriate in order to consummate the issuance of the Bonds, and any of the other transactions approved or contemplated by this Resolution and Resolution No. 39-2020. 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 is absent or unavailable.

SECTION 5. Effective Date. This Resolution shall take effect from and after the date of its passage and adoption.

SECTION 6. Certification. The City Clerk shall certify to the passage and adoption hereof.

PASSED, APPROVED AND ADOPTED at a regular meeting of the City Council on this 13th day of April, 2021, by the following vote:

AYES:
NOES:
ABSTAIN:
ABSENT:

APPROVED:	ATTESTED:
Larry Domenighini, Mayor	**Tara Rustenhoven, City Clerk**

ATTACHMENT B

PRELIMINARY OFFICIAL STATEMENT DATED MAY 3, 2021

NEW ISSUE—BOOK-ENTRY ONLY

RATING:
S&P: "___"
See "RATING" herein.

In the opinion of Quint & Thimmig LLP, Bond Counsel, interest on the Bonds is exempt from California personal income taxes. See "TAX MATTERS" herein. *Interest on the Bonds is not excludable from gross income of the owners thereof for federal income tax purposes.*

City of Willows
CALIFORNIA

$________*
CITY OF WILLOWS
(Glenn County, California)
Taxable Pension Obligation Bonds,
Series 2021

Dated: Date of Delivery **Due: August 1, as shown on the inside cover**

The $________* City of Willows Taxable Pension Obligation Bonds, Series 2021 (the "Bonds"), are being issued by the City of Willows (the "City") pursuant to Articles 10 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code, a trust agreement, dated as of February 1, 2021 (the "Trust Agreement"), by and between the City and U.S. Bank National Association, as trustee (the "Trustee"), and resolutions of the City Council of the City adopted on October 13, 2020, and April 13, 2021.

Interest on the Bonds is payable semiannually on each February 1 and August 1, commencing August 1, 2021. Principal is payable on the dates set forth below. The Bonds are being issued in fully registered form and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository of the Bonds. Individual purchases of interests in the Bonds will be made in book-entry form only, in the principal amount of $5,000 or any integral multiple thereof. Purchasers of such interests will not receive securities representing their interests in the Bonds. Payments of principal of and and interest on the Bonds are payable by the Trustee directly to DTC, which is obligated in turn to remit such principal and interest to DTC Participants for subsequent disbursement to the Beneficial Owners of the Bonds, as described herein.

The Bonds are subject to redemption prior to maturity as described herein.

The Bonds are being issued to (a) finance all or a portion of the City's unfunded accrued actuarial liability to the California Public Employees' Retirement System for the benefit of the City's employees, and (b) pay the costs of issuance of the Bonds, all as more fully described herein. See "FINANCING PLAN" herein

For the purpose of paying the principal of and interest on the Bonds, the City Council of the City is obligated, under the Trust Agreement, to take such actions annually as are necessary or appropriate to cause the debt service on the Bonds due in any fiscal year to be included in the budget for such fiscal year and to make the necessary annual appropriations therefor from any legally available funds, including the City's General Fund, to ensure that sufficient sums are available to pay the annual principal of and interest on the Bonds as the same shall become due. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS" herein.

A reseve fund will not be funded for the Bonds.

THE BONDS CONSTITUTE THE ABSOLUTE AND UNCONDITIONAL OBLIGATIONS OF THE CITY, PAYABLE FROM ALL LEGALLY AVAILABLE FUNDS OF THE CITY; HOWEVER, NO OTHER SPECIFIC SOURCE OF REVENUES OR OTHER FUNDS OF THE CITY ARE PLEDGED, NOR IS THE CITY OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION TO MAKE PAYMENTS OF PRINCIPAL OF AND INTEREST ON THE BONDS. THE BONDS ARE NOT SUBJECT TO ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION. THE CITY HAS COVENANTED IN THE TRUST AGREMENT TO PUNCTUALLY PAY THE PRINCIPAL OF AND INTEREST ON THE BONDS IN STRICT CONFORMITY WITH THE TERMS OF THE TRUST AGREMENT AND OF THE BONDS, AND TO FAITHFULLY OBSERVE AND PERFORM ALL THE AGREEMENTS AND COVENANTS TO BE OBSERVED OR PERFORMED BY THE CITY CONTAINED IN THE TRUST AGREMENT AND IN THE BONDS.

MATURITY SCHEDULE

SEE THE INSIDE COVER

This cover page contains certain information for general reference only. It is <u>not</u> intended to be a summary of the security or terms of this issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

The Bonds will be offered when, as and if issued, and received by the purchaser thereof, subject to the approval as to their legality by Quint & Thimmig LLP, Larkspur, California, Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for the City by Quint & Thimmig LLP, Larkspur, California, Disclosure Counsel, and by Cole Huber LLP, Roseville, California, the City Attorney. Certain legal matters will be passed on for the Underwriter by its counsel, Nixon Peabody LLP, Los Angeles, California. It is anticipated that the Bonds will be available for delivery through the book-entry facilities of DTC on or about May 27, 2021.

HilltopSecurities

Dated: May __, 2021

*Preliminary, subject to change.

$__________*

CITY OF WILLOWS
(Glenn County, California)
Taxable Pension Obligation Bonds, Series 2021

MATURITY SCHEDULE

Maturity (August 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP† Suffix

$__________ _____% Term Bonds Maturing August 1, _____; Price: _____, to Yield ______%—CUSIP†: ______ ___

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*Preliminary, subject to change.

GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

For purposes of compliance with Rule 15c2-12 of the United States Securities and Exchange Commission, as amended ("Rule 15c2-12"), this Preliminary Official Statement constitutes an "official statement" of the City with respect to the Bonds that has been deemed "final" by the City as of its date except for the omission of no more than the information permitted by Rule 15c2-12.

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 or note owner and the City or the Underwriter indicated in this Official Statement.

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 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.

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

Involvement of Underwriter. The Underwriter has provided the following statement for inclusion in this Official Statement: The Underwriter has reviewed the information in this Official Statement in accordance with, and as a part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

Document Summaries. All summaries of the 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.

Forward Looking Statements. 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.

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, the County, 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. Unless specifically indicated otherwise, the information presented on such website is not incorporated by reference as part of this Official Statement and should not be relied upon in making investment decisions with respect to the Bonds.

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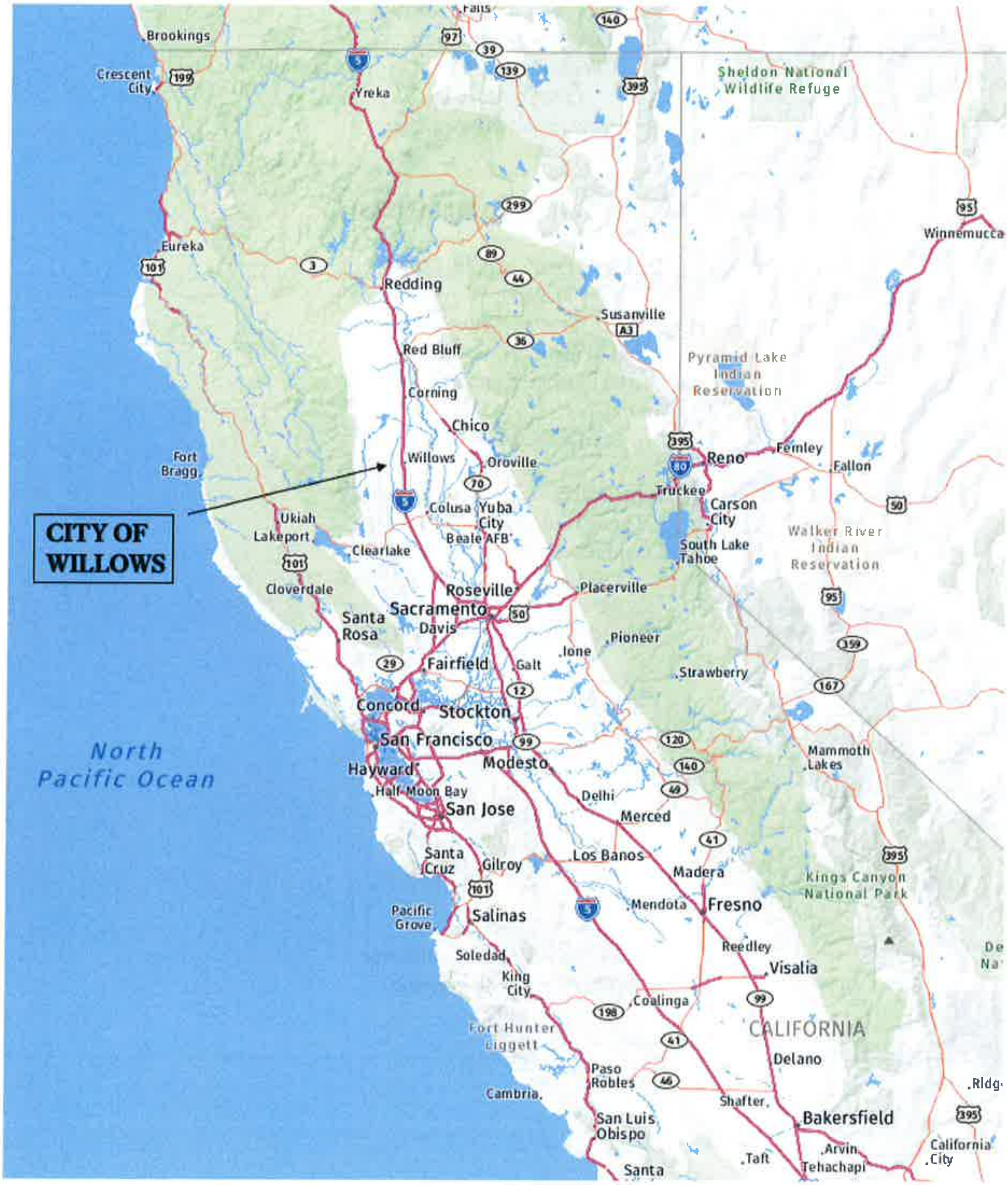
LOCATION MAP



CITY OF WILLOWS

201 North Lassen St.
Willows, CA 95988
(530) 934-7041
www.cityofwillows.org

CITY COUNCIL MEMBERS

Larry Domenighini, *Mayor*
Gary Hansen, *Vice Mayor*
Kerri Warren, *Councilmember*
Jeff Williams, *Councilmember*
Joe Flesher, *Councilmember*

CITY OFFICIALS

Wayne Peabody, *Interim City Manager*
Tara Rustenhoven, *City Clerk*
David Ritchie, Esq., *City Attorney*

PROFESSIONAL SERVICES

Bond and Disclosure Counsel
Quint & Thimmig LLP
Larkspur, California

Municipal Advisor
Wulff, Hansen & Co.
San Rafael, California

Trustee
U.S. Bank National Association
San Francisco, California

$___________*

CITY OF WILLOWS
(Glenn County, California)
Taxable Pension Obligation Bonds, Series 2021

INTRODUCTION

General

This Official Statement, including the cover page, the inside cover page and the appendices hereto, is provided to furnish information in connection with the offering by the City of Willows (the "City") of its $___________ * aggregate principal amount of City of Willows Taxable Pension Obligation Bonds, Series 2021 (the "Bonds").

Definitions of certain capitalized terms used in this Official Statement are set forth in APPENDIX A—SUMMARY OF CERTAIN PROVISIONS OF THE TRUST AGREEMENT. This Official Statement contains brief descriptions of the Bonds and the City. Such descriptions do not purport to be comprehensive or definitive. All references in this Official Statement to specific documents are qualified in their entirety by reference to such documents and references to the Bonds are qualified in their entirety by reference to the form of the Bonds included in the Trust Agreement (hereinafter defined). Copies of the Trust Agreement and other documents described in this Official Statement may be obtained from the City as described under the subheading "Other Information" below.

The City

The City was incorporated as a general law city on January 16, 1886 and is the county seat of Glenn County (the "County"), California. The City is located in the northern part of the California's Central Valley approximately halfway between the cities of Sacramento and Redding. The City encompasses an area of approximately 2.9 square miles and has a current population of approximately 6,200 residents. The City is a home to regional government offices of the California Highway Patrol, the California Department of Motor Vehicles, the United States Bureau of Reclamation and the main offices of the Mendocino National Forest, which comprises about one million acres of Federal land located mostly in mountainous terrain west of Willows. The City provides a full range of municipal services to its citizens including a public library, public safety, public works, planning and building regulation, recreation and parks, sewer and water services.

Policy-making and legislative authority are vested in the City Council of the City (the "City Council") consisting of a Mayor, Vice Mayor and three other elected City Council members. The City Council appoints the City Manager and the City Attorney. The City Manager is responsible for directing, coordinating and carrying out City Council policies. See "THE CITY," "CITY FINANCIAL INFORMATION," APPENDIX B—GENERAL, ECONOMIC AND DEMOGRAPHIC INFORMATION RELATING TO THE CITY AND THE COUNTY and APPENDIX C—AUDITED FINANCIAL STATEMENTS OF THE CITY FOR THE YEAR ENDED JUNE 30, 2020.

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* Preliminary, subject to change.

Purpose

The Bonds are being issued to (a) finance a portion of the City's unfunded accrued actuarial liability (the "UAL") to the California Public Employees' Retirement System ("CalPERS") for the benefit of the City's employees, and (b) pay the costs of issuance of the Bonds.

Authority for Issuance

The Bonds are issued by the City pursuant to Articles 10 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code, a trust agreement, dated as of May 1, 2021 (the "Trust Agreement"), by and between the City and U.S. Bank National Association, as trustee (the "Trustee"), and resolutions of the City Council adopted on October 13, 2020, and April 13, 2021.

Source of Payment

The obligations of the City under the Bonds, including the obligation to make all payments of the principal of and interest on the Bonds when due, are obligations of the City imposed by law and are absolute and unconditional, without any right of set-off or counterclaim. The City has covenanted under the Trust Agreement, to take such actions annually as are necessary or appropriate to cause the debt service on the Bonds due in any fiscal year to be included in the budget for such fiscal year and to make the necessary appropriations therefor from any legally available funds, including the General Fund, to ensure that sufficient sums are available to pay the annual principal of and interest on the Bonds as the same become due. See "SECURITY FOR THE BONDS" herein.

COVID-19 Pandemic

The outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, has been characterized as a pandemic (the "COVID-19 Pandemic") by the World Health Organization and is currently affecting many parts of the world, including the City, the County, the State, and the United States. The COVID-19 Pandemic is ongoing, and has affected and will continue to affect the City and its finances. The duration and severity of the COVID-19 Pandemic and the ramifications of the economic and other actions that have been or may be taken by governmental authorities to contain the COVID-19 Pandemic or to treat its impacts is uncertain. For additional discussion of the COVID-19 Pandemic, see "RISK FACTORS—COVID-19 Pandemic" herein.

The City currently projects that the COVID-19 Pandemic will continue to negatively impact its General Fund revenues in fiscal year 2020-21 and beyond. The City estimates that impacts from the COVID-19 Pandemic will affect its General Fund revenue sources, with the largest General Fund revenue reductions occurring in the City's sales and use tax and transient occupancy tax collections. For a discussion of the City's General Fund revenue sources, including sales and use taxes and transient occupancy taxes, see "CITY FINANCIAL INFORMATION" herein.

The City has adopted budget mitigation measures alongside its fiscal year 2020-21 budget with a goal of cutting expenditures to offset COVID-19 Pandemic related impacts. In addition to budget mitigation measures adopted with the City's fiscal year 2020-21 budget, the City drew upon its reserves to close budget shortfalls during fiscal year 2019-20 and plans to draw upon its reserves in fiscal year 2020-21. For a discussion of the City's fiscal year 2020-21 budget and the City's reserve policy, See "CITY FINANCIAL INFORMATION - General Fund Budget."

Continuing Disclosure

The City has covenanted for the benefit of the holders 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 enumerated events in compliance with S.E.C. Rule 15c2-12(b)(5) (the "Rule"). These covenants have been made to assist the Underwriter in complying with the Rule. The specific nature of the information to be made available and of the notices of enumerated events is summarized below under the caption "CONTINUING DISCLOSURE." Also, see APPENDIX E—FORM OF CONTINUING DISCLOSURE CERTIFICATE.

Tax Matters

In the opinion of Quint & Thimmig LLP, Bond Counsel, interest on the Bonds is exempt from California personal income taxes. See "TAX MATTERS" herein. Interest on the Bonds is not excludable from gross income of the owners thereof for federal income tax purposes.

Risk Factors

Prospective investors must review this Official Statement and the Appendices hereto in their entirety and should consider certain risk factors associated with the purchase of the Bonds, some of which have been summarized in the section herein entitled "RISK FACTORS" herein.

Other Information

This Official Statement speaks only as of its date and the information contained herein is subject to change. Copies of documents referred to herein and information concerning the Bonds are available for inspection at the office of the City Clerk, City of Willows, 201 North Lassen Street, Willows, CA 95988 (530) 934-7041. The City may impose a charge for copying, mailing and handling.

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.

The information set forth herein has been obtained from sources which are believed to be reliable. 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.

FINANCING PLAN

The City is a member of CalPERS and, as such, is obligated by the Public Employees' Retirement Law, constituting Part 3 of Division 5 of Title 2 of the California Government Code (the "Retirement Law"), and the contract between the Board of Administration of CalPERS and the City Council, dated July 1, 1948, as amended (the "CalPERS Contract"), to make contributions to CalPERS to (a) fund pension benefits for City employees who are members of CalPERS, (b) amortize the UAL with respect to such pension benefits, and (c) appropriate funds for the purposes described in (a) and (b).

Pursuant to the Retirement Law, the City Council is required to make the appropriations to pay the amounts required to be paid by the City pursuant to the Retirement Law, including the UAL that is evidenced by the Bonds. See "SECURITY FOR THE BONDS."

On October 27, 2020, the City, acting pursuant to the provisions of sections 860 *et seq.* of the California Code of Civil Procedure and sections 53511 and 53589.5 of the California Government Code, filed a complaint in the Superior Court of the State of California for the County of Glenn seeking judicial validation of the proceedings and transactions relating to the issuance of the Bonds and certain other matters. On December 23, 2020, the court entered a default judgment (the "Validation Judgment") to the effect, among other things, that the Bonds are valid obligations of the City and in conformity with all applicable provisions of law. See the section entitled "VALIDATION" for additional information regarding the legal effects of the Validation Judgment.

Per the most recent CalPERS valuation reports, the City's projected UALs as of June 30, 2021, are $3,646,196 for its Miscellaneous Plan and $4,689,066 for its Safety Plan.

The Bonds are being issued under the Trust Agreement to fund 100% of CalPERS' estimate of the City's UAL for the Miscellaneous Plan and the Safety Plan at June 30, 2021. The total amount, $8,335,262* (Miscellaneous Plan at $3,646,196* and Safety Plan at $4,689,066*), is the amount to be paid from Bond proceeds.

In addition, Bond proceeds will also fund the City's remaining unfunded accrued liability payments for the Miscellaneous Plan and the Safety Plan attributable to the current Fiscal Year 2020-21. The total amount, $__________ (Miscellaneous Plan at $__________ and Safety Plan at $__________), is the amount to be paid from Bond proceeds.

* Preliminary, subject to change.

SOURCES AND USES OF FUNDS

The following are the expected sources and uses of funds in connection with the Bonds:

SOURCES	
Principal Amount of Bonds	
Total Sources of Funds	
USES	
Transfer to CalPERS (Miscellaneous Fund)	
Transfer to CalPERS (Safety Fund)	
Costs of Issuance [1]	
Total Uses of Funds	

(1) Includes the Underwriter's discount, fees for services of bond counsel, disclosure counsel, the rating agency, the municipal advisor, the Trustee and other costs.

THE BONDS

Authority for Issuance

The Bonds are issued under provisions of the California Government Code. The specific terms and conditions for issuance of the Bonds are contained in the Trust Agreement.

For the purpose of paying the principal of and interest on the Bonds, the City Council is obligated, under the Trust Agreement, to take such actions annually as are necessary or appropriate to cause the debt service on the Bonds due in any fiscal year to be included in the budget for such fiscal year and to make the necessary annual appropriations therefor from any legally available funds, including the General Fund, to ensure that sufficient sums are available to pay the annual principal of and interest on the Bonds as the same become due. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS" herein.

Description of the Bonds

The Bonds will be issued in denominations of $5,000 each or any integral multiple thereof, will be dated the date of their delivery to the initial purchasers thereof, and will be fully registered bonds, without coupons, with interest payable semiannually on each February 1 and August 1, commencing August 1, 2021 (each, an "Interest Payment Date"), to the registered owners whose names appear on the bond registration books of the Trustee as of the close of business on the fifteenth calendar day of the month immediately preceding an Interest Payment Date. Principal will be payable on the dates and in the amounts set forth on the front cover hereof. Payments of principal of and interest on the Bonds will be made by the Trustee, as paying agent, to The Depository Trust Company ("DTC"), New York, New York, which in turn is required to remit such principal and interest to the DTC Participants for subsequent disbursement to the beneficial owners of the Bonds. See APPENDIX F—BOOK-ENTRY ONLY SYSTEM.

A 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 a duly authorized attorney of such person, upon surrender of that Bond to the Trustee at its Office for cancellation, accompanied by delivery of a written instrument of transfer in a form acceptable to the Trustee, duly executed. The Trustee shall collect any tax or other governmental charge on the transfer of any Bonds. Whenever any Bond or Bonds are surrendered for transfer, the City will execute and the Trustee shall authenticate and deliver to the transferee a new Bond or Bonds of like series, interest rate, maturity and aggregate principal amount. The City will pay the cost of printing Bonds and any services rendered or expenses incurred by the Trustee in connection with any transfer of Bonds.

The Bonds may be exchanged at the Office of the Trustee for a like aggregate principal amount of Bonds of other authorized denominations and of the same series, interest rate and maturity. The Trustee shall collect any tax or other governmental charge on the exchange of Bonds. The City will pay the cost of printing Bonds and any services rendered or expenses incurred by the Trustee in connection with any exchange of Bonds.

Debt Service Schedule

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

Maturity August 1	Principal (1)	Interest (2)	Total
2021			
2022			
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			
2037			
2038			
2039			
2040			
TOTAL			

(1) Includes mandatory sinking fund installments.
(2) Interest on the Bonds is payable semiannually on each February 1 and August 1, commencing August 1, 2021.

Redemption

Optional Redemption. The Bonds maturing on or before August 1, 20______, are not subject to optional redemption prior to their respective stated maturities. The Bonds maturing on and after August 1, 20______, are subject to optional redemption from any source of available funds of the City, prior to their respective maturities, in whole or in part on any date on or after August 1, 20______ (the "Par Call Date"), upon at least forty-five (45) days prior written notice to the Trustee from the City, at a redemption price equal to the principal amount of the Bonds to be redeemed, plus accrued interest thereon to the date of redemption, without premium.

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

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

†Maturity

Notice of Redemption. The Trustee on behalf and at the expense of the City will mail (by first class mail) notice of any redemption to the respective Owners of Bonds designated for redemption at their respective addresses appearing on the Registration Books, and to the Securities Depositories and to one or more Information Services, at least 20 but not more than 60 days prior to the date fixed for redemption; *provided, however*, that neither failure to receive any such notice so mailed nor any defect therein will affect the validity of the proceedings for the redemption of such Bonds or the cessation of the accrual of interest thereon.

Such notice must state the date of the notice, the redemption date, the redemption place and the redemption price and must designate the CUSIP numbers, the Bond numbers and the maturity or maturities (in the event of redemption of all of the Bonds of such maturity or maturities in whole) of the Bonds to be redeemed, and must require that such Bonds be then surrendered at the Office of the Trustee identified in such notice for redemption at the redemption price, giving notice also that further interest on such Bonds will not accrue from and after the redemption date. See APPENDIX F—BOOK-ENTRY ONLY SYSTEM.

The actual receipt by the registered owner of any bond of such notice of redemption, or failure to receive such notice, or any defect in such notice, shall not affect the validity of the proceedings for the redemption of such Bonds or the cessation of the accrual of interest on the date fixed for redemption.

Right to Rescind Notice of Redemption. The City has the right to rescind any notice of the optional redemption of Bonds by written notice to the Trustee prior to the dated fixed for redemption. Any notice of optional redemption will be canceled and annulled if for any reason funds will not be or are not available on the date fixed for redemption for the payment in full of the Bonds then called for redemption, and such cancellation will not constitute an Event of Default under the Trust Agreement. The City and the Trustee have no liability to the Owners or any other party related to or arising from such rescission of redemption.

Manner of Redemption. Whenever provision is made for the redemption of less than all of the Bonds, the Trustee shall select the Bonds to be redeemed by lot in any manner which the Trustee in its sole discretion deems appropriate. For purposes of such selection, all Bonds will be deemed to be comprised of separate $5,000 denominations and such separate denominations will be treated as separate Bonds which may be separately redeemed.

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

Effect of Redemption. From and after the date fixed for redemption, if notice of redemption has been duly mailed and funds available for the payment of the principal of and interest on the Bonds so called for redemption have been duly provided, such Bonds so called shall cease to be entitled to any benefit under the Trust Agreement other than the right to receive payment of the redemption price, and no interest shall accrue thereon from and after the redemption date specified in such notice. Unless otherwise directed in writing by the City, the Trustee shall cancel and destroy all Bonds redeemed.

SECURITY FOR THE BONDS

Repayment of Bonds; Equal Security

The Bonds are unsecured obligations payable from any source of legally available funds of the City, including but not limited to amounts held by the City on deposit in its General Fund. The Bonds are not secured by a pledge of or lien on any specific revenues, income or funds of the City.

The obligations of the City under the Bonds, including the obligation to make all payments of interest and principal when due, are obligations of the City imposed by law and are absolute and unconditional, without any right of set-off or counterclaim. The Bonds do not constitute an obligation of the City for which the City is obligated to levy or pledge any form of taxation. Neither the Bonds nor the obligations of the City to make payments on the Bonds constitute an indebtedness of the City, the State of California, or any of its political subdivisions in contravention of any constitutional or statutory debt limitation or restriction. The City Council of the City is obligated to make annual appropriations to pay the Bonds from any source of legally available funds of the City. The City Council is obligated in each Fiscal Year to appropriate all amounts from such funds as may be required to pay the aggregate amount of the principal of and the interest on the Bonds coming due and payable in such Fiscal Year.

In consideration of the acceptance of the Bonds by those who hold the same from time to time, the Trust Agreement constitutes a contract between the City and the Owners of the Bonds, and the covenants and agreements therein set forth to be performed on behalf of the City are for the equal and proportionate benefit, security and protection of all Owners of the Bonds without preference, priority or distinction as to security or otherwise of any of the Bonds over any of the others by reason of the number or date thereof or the time of sale, execution and delivery thereof, or otherwise for any cause whatsoever, except as expressly provided therein or herein.

Deposit of Amounts to Pay Debt Service

The City shall pay or cause to be paid to the Trustee, not later than five Business Days prior to each date on which the principal of or interest on the Bonds is due and payable, an amount which is sufficient, together with other amounts then held by the Trustee in the Debt Service Fund, to pay the aggregate amount of principal of and interest on the Bonds coming due and payable on such date.

Debt Service Fund and Accounts Therein

The Trust Agreement creates a separate fund to be known as the "Debt Service Fund," to be held by the Trustee in trust for the benefit of the Bond Owners.

On or before the Business Day preceding each Interest Payment Date, the Trustee shall transfer from the Debt Service Fund and deposit into the following respective accounts (each of which the Trustee shall establish and maintain within the Debt Service Fund), the following amounts, in the following order of priority, the requirements of each such account (including the making up of any deficiencies in any such account resulting from insufficiencies of any earlier required deposit) at the time of deposit to be satisfied before any transfer is made to any account subsequent in priority:

> *First*: to the Interest Account, the aggregate amount of interest becoming due and payable on the next succeeding Interest Payment Date on all Bonds then Outstanding; and
>
> *Second*: to the Principal Account, the aggregate amount of principal becoming due and payable on the Outstanding Bonds on the next succeeding Interest Payment Date, if any.

All amounts in the Interest Account shall be used and withdrawn by the Trustee solely for the purpose of paying interest on the Bonds as it shall become due and payable (including accrued interest on any Bonds purchased prior to maturity pursuant to the Trust Agreement).

All amounts in the Principal Account shall be used and withdrawn by the Trustee solely for the purposes of paying the principal of the Bonds when due and payable.

THE BONDS CONSTITUTE THE ABSOLUTE AND UNCONDITIONAL OBLIGATIONS OF THE CITY, PAYABLE FROM ALL LEGALLY AVAILABLE FUNDS OF THE CITY; HOWEVER, THE BONDS ARE UNSECURED OBLIGATIONS AND NO SPECIFIC SOURCE OF REVENUES OR OTHER FUNDS OF THE CITY ARE PLEDGED, NOR IS THE CITY OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION TO MAKE PAYMENTS OF PRINCIPAL OF AND INTEREST ON THE BONDS. THE BONDS ARE NOT SUBJECT TO ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION. THE CITY HAS COVENANTED IN THE TRUST AGREEMENT TO PUNCTUALLY PAY THE INTEREST ON, AND THE PRINCIPAL TO BECOME DUE ON EVERY BOND ISSUED PURSUANT TO THE TRUST AGREEMENT IN STRICT CONFORMITY WITH THE TERMS OF THE TRUST AGREEMENT AND OF THE BONDS, AND TO FAITHFULLY OBSERVE AND PERFORM ALL THE AGREEMENTS AND COVENANTS TO BE OBSERVED OR PERFORMED BY THE CITY CONTAINED IN THE TRUST AGREEMENT AND IN THE BONDS.

The Bonds have not been, and are not required to be, approved by the City's electorate. Consequently, under current law in California, the City cannot levy *ad valorem* or special taxes in excess of

Constitutional limits to support the payment of annual Debt Service on the Bonds. See "CONSTITUTIONAL AND STATUTORY TAX LIMITATIONS" herein. The City has covenanted in the Trust Agreement to appropriate a sufficient amount in each fiscal year to pay that fiscal year's annual Debt Service. The extent to which these obligations may be specifically enforced, however, has not been tested in California. A Bondholder, however, may exercise any remedies available pursuant to the law or the Trust Agreement if an event of default occurs under the Trust Agreement. See "RISK FACTORS—Bankruptcy."

THE CITY

The City was incorporated as a general law city on January 16, 1886 and is the county seat of the County. The City is located in the northern part of the California's Central Valley approximately halfway between the cities of Sacramento and Redding. The City encompasses an area of approximately 2.9 square miles and has a current population of approximately 6,200 residents. The City is a home to regional government offices of the California Highway Patrol, the California Department of Motor Vehicles, the United States Bureau of Reclamation and the main offices of the Mendocino National Forest, which comprises about one million acres of Federal land located mostly in mountainous terrain west of Willows. The City provides a full range of municipal services to its citizens including a public library, public safety, public works, planning and building regulation, recreation and parks, sewer and water services.

Policy-making and legislative authority are vested in the City Council of the City consisting of a Mayor, Vice Mayor and three other elected City Council members. The City Council appoints the City Manager and the City Attorney. The City Manager is responsible for directing, coordinating and carrying out City Council policies.

Members of the Council and key administrative personnel of the City are listed at the front of this Official Statement.

See APPENDIX B—GENERAL, ECONOMIC AND DEMOGRAPHIC INFORMATION RELATING TO THE CITY AND THE COUNTY for an additional description of the City as well as certain demographic and statistical information.

CITY FINANCIAL INFORMATION

Financial Statements and Budgetary Process

The City's accounting policies conform to generally accepted accounting principles. The audited financial statements also conform to the principles and standards for public financial reporting established by the Governmental Accounting Standards Board.

Basis of Accounting and Financial Statement Presentation. The government-wide financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Audited Financial Statements. The City retained Marcello & Company, Granite Bay, California (the "City's Auditor"), to examine the general purpose financial statements of the City as of and for the year ended June 30, 2020. The audited financial statements for fiscal year ended June 30, 2020, are included in APPENDIX C—AUDITED FINANCIAL STATEMENTS OF THE CITY FOR THE FISCAL YEAR ENDED JUNE 30, 2020. The City has not requested, and the City's Auditor has not provided, any review or update of such financial statements in connection with their inclusion in this Official Statement.

Budget Process. The City Council is required to adopt a final budget by no later than the close of the fiscal year. The annual budget serves as the foundation for the City's financial planning and control. The budget is prepared by fund, and by department (e.g., police). Department heads may transfer resources within a department as they see fit. Transfers between departments, however, need special approval from the City Council.

A comprehensive mid-year budget review is done to update revenue and expenditure projections. In addition, the City Council receives quarterly budget updates. The City maintains budgetary controls to ensure compliance with legal provisions embodied in the appropriated budget approved by the City Council. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) for the City's operating budget is the program area within each fund, and for the capital improvement budget it is each individual capital improvement project within each fund. For the operating budget, the City Manager has the authority to move appropriations between accounts (without dollar limitation) within a budget program and within the same fund as long as the transfers are within the same program area. For the capital improvement program, the City Manager has the authority to transfer appropriations (with no dollar limitation) between capital projects within the same fund. Appropriation increases, decreases or transfers between funds require the approval of the City Council.

All appropriations lapse at the end of the fiscal year unless specific carryovers are approved by the City Council.

Certain of the City's revenues are collected and dispersed by the State (such as sales tax and motor-vehicle license fees) or allocated in accordance with State law (most importantly, property taxes). Therefore, State budget decisions can have an impact on City finances. See "STATE BUDGET INFORMATION."

Impact of COVID-19 Pandemic on Future Budgeting. The COVID-19 Pandemic is ongoing, and the duration and severity of the outbreak, and the ramifications of the economic and other of actions that have been or may be taken by governmental authorities to contain the outbreak or to treat its impact are uncertain. The ultimate impact of COVID-19 on the City's operations and finances is unknown.

The City continues to monitor the short and long-term impacts of the COVID-19 Pandemic and what, if any, further expenditure reductions will be needed due to reduced revenue in Fiscal Years 2019-20 and 2020-21. The depth, breadth and length of any economic downturn will directly impact the City's planning with regards to reductions in expenditures such as staffing cuts, program elimination, reductions in services.

See the captions "CITY FINANCIAL INFORMATION—General Fund Budget—The City's Fiscal Year 2020-21 General Fund Budget" and "RISK FACTORS—COVID-19 Pandemic."

General Fund Balance Sheet

The following table shows the City's audited General Fund balance sheet for the past five fiscal years.

TABLE 1
CITY OF WILLOWS
GENERAL FUND
BALANCE SHEET

	Fiscal Year Ending June 30,				
	2016 Audited	2017 Audited	2018 Audited	2019 Audited	2020 Audited
ASSETS					
Cash and investments	$ 479,775	$ 877,838	$ 891,457	$ 94,342	$1,013,518
Intergovernmental receivable	383,125	210,655	193,367	256,133	246,369
Interest receivable	2,478	4,659	4,883	5,082	-
Receivable from other funds	518,073	301,543	202,088	1,082,567	-
Other	4,322	4,127	2,556	3,770	4,725
Total Assets	1,387,733	1,398,822	1,294,361	1,441,894	1,264,612
DEFERRED FLOWS OF RESOURCES					
Unavailable revenue	9,198	10,094	56,421	-	-
Total Deferred Flows of Resources	9,198	10,094	56,421	-	-
LIABILITIES					
Accounts payable	50,767	119,664	44,113	36,748	55,986
Compensated absences	185,765	157,466	87,471	93,746	97,188
Deferred revenue	-	-	-	10,232	-
Other	237	421	293	1,867	-
Total Liabilities	236,769	277,551	131,877	142,593	153,174
FUND BALANCES					
Nonspendable	-	-	-	-	4,725
Committed – Working capital	200,000	200,000	200,000	200,000	200,000
Committed – Surplus property	5,000	5,000	5,000	5,000	5,000
Uncommitted	936,806	906,177	901,063	1,094,301	901,713
Total Fund Balances	141,806	1,111,177	1,106,063	1,299,301	1,111,438
Total Liabilities, Deferred Flows of Resources and Fund Balances	1,387,773	1,398,822	1,294,361	1,441,894	1,264,612

Source: City of Willows 2016-20 Audited Financial Statements.

General Fund Revenues, Expenditures, and Changes in Fund Balances

The following tables show the City's audited results for General Fund revenues and expenditures for fiscal years 2016-17 through 2019-20 and budgeted projections for fiscal year 2020-21. The City retained new auditors beginning in its 2019-20 fiscal year. As such, categories of revenues and expenditures in the City's fiscal year 2019-20 audit and fiscal year 2020-21 budget do not directly match those from prior years.

TABLE 2A
CITY OF WILLOWS
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

	Fiscal Year Ending June 30,		
	2017 Audited	2018 Audited	2019 Audited
REVENUES			
Taxes	$2,667,170	$2,799,091	$3,167,852
Licenses and permits	266,853	265,061	288,760
Fines, forfeitures, and penalties	16,381	11,803	12,992
Intergovernmental	596,200	576,494	595,723
Charges for services	151,692	87,677	116,780
Interest	10,927	51,668	16,191
Other	58,438	42,817	28,447
Total Revenues	3,767,661	3,804,611	4,226,745
EXPENDITURES			
General government	514,535	516,760	543,631
Public safety	2,269,776	2,274,569	2,277,736
Parks and Public works	459,227	471,502	468,956
Recreation	153,446	138,982	131,866
Library	197,609	192,801	188,504
Housing and community development	218,030	212,912	217,881
Capital outlay	62,901	79,433	87,121
Debt service – Principal	-	-	-
Debt service – Interest	-	-	-
Total Expenditures	3,875,524	3,886,959	3,915,695
REVENUES OVER EXPENDITURES	(107,863)	(82,348)	311,050
OTHER FINANCING SOURCES/(USES)			
Transfers in	77,234	77,234	77,234
Transfers out	-	-	-
Total Other Financing Sources	77,234	77,234	77,234
NET CHANGE IN FUND BALANCES	(30,629)	(5,114)	388,284
FUND BALANCES – BEGINNING OF YEAR	1,141,806	1,111,177	1,106,063
FUND BALANCES – END OF YEAR	1,111,177	1,106,063	1,299,301(1)

Source: City of Willows 2017-20 Audited Financial Statements and City of Willows Finance Department.
(1) Reflects a prior period adjustment of $(195,046) related to ___________.

TABLE 2B
CITY OF WILLOWS
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

	Fiscal Year Ending June 30, 2020 Audited	2021 Budget(1)
REVENUES		
Property tax	$ 861,112	$ 805,000
Property tax in lieu of VLF	620,287	600,000
Franchise fees	205,248	195,000
Sales tax	1,432,962	1,148,000
Transient occupancy tax	762,924	325,000
Licenses and permits	100,128	74,000
Transfer tax	18,945	19,000
Fines and forfeitures	16,879	5,000
Charges for services	108,698	137,440
Use of money and property	55,371	38,000
Other	49,277	19,000
Total Revenues	4,231,831	3,365,440
EXPENDITURES		
Current:		
Personnel	1,964,031	
Office	67,472	
Utilities	133,564	
Public works	98,577	
Professional services	238,625	
Contract services	161,795	
Police contract	1,253,991	
Insurance	101,801	
Other expenditures	27,257	
Capital expenditures	260,604	
Total Expenditures	4,307,717	
REVENUES OVER EXPENDITURES	(75,886)	
OTHER FINANCING SOURCES/(USES)		
Transfers in	5,000	25,500
Transfers out	(111,977)	
Total Other Financing Sources	(106,977)	
NET CHANGE IN FUND BALANCES	(182,863)	
FUND BALANCES – BEGINNING OF YEAR	1,294,301	1,111,438
FUND BALANCES – END OF YEAR	1,111,438	

Source: City of Willows 2017-20 Audited Financial Statements and City of Willows Finance Department.

(1) For a discussion of mitigation measures included in the City's fiscal year 2020-21 budget, see "General Fund Budget - General Fund Budget Mitigation Measures."

General Fund Budget

The following table shows the City's General Fund budget figures for fiscal year 2018-19 and 2019-20 and a comparison of the final General Fund budget versus audited actuals for fiscal year 2018-19 and 2019-20. The City retained new auditors beginning in its 2019-20 fiscal year. Categories of revenues and expenditures in the City's fiscal year 2019-20 audit do not directly match those from prior years.

TABLE 3A
CITY OF WILLOWS
GENERAL FUND
BUDGET COMPARISON
Fiscal Year 2018-19

	Fiscal Year Ending June 30, 2019		
	Adopted Budget	Final Budget	Audited Actuals
REVENUES			
Taxes	$ 2,755,300	$ 2,890,330	$ 3,167,852
Licenses and permits	252,800	256,633	288,760
Fines, forfeitures, and penalties	1,000	6,000	12,992
Intergovernmental	574,500	588,500	595,723
Charges for services	105,936	90,936	116,780
Interest	15,000	22,000	16,191
Other	46,500	38,000	28,447
Total Revenues	3,751,036	3,892,369	4,226,745
EXPENDITURES			
General government	510,762	528,979	543,631
Public safety	2,252,168	2,263,421	2,277,736
Parks and Public works	519,386	519,386	468,956
Recreation	146,934	146,934	131,866
Library	191,741	191,741	188,504
Housing and community development	215,224	225,224	214,881
Capital outlay	90,000	90,000	87,121
Debt service – Principal	-	-	-
Debt service – Interest	-	-	-
Total Expenditures	3,926,215	3,965685	3,915,6995
REVENUES OVER EXPENDITURES	(175,179)	(73,316)	311,050
OTHER FINANCING SOURCES			
Transfers in	77,234	77,234	77,234
Transfers out	-	-	-
Total Other Financing Sources	77,234	77,234	77,234
NET CHANGE IN FUND BALANCES	(97,945)	3,918	388,284
FUND BALANCES – BEGINNING OF YEAR			1,106,063
FUND BALANCES – END OF YEAR			1,299,301(1)

Source: City of Willows Finance Department.
(1) Includes a prior period adjustment of $(195,046) related to ___________.

TABLE 3B
CITY OF WILLOWS
GENERAL FUND
BUDGET COMPARISON
Fiscal Year 2019-20

	Fiscal Year Ending June 30, 2020		
	Adopted Budget	Final Budget	Audited Actuals
REVENUES			
Property tax	$ 792,000	$ 792,000	$ 861,112
Property tax in lieu of VLF	575,000	575,000	620,287
Franchise fees	190,500	190,500	205,248
Sales tax	1,394,500	1,394,500	1,432,962
Transient occupancy tax	725,000	725,000	762,924
Licenses and permits	123,800	123,800	100,128
Transfer tax	19,000	19,000	18,945
Fines and forfeitures	3,000	3,000	16,879
Charges for services	202,734	202,734	108,698
Use of money and property	73,436	73,436	55,371
Other	-	64,555	49,277
Total Revenues	4,098,970	4,163,525	4,231,831
EXPENDITURES			
Current:			
Personnel	-	-	1,964,031
Office	-	-	67,472
Utilities	-	-	133,564
Public works	-	-	98,877
Professional services	-	-	238,625
Contract services	-	-	161,795
Police contract	-	-	1,253,991
Insurance	-	-	101,801
Other expenditures	-	-	27,257
Capital expenditures	-	-	260,604
Total Expenditures	4,286,512	4,463,097	4,307,717
REVENUES OVER EXPENDITURES	(187,542)	(299,572)	(75,886)
OTHER FINANCING SOURCES/(USES)			
Transfers in	-	-	5,000
Transfers out	-	-	(111,977)
Total Other Financing Sources	-	-	(106,977)
NET CHANGE IN FUND BALANCES	(187,542)	(299,572)	(182,863)
FUND BALANCES – BEGINNING OF YEAR			1,294,301
FUND BALANCES – END OF YEAR			1,111,438

Source: City of Willows Finance Department.

General Fund Budget Mitigation Measures. Due to the unanticipated and severe disruption of the economy as a result of the COVID-19 pandemic, the City's fiscal year 2020-21 General Fund budget includes the following measures to mitigate the impact of the COVID-19 pandemic on the City's finances as summarized in the table below.

TABLE 4
CITY OF WILLOWS
GENERAL FUND BUDGET MITIGATION MEASURES
Fiscal Year 2020-21

Mitigation Measure	Approximate Projected Fiscal Year 2020-21 Savings
Lay off recreation director	$ 50,000
City council pay suspension, travel, special expenses	18,450
Code enforcement reductions	10,000
End participation north state Cconsortium, travel reductions	7,000
General staffing reductions and furloughs	18,000
Reduction in planning dept. services	11,000
Reduction of discretionary community activities	47,500
Furloughs in the building dept.	15,000
Library staff reductions	14,000
Swimming pool closure	50,000
Reduction of custodial and maintenance services	10,000
Lay off maintenance position for parks and public works	73,000
Fire department position freeze and furlough	168,000
Reduction in maintenance of streetlights	5,000
Reduction in storm drain services	1,000
Total	$497,950

Source: City of Willows Finance Department.

The City currently projects a General Fund operating deficit of approximately $298,518 for fiscal year 2020-21 as a result of the adoption of the budget mitigation measures. The effects of the COVID-19 Pandemic on the City's finances are ongoing, and the future course of the COVID-19 Pandemic is unpredictable. While the City believes that its 2020-21 budget and the mitigation measures discussed above are adequate, additional cost cutting measures may be necessary in the future.

Federal Aid. On March 27, 2020, the President signed the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") into law authorizing more than $2 trillion to battle COVID-19 and its economic effects, including immediate cash relief for individual citizens, expanded unemployment insurance for workers, loan programs for small business, additional funds for state and local governments, support for hospitals and other medical providers, and various types of economic relief for impacted businesses and industries. The City has received approximately $76,651 million in CARES Act funding from the State.

The $1.9 trillion American Rescue Plan Act of 2021 (the "American Rescue Plan Act") was signed into law on March 11, 2021, for purposes related to the COVID-19 Pandemic. The American Rescue Plan Act includes $350 billion in state and local government fiscal aid to augment allocations provided in the

CARES Act. The City expects to receive $1.14 million from this source. Distributions under the American Rescue Plan Act will occur in two tranches, one each in 2021 and 2022, and are required to be spent by December 31, 2024. Allowable uses for American Rescue Plan Act funds include expenses related to the COVID-19 Pandemic such as assistance to households, small businesses, nonprofits, and aid to impacted industries. American Rescue Plan Act funds may be used for the provision of government services to the extent of the reduction in revenue caused by the COVID-19 Pandemic.

The American Rescue Plan Act also contains $195 billion of aid to states. The City does not yet know whether California will pass through a portion of its aid to local governments, as it did with its Cares Act funding. In addition, the City may benefit from other subventions and grants authorized in the American Rescue Plan Act. The City cannot give any assurance that it will receive any further relief funds.

City Financial Management

The City Council has adopted a comprehensive set of financial management policies to provide for: (i) establishing targeted General Fund reserves; (ii) the prudent investment of City funds, and (iii) management of debt. The City's practice is to incur debt only after deliberation over the effect of such debt on the City's General Fund and other resources of the City, and in those circumstances where the use of debt would be appropriate to the scale and economic life of the asset being financed and the accumulation or availability of reserves to fund the capital requirement.

General Fund Reserve Policy. The following table shows the City's General Fund Reserve Policy guidance, actual reserves for fiscal year 2019-20 and budgeted reserve for fiscal year 2020-21.

CITY OF WILLOWS
GENERAL FUND RESERVE POLICY

	Policy Guidance	Actual FY 2019-20	Budgeted FY 2020-21
% of Expenses	____%	____%	____%

Source: City of Willows.

The City drew $__________ from its General Fund reserves during the 2019-20 fiscal year, bringing the remaining balance of General Fund reserves to approximately $__________ as of June 30, 2020. The City projects a need to draw approximately $__________ from its General Fund reserves for fiscal year 2020-21.

Investment Policy. The investment of funds of the City (except pension and retirement funds) is made in accordance with the City's Investment Policy, most recently approved ____________ ______, 20______ (the "Investment Policy"), prepared by the City Administrative Services Director as authorized by section 53601 of the Government Code of California. The Investment Policy allows for the purchase of a variety of securities and provides for limitations as to exposure, maturity and rating which vary with each security type. The composition of the portfolio will change over time as old investments mature, or are sold, and as new investments are made. Invested funds are managed to ensure preservation of capital through high quality investments, maintenance of liquidity and then yield. Further, operating funds may not be invested in any investment with a maturity greater than five years.

Debt Management Policy. In accordance with section 8855(i) of the California Government Code the City adopted a debt management policy on September 8, 2020 to establish conditions for the use of debt; to ensure that debt capacity and affordability are adequately considered; to minimize the City's interest and issuance costs; to maintain the highest possible credit rating; to provide complete financial disclosure and reporting; and to maintain financial flexibility for the City.

Primary Sources of General Fund Revenues

The City relies on several sources to balance its General Fund budget. The most important of these revenue sources (based on percentage of the total revenue budget) are sales taxes, property taxes, and transient occupancy taxes. These primary sources of General Fund revenues typically account for over 80% of the City's General Fund revenues each year.

The table below shows the City's primary general fund revenue sources for the four most recent fiscal years and budgeted revenues for Fiscal Year 2020-21. Following the table is a brief discussion of each of the City's primary sources of General Fund revenues.

TABLE 5
CITY OF WILLOWS
PRIMARY SOURCES OF GENERAL FUND REVENUES

	Fiscal Year Ending June 30,				
	2017 Audited	2018 Audited	2019 Audited	2020 Audited	2021 Budget
Sales taxes				$ 1,432,962	$ 1,148,000
Property taxes				861,112	805,000
Property taxes in lieu of VLF				620,287	600,000
Transient occupancy taxes				762,924	325,000
Total Primary Sources				3,677,285	2,878,000
All Other General Fund Revenues				554,546	487,440
Total General Fund Revenues	3,767,661	3,804,611	4,226,745	4,231,831	3,365,440

Source: City of Concord 2017-20 Comprehensive Annual Financial Reports and City of Concord Finance Department.
(1) Amounts for FY2020-21 include partial-year collections from Measure V that replaced Measure Q and began April 1, 2021. For additional information, see "Sales and Use Taxes."

Sales and Use Taxes. Sales and use taxes are the General Fund's largest revenue source. The City receives a 1% share of all taxable sales generated within its borders. In Fiscal Year 2018-19, sales and use taxes generated approximately $__________ and. In Fiscal Year 2019-20, sales and use taxes generated approximately $1.4 million. Sales and use taxes are projected to generate $1.1 million in Fiscal Year 2020-21. Sales and Use Tax revenues for Fiscal Years 2019-20 and 2020-21 have been and are likely to continue to be significantly impacted by the COVID-19 Pandemic. For additional discussion of the City's sales tax revenues, see "Sales and Use Taxes."

Property Taxes. The County levies a tax of 1% on the assessed valuation of property within the County. The City receives a share of this 1% levy for property located within the City limits. In Fiscal Year 2018-19 property taxes (including property taxes in-lieu of vehicle license fees) generated approximately $______ million. In Fiscal Year 2019-20 property taxes (including property taxes in-lieu of vehicle license fees) generated approximately $1.4 million. Property tax revenues are projected to generate $1.4 million in Fiscal Year 2020-21 (including property taxes in-lieu of vehicle license fees). Property taxes (including property taxes in-lieu of vehicle license fees) are the General Fund's second largest revenue source. See

"Property Taxes" below for additional information relating to the property taxes and the assessed valuation of property located in the City. Property Tax revenues for Fiscal Year 2019-20 and 2020-21 have not been impacted by impacted by the COVID-19 Pandemic but the City projects that property tax collections in future years could be impacted.

Transient Occupancy Taxes. The City imposes a transient occupancy tax on all hotels in the City. The current rate is 12% of the rent charged. In Fiscal Year 2018-19 transient occupancy taxes generated $________. In Fiscal Year 2019-20 transient occupancy taxes generated $0.7 million. Transient occupancy tax are projected to generate $0.3 million in Fiscal Year 2020-21. Transient Occupancy Tax revenues for Fiscal Years 2019-20 and 2020-21 have been and are likely to continue to be significantly impacted by the COVID-19 Pandemic. For additional discussion, see "Transient Occupancy Tax."

The City anticipates that it may experience declines in sales tax, transient occupancy tax, and other general fund revenue sources in the coming months, or longer, as a result of the COVID-19 (coronavirus) Pandemic. See the caption "RISK FACTORS—COVID-19 Pandemic."

Property Taxes

Under Proposition 13, an amendment to the California Constitution adopted in 1978 that added Article XIIIA of the California Constitution, the county assessor's valuation of real property is established as shown on the fiscal year 1975-76 tax bill, or, thereafter, as the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred. Assessed value of property may be increased annually to reflect inflation at a rate not to exceed 2% per year or reduced to reflect a reduction in the consumer price index or comparable data for the area under taxing jurisdiction or in the event of declining property value caused by substantial damage, destruction, market forces or other factors. As a result of these rules, real property that has been owned by the same taxpayer for many years can have an assessed value that is much lower than that of similar properties more recently sold and may be lower than its own market value. Likewise, changes in ownership of property and reassessment of such property to market value commonly will lead to increases in aggregate assessed value even when the rate of inflation or consumer price index would not permit the full 2% increase on any property that has not changed ownership.

Taxes are levied by the County for each fiscal year on taxable real and personal property which is situated in the County as of the preceding January 1. Real property which changes ownership or is newly constructed is revalued at the time the change in ownership occurs or the new construction is completed. The current year property tax rate will be applied to the reassessment, and the taxes will then be adjusted by a proration factor to reflect the portion of the remaining tax year for which taxes are due.

Local agencies and schools will share the growth of "base" sources from all tax rate areas in the County. Each year's growth allocation becomes part of each local agency's allocation in the following year. The availability of revenue from growth in the tax bases in such tax rate areas may be affected by the existence of redevelopment agencies (including their successor agencies) which, under certain circumstances, may be entitled to sources resulting from the increase in certain property values. State law exempts $7,000 of the assessed valuation of an owner-occupied principal residence. This exemption does not result in any loss of revenue to local agencies since an amount equivalent to the taxes that would have been payable on such exempt values is supplemented by the State.

For assessment and tax collection purposes, property is classified either as "secured" or "unsecured," and is listed accordingly on separate parts of the assessment roll. The "secured roll" is that part of the assessment roll containing State-assessed property and property (real or personal) for which there is a lien on real property sufficient, in the opinion of the county assessor, to secure payment of the taxes. All other property is "unsecured," and is assessed on the "unsecured roll." Secured property assessed by the SBE is commonly identified for taxation purposes as "utility" property.

Property taxes on the secured roll are due in two installments, on November 1 and February 1 of each fiscal year, and if unpaid become delinquent on December 10 and April 10, respectively. A penalty of 10% attaches immediately to any delinquent payment. Property on the secured roll, with respect to which taxes are delinquent, becomes tax defaulted on or about June 30 of the fiscal year. Such property may thereafter be redeemed by payment of delinquent taxes and the delinquency penalty, plus costs and prepayment penalty of one and one-half percent per month to the time of prepayment. If taxes are unpaid for a period of five years or more, the property is subject to sale by the county treasurer.

Property taxes on the unsecured roll are due as of the January 1 lien date and become delinquent, if unpaid, on August 31. A 10% penalty attaches to delinquent unsecured taxes. If unsecured taxes are unpaid at 5 p.m. on October 31, an additional penalty of one and one-half percent per month attaches to such taxes beginning the second month after the delinquent date, and on the first day of each month until paid. A county has four ways of collecting delinquent unsecured personal property taxes: (1) bringing a civil action against the taxpayer; (2) filing a certificate in the office of the County Clerk specifying certain facts in order to obtain a lien on certain property of the taxpayer; (3) filing a certificate of delinquency for record in the County Clerk and County Recorder's office in order to obtain a lien on certain property of the taxpayer; and (4) seizing and selling personal property, improvements, or possessory interests belonging or assessed to the delinquent taxpayer.

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. The Teeter Plan guarantees distribution of 100% of the general taxes levied to the taxing entities within the County, with the County retaining all penalties and interest penalties affixed upon delinquent properties and redemptions of subsequent collections. Under the Teeter Plan, the County apportions secured property taxes on a cash basis to local political subdivisions, including the City, for which the County acts as the tax-levying or tax-collecting agency. At the conclusion of each fiscal year, the County distributes 100% of any taxes delinquent as of June 30th to the respective taxing entities.

The County cash position is protected by a special fund, known as the "Tax Loss Reserve Fund," which accumulates moneys from interest and penalty collections. In each fiscal year, the Tax Loss Reserve Fund is required to be funded to the amount of delinquent taxes plus one percent of that year's tax levy. Amounts exceeding the amount required to be maintained in the tax loss reserve fund may be credited to the County's general fund. Amounts required to be maintained in the tax loss reserve fund may be drawn on to the extent of the amount of uncollected taxes credited to each agency in advance of receipt.

The Teeter Plan is to remain in effect unless the County Board orders its discontinuance or unless, prior to the commencement of any fiscal year of the County (which commences on July 1), the County Board receives a petition for its discontinuance joined in by resolutions adopted by at least two-thirds of the participating revenue districts in the County, in which event the County Board is to order discontinuance of the Teeter Plan effective at the commencement of the subsequent fiscal year. The County Board may also, after holding a public hearing on the matter, discontinue the Teeter Plan with respect to any tax levying agency or assessment levying agency in the County if the rate of secured tax delinquency in that agency in any year exceeds 3% of the total of all taxes and assessments levied on the secured roll in that agency. If the Teeter Plan is discontinued in the future, only those secured property taxes actually collected would be allocated to political subdivisions (including the City) for which the County acts as the tax-levying or tax-collecting agency, but penalties and interest would be credited to the political subdivisions.

The City is not aware of any petitions for the discontinuance of the Teeter Plan in the County.

Assessed Value

The assessed valuation of property in the City is established by the County Assessor, except for public utility property which is assessed by the SBE. Assessed valuations are reported at 100% of the "full value" of the property, as defined in Article XIIIA of the California Constitution.

Certain classes of property, such as churches, colleges, not-for-profit hospitals and charitable institutions, are exempt from property taxation and do not appear on the tax rolls. No reimbursement is made by the State for such exemptions. Property taxes allocated to the City are collected by the County at the same time and on the same tax rolls as are county and special district taxes. The valuation of secured property by the County Assessor is established as of January 1 and is subsequently equalized in September of each year.

The table below shows the assessed valuation of taxable property in the City for the most recent fiscal years.

TABLE 6
CITY OF WILLOWS
HISTORIC ASSESSED VALUATIONS
Fiscal Years 2011-12 to 2020-21

Fiscal Year	Local Secured	Utility	Unsecured	Total Assessed Valuation	% Change
2011-12	$268,313,740	$ 903,823	$11,302,121	$280,519,684	n/a
2012-13	262,091,807	1,004,746	12,547,583	275,644,136	(1.74%)
2013-14	265,685,058	1,004,746	13,108,512	279,798,316	1.51
2014-15	268,653,192	1,004,746	12,647,186	282,305,124	.90
2015-16	281,989,868	1,152,238	13,175,627	296,317,733	4.96
2016-17	303,385,795	907,738	12,092,576	316,386,109	6.77
2017-18	313,687,533	907,738	11,463,944	326,059,215	3.06
2018-19	324,501,634	907,738	12,175,478	337,584,850	3.53
2019-20	348,365,276	610,487	12,210,025	361,185,788	6.99
2020-21	364,487,830	610,487	13,159,610	378,257,927	4.73

Source: California Municipal Statistics, Inc.

Assessments may be adjusted during the course of the year when real property changes ownership or new construction is completed. Assessments may also be appealed by taxpayers seeking a reduction as a result of economic and other factors beyond the City's control, such as a general market decline in property values, reclassification of 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), or the complete or partial destruction of taxable property caused by natural or manmade disaster, such as earthquake, flood, fire, toxic dumping, etc. When necessitated by changes in assessed value in the course of a year, taxes are pro-rated for each portion of the tax year.

Appeals of Assessed Valuation; Blanket Reductions of Assessed Values. There are two basic types of property tax assessment appeals provided for under State law. The first type of appeal, commonly referred to as a base year assessment appeal, involves a dispute on the valuation assigned by the assessor immediately subsequent to an instance of a change in ownership or completion of new construction. If the base year value assigned by the assessor is reduced, the valuation of the property cannot increase in subsequent years more than 2% annually unless and until another change in ownership and/or additional new construction activity occurs.

The second type of appeal, commonly referred to as a Proposition 8 appeal (which Proposition 8 was approved by the voters in 1978), can result if factors occur causing a decline in the market value of the property to a level below the property's then current taxable value (escalated base year value). Pursuant to State law, a property owner may apply for a Proposition 8 reduction of the property tax assessment for such owner's property by filing a written application, in the form prescribed by the SBE, with the appropriate county board of equalization or assessment appeals board. A property owner desiring a Proposition 8 reduction of the assessed value of such owner's property in any one year must apply to the county assessment appeals board (the "Appeals Board"). Following a review of the application by the county assessor's office, the county assessor may offer to the property owner the opportunity to stipulate to a reduced assessment or may confirm the assessment. If no stipulation is agreed to, and the applicant elects to pursue the appeal, the matter is brought before the Appeals Board (or, in some cases, a hearing examiner) for a hearing and decision. The Appeals Board generally is required to determine the outcome of appeals within two years of each appeal's filing date. Any reduction in the assessment ultimately granted applies only to the year for which application is made and during which the written application is filed. The assessed value increases to its pre-reduction level (escalated to the inflation rate of no more than 2%) following the year for which the reduction application is filed. However, the county assessor has the power to grant a reduction not only for the year for which application was originally made, but also for the then current year and any intervening years as well. In practice, such a reduced assessment may and often does remain in effect beyond the year in which it is granted.

In addition to the above-described taxpayer appeals, county assessors may independently reduce assessed valuations based on changes in the market value of property, or for other factors such as the complete or partial destruction of taxable property caused by natural or man-made disasters such as earthquakes, floods, fire, drought or toxic contamination pursuant to relevant provisions of the State Constitution.

In addition, Article XIIIA of the State Constitution provides that the full cash value base of real property used in determining taxable value may be adjusted from year to year to reflect the inflationary rate, not to exceed a 2% increase for any given year or may be reduced to reflect a reduction in the consumer price index or comparable local data. This measure is computed on a calendar year basis.

Risk of Decline in Property Values; Fire; Earthquake Risk. Property values could be reduced by factors beyond the City's control, including fire, earthquake and a depressed real estate market due to general economic conditions in the County, the region and the State.

Other possible causes for a reduction in assessed values include the complete or partial destruction of taxable property caused by other natural or manmade disasters, such as flood, fire, drought, toxic dumping, acts of terrorism, etc., or reclassification of 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).

No assurance can be given that property tax appeals and/or blanket reductions of assessed property values will not significantly reduce the assessed valuation of property within the City in the future.

Assembly Bill 102. On June 27, 2017, the Governor of the State (the "Governor") signed into law Assembly Bill 102 ("AB 102"). AB 102 restructured the functions of the SBE and created two new separate agencies: (i) the California Department of Tax and Fee Administration, and (ii) the Office of Tax Appeals. Under AB 102, the California Department of Tax and Fee Administration took over programs previously in the SBE Property Tax Department, such as the Tax Area Services Section, which is responsible for maintaining all property tax-rate area maps and for maintaining special revenue district boundaries. Under AB 102, the SBE continues to perform the duties assigned by the State Constitution related to property taxes, however, effective January 1, 2018, the SBE will only hear appeals related to the programs that it constitutionally administers and the Office of Tax Appeals will hear appeals on all other taxes and fee matters, such as sales and use tax and other special taxes and fees. AB 102 obligates the Office of Tax Appeals to adopt regulations as necessary to carry out its duties, powers, and responsibilities. No assurances can be given as to the effect of such regulations on the appeals process or on the assessed valuation of property within the City.

State-Assessed Property. Under the Constitution, the SBE assesses property of State-regulated transportation and communications utilities, including railways, telephone and telegraph companies, and companies transmitting or selling gas or electricity. The Board of Equalization also is required to assess pipelines, flumes, canals and aqueducts lying within two or more counties. The value of property assessed by the Board of Equalization is allocated by a formula to local jurisdictions in the county, including school districts, and taxed by the local county tax officials in the same manner as for locally assessed property. Taxes on privately owned railway cars, however, are levied and collected directly by the Board of Equalization. Property used in the generation of electricity by a company that does not also transmit or sell that electricity is taxed locally instead of by the Board of Equalization. Thus, the reorganization of regulated utilities and the transfer of electricity-generating property to non-utility companies, as often occurred under electric power deregulation in California, affects how those assets are assessed, and which local agencies benefit from the property taxes derived. In general, the transfer of State-assessed property located in the City to non-utility companies will increase the assessed value of property in the City, since the property's value will no longer be divided among all taxing jurisdictions in the County. The transfer of property located and taxed in the City to a State-assessed utility will have the opposite effect, generally reducing the assessed value in the City as the value is shared among the other jurisdictions in the County. The City is unable to predict future transfers of State-assessed property in the City and the County, the impact of such transfers on its utility property tax revenues, or whether future legislation or litigation may affect ownership of utility assets, the State's methods of assessing utility property, or the method by which tax revenues of utility property is allocated to local taxing agencies, including the City.

Assessed Valuation by Land Use. The following table gives a distribution of taxable real property located in the City by principal purpose for which the land is used, and the assessed valuation and number of parcels for each use.

TABLE 7
CITY OF WILLOWS
ASSESSED VALUATION AND PARCELS BY LAND USE

	2020-21 Assessed Valuation[1]	% of Total	No. of Parcels	% of Total
Non-Residential:				
Agricultural/Rural	$ 1,932,913	0.53%	5	0.23%
Commercial/Office	102,125,114	28.02	207	9.52
Vacant Commercial	4,376,416	1.20	58	2.67
Recreational	68,886	0.02	2	0.09
Government/Social/Institutional	178,025	0.05	39	1.79
Subtotal Non-Residential	$108,681,354	29.82%	311	14.30%
Residential:				
Single Family Residence	$215,347,212	59.08%	1,619	74.44%
Mobile Home	1,832,399	0.50	16	0.74
2-3 Residential Units	4,908,155	1.35	38	1.75
4+ Residential Units/Apartments	28,777,204	7.90	86	3.95
Miscellaneous Residential	469,502	0.13	15	0.69
Vacant Residential	4,472,004	1.23	90	4.14
Subtotal Residential	$255,806,476	70.18%	1,864	85.70%
Total	$364,487,830	100.00%	2,175	100.00%

Source: California Municipal Statistics, Inc.
(1) Total secured assessed valuation, excluding tax-exempt property.

Assessed Valuation of Single-Family Homes. The following table focuses on single-family residential properties only, which comprise approximately 59.08% of the assessed value of taxable property in the City.

TABLE 8
CITY OF WILLOWS
PER PARCEL - ASSESSED VALUATION OF SINGLE-FAMILY HOMES

	No. of Parcels	2020-21 Assessed Valuation	Average Assessed Valuation	Median Assessed Valuation
Single Family Residential	1,619	$ 215,347,212	$ 133,012	$ 120,879

2020-21 Assessed Valuation	No. of Parcels(1)	% of Total	Cumulative % of Total	Total Valuation	% of Total	Cumulative % of Total
$0 - $24,999	26	1.606%	1.606%	$ 449,195	0.209%	0.209%
$25,000 -$49,999	131	8.091	9.697	4,790,535	2.225	2.433
$50,000 - $74,999	175	10.809	20.506	11,089,711	5.150	7.583
$75,000 - $99,999	250	15.442	35.948	21,879,166	10.160	17.743
$100,000 - $124,999	261	16.121	52.069	29,229,286	13.573	31.316
$125,000 - $149,999	193	11.921	63.990	26,374,350	12.247	43.563
$150,000 - $174,999	154	9.512	73.502	24,951,595	11.587	55.150
$175,000 - $199,999	161	9.944	83.447	30,051,739	13.955	69.105
$200,000 - $224,999	89	5.497	88.944	18,726,203	8.696	77.801
$225,000 - $249,999	88	5.435	94.379	20,900,892	9.706	87.506
$250,000 - $274,999	41	2.532	96.912	10,756,206	4.995	92.501
$275,000 - $299,999	20	1.235	98.147	5,727,511	2.660	95.161
$300,000 - $324,999	11	0.679	98.826	3,393,442	1.576	96.737
$325,000 - $349,999	7	0.432	99.259	2,347,391	1.090	97.827
$350,000 - $374,999	3	0.185	99.444	1,078,762	0.501	98.328
$375,000 - $399,999	6	0.371	99.815	2,361,698	1.097	99.424
$400,000 - $424,999	3	0.185	100.000	1,239,530	0.576	100.000
	1,619	100.000%		$215,347,212	100.000%	

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

Principal Taxpayers. Based on fiscal year 2020-21 locally assessed taxable valuations, the top twenty taxable property owners in the City represent approximately 20.45% of the total fiscal year 2020-21 taxable value.

The following table shows the 20 largest owners of taxable property in the City as determined by secured assessed valuation in fiscal year 2020-21. The City is not aware of any plans by the top twenty largest local secured taxpayers to leave the City or terminate operations.

TABLE 9
CITY OF WILLOWS
LARGEST LOCAL SECURED PROPERTY TAXPAYERS

	Property Owner	Primary Land Use	2020-21 Assessed Valuation	% of Total(1)
1.	California Water Service Company	Water Company	$11,157,441	3.06%
2.	The 0312 Ramona Apts LP	Apartments	9,926,075	2.72
3.	Walmart Real Estate Business Trust	Commercial - Store	9,807,998	2.69
4.	Cathay Mortuary	Commercial - Store	4,816,500	1.32
5.	Kumar Hotels Inc.	Hotel/Motel	4,508,629	1.24
6.	Briggs Glenn LLC	Commercial - Office	4,016,349	1.10
7.	James J. Weiss Trust	Apartments	3,304,345	0.91
8.	Glenn Medical Center Inc.	Medical Facilities	3,034,142	0.83
9.	Taylor John Fertilizers Company	Commercial - Ag Services	2,811,960	0.77
10.	320 North Crawford Avenue Property LLC	Medical Facilities	2,750,000	0.75
11.	California Land Invest LLC	Residential Land	2,587,942	0.71
12.	Gurraj Inc.	Hotel/Motel	2,571,970	0.71
13.	Villa Court Townhomes Inv LP	Residential Properties	1,944,571	0.53
14.	JAS Properties LLC	Commercial - Restaurant	1,839,582	0.50
15.	Swift Transportation Company Inc.	Commercial - Truck Sales	1,725,266	0.47
16.	DT Retail Prop LLC	Commercial - Store	1,679,165	0.46
17.	Willard G. and Gracie C. Woo, Trustees	Commercial - Store	1,586,257	0.44
18.	Charles C. Geyer Trust	Commercial - Store	1,529,280	0.42
19.	Thannisch Family LLC	Apartments	1,518,172	0.42
20.	Jamb Global LLC	Apartments	1,406,447	0.39
	Total Top 20		$74,522,091	20.45%

Source: California Municipal Statistics, Inc.
(1) 2020-21 Local Secured Assessed Valuation: $364,487,830.

Tax Levies and Delinquencies. Beginning in 1978-79, Article XIIIA and its implementing legislation shifted the function of property taxation primarily to the counties, except for levies to support prior-voted debt, and prescribed how levies on county-wide property values are to be shared with local taxing entities within each county.

The following table sets forth the secured tax charges and delinquencies for the two most recent fiscal years. Prior year data is not available from Glenn County.

TABLE 10
CITY OF WILLOWS
SECURED TAX CHARGES AND DELINQUENCIES

Fiscal Year	Secured Tax Charge(1)	Amt. Del. June 30	% Del. June 30
2018-19	1,894,028.39	20,741.43	1.10%
2019-20	1,689,311.73	106,377.70	6.30

Source: California Municipal Statistics, Inc.
Note: Prior year data is not available from Glenn County.
(1) 1% General Fund apportionment.

Potential Impacts of COVID-19 (Coronavirus) Pandemic on Property Tax Revenues. In response to the COVID-19 outbreak described under the caption "RISK FACTORS—COVID-19 Pandemic," the Governor of the State signed Executive Order N-61-20 ("Order N-61-20"). Under Order N-61- 20, certain provisions of the State Revenue and Taxation Code are suspended until May 6, 2021 to the extent said provisions require a tax collector to impose penalties, costs or interest for the failure to pay secured or unsecured property taxes, or to pay a supplemental bill, before the date that such taxes become delinquent. Said penalties, costs and interest shall be cancelled under the conditions provided for in Order N-61-20, including if the property is residential real property occupied by the taxpayer or the real property qualifies as a small business under certain State laws, the taxes were not delinquent prior to March 4, 2020, the taxpayer files a claim for relief with the tax collector, and the taxpayer demonstrates economic hardship or other circumstances that have arisen due to the COVID-19 pandemic or due to a local, state, or federal governmental response to COVID-19. The impacts the waiver of penalties, costs or interest on delinquent property taxes under the circumstances described in Order N-61-20 have on property tax revenues are unknown at this time.

The City cannot predict whether the County or the State will further relax their positions with respect to late payment penalties, which could result in significant property tax delinquencies. The waiver of late payment penalties and resulting property tax delinquencies could have a material adverse impact on the timely payment of property taxes with respect to property in the City. The COVID-19 outbreak may also result in increased property tax assessment appeals which could reduce property tax revenue growth in future years. See the caption "RISK FACTORS— COVID-19 (Coronavirus) Pandemic."

Sales and Use Taxes

A sales tax is imposed on the privilege of consuming personal property in the State. The State does not tax services. The tax rate is established by the State Legislature, and is presently 7.25%, statewide (of which 1% is paid to the City) (the "State Sales Tax"). In addition, many of the State's cities, counties, districts and communities have special taxing jurisdiction to impose a transaction (sales) or use tax. These so-called district taxes increase the tax rate in a particular area by adding the local option tax to the statewide tax. While more than one district tax may be in effect for a particular location, counties, municipalities, and districts are allowed to increase the sales tax in specific jurisdictions up to a total of 10.25%.

The State's Department of Tax and Fee Administration actual administrative costs with respect to the portion of sales taxes allocable to the City are deducted before distribution and are determined on a quarterly basis.

The following table shows a breakdown of the composition of the current sales and use tax rate applicable to transactions in the City:

TABLE 11
CITY OF WILLOWS
CURRENT SALES AND USE TAX RATES

Component	Tax Rate
State General Fund	5.75%
State Local Public Safety Fund	0.50
City General Fund	1.00
Total	7.25%

Source: City of Willows

The State's Department of Tax and Fee Administration actual administrative costs with respect to the portion of sales taxes allocable to the City are deducted before distribution and are determined on a quarterly basis.

Many categories of transactions are exempt for the State Sales Tax. The most important of these exemptions are the sales of food products for home consumption, prescription medicine, edible livestock and their feed, seed and fertilizer used in raising food for human consumption, and gas and electricity and water when delivered to consumers through mains, lines and pipes. In addition, occasional sales (i.e., sales of property not held or used by a seller in the course of activities for which he or she is required to hold a seller's permit) are generally exempt from both the State Sales Tax; however, the occasional sales exemption does not apply to the sale of an entire business and other sales of machinery and equipment used in a business

Action by the State Legislature or by voter initiative could change the transactions and items upon which the State Sales Tax are imposed. Such changes or amendments could have either an adverse or beneficial effect on revenues produced by sales taxes. The City is not currently aware of any proposed legislative change that would have a material adverse effect on the State Sales Tax.

Effects of COVID-19 Pandemic on Sales Tax Collections. Sales tax revenues have been impacted by the COVID-19 Pandemic. "Stay at home" orders issued by State and County authorities have impacted consumers' ability (and desire) to go out shopping or to dine out. Similar orders closing bars and prohibiting "dine in" service have negatively impacted local restaurants. The City's sales tax receipts for Fiscal Years 2019-20 and 2020-21 have been impacted and may decline from historical levels. The City estimates that sales tax collections for Fiscal Year 2020-21 should be approximately ______% of the level of Fiscal Year 2018-19 collections, the last full year prior to the COVID-19 Pandemic.

On March 30, 2020, the Governor signed an executive order allowing the California Department of Tax and Fee Administration to offer a 90-day extension for sales, use and transactions tax returns and tax payment for all businesses filing a return for less than $1 million tax liability. In addition, on April 2, 2020, the Governor announced a one-year sales tax deferral for small businesses limited to $50,000. See the caption "RISK FACTORS—COVID-19 Pandemic." The City has not experienced any significant delays in collections as a result.

Online Purchases. Additionally, the City's sales tax collections may be affected by increasing levels of sales of physical products bought online and delivered in the City by businesses located outside of the State. The City believes that many of these transactions may avoid taxation either through error or deliberate non-reporting and this potentially reduces the amounts of the sales taxes collected. See "RISK FACTORS—Increased Internet Use May Reduce Sales Tax Revenues."

Transient Occupancy Taxes

The City levies a 12% tax on hotels and lodging establishments. The City's historical transient occupancy tax revenue since fiscal year 2010-11 is shown in the following table.

TABLE 12
CITY OF WILLOWS
HISTORICAL TRANSIENT OCCUPANCY TAX REVENUES

Fiscal Year	Transient Occupancy Tax Revenues
2010-11	$388,590
2011-12	400,072
2012-13	386,226
2013-14	454,580
2014-15	501,000
2015-16	576,437
2016-17	584,586
2017-18	646,985
2018-19	861,879
2019-20	762,924
2020-21(1)	325,000

Source: City of Willows
(1) Budgeted Projection, for discussion, see *Effects of COVID-19 Pandemic on Transient Occupancy Tax Revenues.*

Effects of COVID-19 Pandemic on Transient Occupancy Tax Revenues. As a result of closures and reduced travel caused by the COVID-19 Pandemic, the City's collections of transient occupancy tax revenues was down substantially in fiscal year 2019-20 as compared to historical levels. Transient occupancy tax revenues for fiscal year 2019-20 collections are up approximately $37,924 (5.2%) above budgeted projections from the City's adopted 2019-20 budget. In its fiscal year 2020-21 budget the City currently projects transient occupancy tax collections for fiscal year 2020-21 to fall to $325,000.

Hotels and lodging establishments are permitted to open in every tier of the State's reopening process with guidelines for modifications decreasing as a County progresses to improved tiers. The City cannot project how and when the County will progress through the tiers of the State's reopening process and when the demand for hotels and lodging in the City will return to historical levels.

For additional information about the status of the COVID-19 Pandemic and the state's reopening process, see "RISK FACTORS—COVID-19 Pandemic."

Other Sources of General Fund Revenues

In addition, the City receives the following General Fund revenues:

Licenses and Permits. The City charges certain permits, licenses and fees for the cost recovery of providing current planning, building inspection, recreation and other municipal services.

Charges for Services. The City charges various fees and charges for services provided, including development and inspection fees, paramedic fees, charges for public works, police, fire, library and parks and recreation services. By law, the City may not charge more than the cost of providing the service.

Fines, Forfeitures and Penalties. These revenues include parking citations and other fines for municipal code violations.

Impact of COVID-19 Pandemic on Other Revenue Sources. Fiscal Years 2019-20 and 2020-21 revenues from transient occupancy taxes, charges for services, licenses and permits and fines and forfeitures may be delayed or reduced as compared to prior years. The City has closed or reduced operations at many of its Park & Recreation facilities and has cancelled some of its programs in fiscal years 2019-20 and 2020-21. The City plans to re-instate these programs and classes as conditions related to the COVID-19 Pandemic improve, which will result in reduced revenue in charges for services compared to historical levels. Tenants not paying their monthly lease and rent payments as a result of COVID-19 Pandemic have also negatively affected City revenues. Planning and building activities are still taking place in the City on a similar scale compared to the level of prior years, but at reduced construction valuations. The City anticipates that revenues generated for these activities will recover as the COVID-19 Pandemic subsides. See also "General Fund Budget," herein.

Reliance on State Budget

The City does not rely on the State for a material amount of revenues.

The economic uncertainty caused by the COVID-19 outbreak will significantly affect the State's fiscal outlook, including lower capital gains-related tax revenue due to the volatility in the financial markets, the likelihood that a recession is forthcoming due to pullback in activity across wide swaths of the economy, and substantially increased expenditures related to fighting the COVID-19 Pandemic. The City cannot predict the short or long-term impacts that the COVID-19 Pandemic will have on global, State-wide and local economies, which may impact City operations and local property values.

There can be no assurance that future State budget difficulties will not adversely affect the City's revenues or its ability to make payments under the Trust Agreement. See "STATE BUDGET INFORMATION."

OTHER FINANCIAL INFORMATION

Labor Relations

Currently, ______ permanent City employees are covered by negotiated agreements as detailed in the table below.

TABLE 13
CITY OF WILLOWS
NEGOTIATED EMPLOYEE AGREEMENTS

Bargaining Unit	Contract Expiration Date	Number of Employees
Total		

Source: City of Willows

Risk Management

The City, along with 20 other norther California cities, is a member of the Northern California Cities Self Insurance Fund Joint Powers Authority (the "Insurance Authority") for workers' compensation and liability insurance purposes. Each member city has a representative on the Insurance Authority's Board of Directors.

Annual deposits are paid by member cities and are adjusted retrospectively to cover costs. Each member city, including Willows, self-insures for the first $50,000 of each loss for liability and $100,000 for workers' compensation. Participating cities share in loss occurrences in excess up to $500,000. For fiscal year 2019-20 the Insurance Authority purchased $39,500,000 in excess coverage for liability and $4,500,000 in workers compensation, per occurrence. Specific coverage includes comprehensive and general liability, personal injury, contractual liability, errors and omissions, and auto liability.

Employee Retirement Plans

The information set forth below regarding the California Public Employees' Retirement System ("CalPERS") program, 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 either the City or the Underwriter.

Plan Description. All qualified permanent and probationary employees are eligible to participate in the City's Safety Plan (police and fire) and Miscellaneous Plan (all others) (collectively, the "Plans"), agent multiple employer defined benefit pension plans administered by the CalPERS, which acts as a common investment and administrative agent for its participating member employers. Benefit provisions under the Plans are established by State statute and City resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Benefits Provided. CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1959 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

Contributions. Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

The City's contributions to the Plans for the past four years is summarized in the following table.

TABLE 14
CITY OF WILLOWS
HISTORICAL PENSION CONTRIBUTIONS

Fiscal Year Ending June 30,	Total Contributions
2017	$ 639,429
2018	615,648
2019	683,036
2020	763,969

Source: City of Willows 2017-20 Audited Financial Statements and City of Willows.

Changes in the Net Pension Liability. As of June 30, 2020, the City reported a net pension liability for its proportionate share of the net pension liability of $8,197,526 for the Plans.

The City's net pension liability for the Plans is measured as the proportionate share of the net pension liabilities. The net pension liabilities of the Plans are measured as of June 30, 2019, and the total pension liabilities for the Plans used to calculate the net pension liabilities were determined by an actuarial valuation as of June 30, 2019, rolled forward to June 30, 2020, using standard update procedures. The City's proportion of the net pension liabilities was based on a projection of the City's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined.

Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions. For the year ended June 30, 2020, the City recognized pension expense of $1,371,498 for the Plans. At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

TABLE 15
CITY OF WILLOWS
DEFERRED OUTFLOWS/INFLOWS OF RESOURCES
FISCAL YEAR 2019-20

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions subsequent to measurement date	$ 769,969	-
Diff. btw. actual and expected experience	536,965	$ 6,082
Changes in assumptions	359,867	97,308
Net diff. btw. projected and actual earnings on investment	-	126,051
Differences in proportions	5,353	148,769
Changes in employer's portion	-	202,437
Total	$1,666,154	$580,647

Source: City of Willows 2019-20 Audited Financial Statements.

Coronavirus Impacts on Pension Obligations. Recent volatility in the CalPERS portfolio as a result of the COVID-19 Pandemic may result in increases in the City's required contributions in future years. The City cannot predict the level of such increases, if any.

As of June 30, 2020, CalPERS estimated that the rate of return for its investment portfolio for the fiscal year was 4.7%. Investment returns below 7% create additional liabilities for public agencies, including the City. Any increase in the unfunded actuarial liability created by the Fiscal Year 2019-20 rate of return will begin affecting the City's UAL costs starting in Fiscal Year 2021-22. Pursuant to CalPERS methodology, the amounts payable will increase annually during the first five years and then level out for the remaining 15 years over which to amortize investment losses.

CalPERS Amortization Period Reform. On February 13, 2018 the CalPERS Board voted to shorten the period over which actuarial gains and losses are amortized from 30 years to 20 years for new pension liabilities. The new 20-year amortization period begins with new gains or losses accrued starting with the June 30, 2019 actuarial valuations. The first payments on the new 20-year amortization schedule will take place in 2021.

A shorter amortization period will increase annual Unfunded Accrued Liability ("UAL") contributions for cities that participate in CalPERS so long as CalPERS remains underfunded. The shortened amortization period will also lead to reductions of periods of negative amortization of the UAL, interest cost savings, and faster recoveries of funded status after market downturns.

Cities that participate in CalPERS will also see additional volatility in their future UAL contributions due to market performance as gains or losses will be amortized faster under the new amortization period.

The City cannot currently estimate the impact the shorter amortization period will have on its required contributions for its Plans. For information concerning the Plans, including descriptions of the actuarial methods and assumptions, please see APPENDIX C—AUDITED FINANCIAL STATEMENTS OF THE CITY FOR THE FISCAL YEAR ENDED JUNE 30, 2020, Note 10.

Other Post-Employments Benfits

Plan Description. The City administers a single employer defined benefit healthcare plan (the "Plan"). As of January 1, 2018, the City has participated in the California State Association of Counties Excess Insurance Authority, a small group health benefits plan. Effective July 1, 2017, employees must self-pay the entire cost of premiums during retirement. Employees are eligible to remain on the City health plan if they retire directly from the City via service retirement or though industrial disability.

Employees Covered. Membership of the plan consisted of 5 retirees and beneficiaries receiving benefits, 0 inactive members entitled to but not yet receiving benefits and 17 active plan members at June 30, 2019, the date of the latest actuarial valuation.

Changes In Net OPEB Liability. The following table shows the changes in the City's net OPEB obligation to the Plan:

TABLE 16
CITY OF WILLOWS
CHANGE IN NET OPEB LIABILITY
Fiscal Year 2019-20

Service cost	$ 3,405
Interest on OPEB liability	3,739
Dif. btw. actual and expected experience	-
Changes in assumptions	5,536
Benefits payments	(8,994)
Net changes	3,686
Net OPEB obligation, beginning of the year	120,513
Net OPEB obligation, end of the year	$124,199

Source: City of Willows 2019-20 Audited Financial Statements.

The following table shows a 3-year history of the City's outstanding OPEB obligation and covered payroll.

TABLE 17
CITY OF WILLOWS
HISTORIC OPEB LIABILITY AND COVERED PAYROLL

Fiscal Year Ending June 30,	Net OPEB Obligation (UAAL)	Covered Payroll	Ratio of UAAL to Covered Payroll
2018	$ 120,457	$ 683,036	17.64%
2019	120,513	763,969	15.77
2020	124,199	951,295	13.06

Source: City of Willows 2016-20 Audited Financial Statements.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, investment returns, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

For information concerning the City's OPEB obligations, including descriptions of the actuarial methods and assumptions, please see APPENDIX C—AUDITED FINANCIAL STATEMENTS OF THE CITY FOR THE FISCAL YEAR ENDED JUNE 30, 2020, Note 11.

Debt Obligations

Short-Term General Fund-Secured Obligations. The City has no outstanding short-term obligations secured by its General Fund.

Long-Term General Fund-Secured Obligations. In October 2019, the City enteredinto a lease financing with Upmpqua Bank (the "Umpqua Lease") to finance, prior to the receipt of grant proceed, a portion of the cost the South Willows Roadway and Utilities Infrastructure Improvement Project being (a) underground utilities (water, sewer, storm drain, electricity, natural gas, and telephone) extended along South Tehama Street, (b) pavement improvements to South Tehama Street, (c) construction of a bridge across the Willows Drain Channel, (d) construction of West Harvest Drive, and (e) extension of all utilities and stubs underground on West Harvest Drive. The applicable interest rate is 3.320% and matures on November 1, 2025.

The following tables shows the City annual payment obligations with resprct to the Umpqua Lease:

Fiscal Year Ending June 30	Principal	Interest	Total
2021			
2022			
2023			
2024			
2025			
Totals			

General Obligation Bonds. The City has no outstanding general obligation bonds.

Overlapping Debt

Set forth below is a direct and overlapping debt report (the "Debt Report") prepared by California Municipal Statistics, Inc. and effective November 1, 2020. The Debt Report is included for general information purposes only. Neither the City nor the Underwriter has reviewed the Debt Report for completeness or accuracy and neither the City nor the Underwriter makes any 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: (1) 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; (2) the second column shows the respective percentage of the assessed valuation of the overlapping public agencies identified in column 1 which is represented by property located in the City; and (3) the third column is an apportionment of the dollar amount of each public agency's outstanding debt (which amount is not shown in the table) 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 column 2.

TABLE 17
CITY OF WILLOWS
DIRECT AND OVERLAPPING BONDED DEBT
as of November 1, 2020

CITY OF WILLOWS

2020-21 Assessed Valuation: $378,257,927

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable	Debt 11/1/20
Butte-Glenn Community College District	1.411%	$ 1,843,868
Willows Unified School District	26.025	1,940,164
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		3,784,032
OVERLAPPING GENERAL FUND DEBT:		
Glenn County Certificates of Participation	10.061	219,330
Willow Unified School District General Fund Obligations	26.025	766,979
City of Willow General Fund Obligations	**100.000**	1,185,444 (1)
TOTAL OVERLAPPING GENERAL FUND DEBT		2,171,753
COMBINED TOTAL DEBT		5,955,785 (2)

Ratios to 2020-21 Assessed Valuation:
Combined Direct Debt ($1,185,444)............................ 0.31%
Total Overlapping Tax and Assessment Debt...................... 1.00%
Combined Total Debt 1.57%

Source: California Municipal Statistics, Inc.
(1) Excludes Bonds to be sold.
(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

INVESTMENT OF CITY FUNDS

Revenues collected by the City will be held and invested by the City in accordance with the provisions of the Trust Agrement.

Funds held by the City are invested in accordance with the City's Statement of Investment Policy (the "Investment Policy") prepared by the Administrative Services Director and the City Treasurer as authorized by section 53601 of the Government Code of California. The Investment Policy is submitted to the City Council annually. The Investment Policy allows for the purchase of a variety of securities and provides for limitations as to exposure, maturity and rating which vary with each security type. The composition of the portfolio will change over time as old investments mature, or are sold, and as new investments are made. Invested funds are managed to insure preservation of capital through high quality investments, maintenance of liquidity and then yield. Further, operating funds may not be invested in any investment with a maturity greater than five years. The City has never invested in derivatives or reverse repurchase agreements and such investments and instruments are not allowed by City policy.

For more information about the City's investment policy, see APPENDIX D—CITY OF WILLOWS INVESTMENT POLICY.

STATE BUDGET INFORMATION

Information regarding the State Budget is regularly available at various State-maintained websites. The fiscal year 2020-21 State Budget and Proposed 2021-22 Budget further described below can be found at the website of the Department of Finance, www.dof.ca.gov, under the heading "California Budget." Additionally, an impartial analysis of the State's Budgets is posted by the Office of the Legislative Analyst at www.lao.ca.gov. The information referred to is prepared by the respective State agency maintaining each website and not by the City, and neither the City nor the Underwriter takes responsibility for the continued accuracy of the internet addresses or for the accuracy, completeness or timeliness of information posted there, and such information is not incorporated herein by these references.

State Budget Process. Through the State budget process, the State enacts legislation that significantly impacts the source, amount and timing of the receipt of revenues by local agencies, including the City. As in recent years, State budget deficits can result in legislation that adversely impacts local agency budgets.

The State's fiscal year begins on July 1 and ends on June 30. The annual budget is proposed by the Governor by January 10 of each year for the next fiscal year (the "Governor's Budget"). Under State law, the annual proposed Governor's Budget cannot provide for projected expenditures in excess of projected revenues and balances available from prior fiscal years. Following the submission of the Governor's Budget, the Legislature takes up the proposal.

Under the State Constitution, money may be drawn from the Treasury only through an appropriation made by law. The primary source of the annual expenditure authorizations is the Budget Act as approved by the Legislature and signed by the Governor. The Budget Act must be approved by a two-thirds majority vote of each House of the Legislature. The Governor may reduce or eliminate specific line items in the Budget Act or any other appropriations bill without vetoing the entire bill. Such individual line item vetoes are subject to override by a two-thirds majority vote of each House of the Legislature.

Appropriations also may be included in legislation other than the Budget Act. Bills containing appropriations (except for K-14 education) must be approved by a two-thirds majority vote in each House of the Legislature and be signed by the Governor. Bills containing K-14 education appropriations only require a simple majority vote. Continuing appropriations, available without regard to fiscal year, may also be provided by statute or the State Constitution.

Funds necessary to meet an appropriation need not be in the State Treasury at the time such appropriation is enacted; revenues may be appropriated in anticipation of their receipt.

Recent State Budgets. Certain information about the State budgeting process and the State Budget is available through several State sources. A convenient source of information is the State's website, where recent official statements for State bonds are posted. The references to internet websites shown below are shown for reference and convenience only; the information contained within the websites has not been reviewed by the City and is not incorporated herein by reference.

The California State Treasurer's Internet home page at www.treasurer.ca.gov, under the heading "Financial Information," posts the State's audited financial statements. In addition, the "Financial Information" section includes the State's Rule 15c2-12 filings for State bond issues. The "Financial Information" section also includes the "Overview of the State Economy and Government, State Finances, State Indebtedness, Litigation" from the State's most current Official Statement, which discusses the State budget and the state budget process in greater detail.

The State Legislative Analyst's Office ("LAO") prepares analyses of the proposed and adopted State budgets. The analyses are accessible on the Legislative Analyst's Internet home page at www.lao.ca.gov under the heading "Products."

2020-21 State Budget

On June 29, 2020, Governor Gavin Newsom signed the State budget for Fiscal Year 2020-21 (the "2020-21 Budget"). While the Governor's initial budget projections in January 2020 projected a budget surplus of $5.6 billion, the 2020-21 Budget addresses a projected budget deficit of $54.3 billion, representing a four-month swing of approximately $60 billion caused primarily by the effects of the COVID-19 Pandemic. The 2020-21 Budget projects general fund revenues decreasing by $9.8 billion compared to 2019-20 levels due in part to a combination of projected decreases of nearly 20% in income tax collections and sales and use tax collections. The 2020-21 Budget cuts general fund expenditures by $13.0 billion compared to 2019-20 levels with substantial cuts to spending on K-12 and higher education, legislative, judicial, executive functions and general reductions in governmental operations.

While the State anticipates future federal COVID-19 Pandemic funding relief, should such additional relief not be forthcoming the State will face additional restrictions and deferrals.

For additional information regarding the 2020-21 Budget, please see the Department of Finance website at ebudget.ca.gov. The City can take no responsibility for the continued accuracy of the above-referenced internet address as for the or for the accuracy, completeness, or timeliness of information posted therein, and such information is not incorporated herein by reference.

2021-22 Proposed State Budget

On January 8, 2021, Governor Gavin Newsom released his proposed budget for the State's 2020-21 fiscal year (the "Proposed 2021-22 Budget"). California's economic outlook and revenue forecasts have improved since adoption of the 2020-21 Budget on June 29, 2020; however, risks are expected to remain higher than usual due to the continuing effects the COVID-19 Pandemic.

The Proposed 2021-22 Budget projects general fund revenues increasing by $3.2 billion over 2020-21 levels to a total of $161.4 billion, while expenditures are projected to also increase by $8.6 billion over 2020-21 levels to a total of $164.5 billion. The largest areas of general fund expenditure increases in the

Proposed 2021-22 Budget over 2020-21 expenditure levels include health and human services, government operations, and transportation programs. K-12 education expenditures (as detailed below), the single largest category of expenditures in the Proposed 2021-22 Budget, will increase by $1.8 billion over the prior year to a total of $59.6 billion.

Under the Proposed 2021-22 Budget, the State is projected to have approximately $34 billion in budget resiliency, comprised of budgetary reserves and surplus including $15.6 billion in the Proposition 2 Budget Stabilization Account (the Rainy Day Fund) for fiscal emergencies; $450 million in the Safety Net Reserve, $3 billion in the Public School System Stabilization Account, and an estimated $2.9 billion in the State's operating reserves.

Notable specific areas of expenditures from the Proposed 2021-22 Budget reflecting changes from prior years identified in analysis prepared by the Legislative Analysts' Office ("LAO") and published on the LAO's website on January 10, 2021 include:

Tax Refunds to Low-Income Californians. The Proposed 2021-22 Budget includes a one-time $600 tax refund to taxpayers who received the California Earned Income Tax Credit (EITC) for 2019 and taxpayers who will receive the EITC for 2020. The Proposed 2021-22 Budget assumes a cost of $2.4 billion in 2020-21 for these refunds.

Tax Incentives. The Proposed 2021-22 Budget proposes one-time increases of several existing tax credits and exclusions including:

Affordable Housing. $500 million for tax credits to builders of rental housing affordable to low-income households.

California Competes. $180 million for California Competes to award tax credits aimed at attracting or retaining businesses in California.

Hiring Credit. $100 million for tax credits to smaller businesses that increase their number of employees.

Sales Tax Exemption. $100 million for sales tax exclusions awarded by the California Alternative Energy and Advanced Transportation Financing Authority ("CAEATFA") on purchases of equipment for certain manufacturing activities.

One-Time Grants to Various Entities. The Proposed 2021-22 Budget includes several one-time proposals to provide assistance to businesses:

Small Business Grants. $550 million to double the size of a recently created program that awards grants up to $25,000 to businesses and nonprofits with revenues under $2.5 million that were impacted by the pandemic.

Other Business Grants. $250 million for California Competes to provide grants to businesses in addition to its traditional tax credits.

Fee Waivers. $71 million to waive some of the fees paid by certain professionals and businesses disproportionately affected by the pandemic, such as manicurists and small restaurant owners.

Other. $135 million for a variety of other grant and loan programs aimed at helping small businesses, with a focus on those from underserved communities. Also, the Proposed 2021-22 Budget provides $25 million to the Governor's Office of Business and Economic Development for cultural institutions.

Homelessness Proposals. The Proposed 2021-22 Budget includes $1.75 billion in one-time general fund expenditures for various programs related to homelessness, including, among other proposals, $750 million to continue the Homekey Program administered through the Department of Housing and Community Development (HCD), $750 million for the Department of Health Care Services (DHCS) to provide grants to counties for the acquisition and rehabilitation of properties to expand behavioral health treatment resources, and $11.7 million to trial courts for the implementation of the Tenant, Homeowner, and Small Landlord Relief and Stabilization Act of 2020.

Health and Behavioral Health. The Proposed 2021-22 Budget reintroduces the California Advancing and Innovating Medi-Cal ("CalAIM") Proposal. The CalAIM Proposal aims to: (1) provide a more comprehensive suite of services to high-risk, high-need Medi-Cal beneficiaries (such as transitional housing services to protect against homelessness); (2) standardize and streamline Medi-Cal managed care; (3) extend programs and the associated federal funding for Medi-Cal currently authorized under temporary waiver authority; and (4) rethink how mental health and substance use services are delivered and financed.

Zero-Emission Vehicles (ZEVs) and Infrastructure. The Proposed 2021-22 Budget includes three proposals that would provide a total increase of up to $1.5 billion (various funds) to promote ZEVs.

Disaster Response and Preparedness. The Proposed 2021-22 Budget includes a total of $1 billion—$323 million in 2020-21 and $677 million in 2021-22—for 15 departments to implement various efforts related to improving forest health and making communities more resilient to future wildfires, $256 million to assist local governments with emergency response and recovery through the California Disaster Assistance Act to (1) restore or replace public real property damaged during disasters or (2) reimburse local governments for eligible emergency response costs, and $158 million over the subsequent three years, to fund the state's share of a large federal flood risk reduction project along the American River.

Proposed 2021-22 Budget Proposals Concerning K-14 Education. Under Proposition 98, the Proposed 2021-22 Budget includes $85.8 billion in spending for K-14 education. As described below, the Proposed 2021-22 Budget includes a significant portion of additional funding to pay deferrals implemented in 2020-21, return students to in-person instruction, and provide a 3.84% cost-of-living adjustment to the Local Control Funding Formula.

The LAO estimates that under the Proposed 2021-22 Budget, the State has approximately $19.1 billion available for new spending on K-14 programs as compared to prior years. The increased spending is allocated to three main priorities:

Paying Down Deferrals. The 2020-21 Budget deferred $12.5 billion in payments to schools and community colleges. The Proposed 2021-22 Budget pays down $8.4 billion of this amount, with districts receiving the associated cash in 2021-22. Slightly more than $4 billion would remain deferred from 2021-22 to 2022-23.

Providing In-Person Instruction and Expanding Academic Support. The Proposed 2021-22 Budget includes $2 billion in one-time grants to incentivize schools to offer in-person instruction for younger students and students with high needs. To receive this additional funding, school districts must (1) develop or update a school reopening plan consistent with updated guidance from the California Department of Public Health, including a plan for asymptomatic testing of all students and staff potentially as often as every week, and (2) approve collective bargaining agreements to implement the new school reopening plan by February 1. The Proposed 2021-22 Budget also proposes early action to provide schools with $4.6 billion in grants to offer additional academic support for disadvantaged students, which could include summer school, longer school days, community learning hubs, and other locally developed interventions.

Funding Cost-of-Living Adjustments. The Proposed 2021-22 Budget includes a 3.84 percent COLA for the Local Control Funding Formula. This COLA rate reflects the estimated statutory COLA for 2021-22 (1.5 percent) plus the compounded value of the COLA the state did not provide in 2020-21. For other education programs, including community college apportionments, the budget provides only the 1.5 percent COLA.

For additional information regarding the Proposed 2021-22 Budget, please see the Department of Finance website at ebudget.ca.gov and the LAO's website at lao.ca.gov. The City can take no responsibility for the continued accuracy of the above-referenced internet address as for the or for the accuracy, completeness, or timeliness of information posted therein, and such information is not incorporated herein by reference.

Though the City does not expect that the State's 2021-22 Budget will have a materially negative effect on its finances, the City cannot predict such impacts with certainty. Additionally, the City cannot predict the accuracy of any projections made in the State's 2020-21 Budget or Proposed 2021-22 Budget.

Future State Budgets. The City receives a portion of its funding from the State. Changes in the revenues received by the State can affect the amount of funding, if any, to be received from the State by the City and other cities in the State.

In addition, the City cannot predict the final outcome of current and future State budget negotiations, the impact that such budgets will have on its finances and operations or what actions will be taken in the future by the State Legislature and Governor to deal with changing State revenues and expenditures. Current and future State budgets will be affected by national and State economic conditions and other factors, including the COVID-19 Pandemic and the associated economic downturn, over which the City has no control.

CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES, REVENUES AND APPROPRIATIONS

The constitutional and statutory provisions discussed in this section have the potential to affect the ability of the City to levy taxes and spend tax proceeds for operating and other purposes.

Article XIIIA of the California Constitution

On June 6, 1978, California voters approved an amendment (commonly known as both Proposition 13 and the Jarvis-Gann Initiative) to the California Constitution. This amendment, which added Article XIIIA to the California Constitution, among other things affects the valuation of real property for the purpose of taxation in that it defines the full cash property value to mean "the county assessor's valuation of real property as shown on the 1975-76 tax bill under "full cash value," or thereafter, the appraised value of real property newly constructed, or when a change in ownership has occurred after the 1975 assessment." The full cash value may be adjusted annually to reflect inflation at a rate not to exceed 2% per year, or a reduction in the consumer price index or comparable local data at a rate not to exceed 2% per year, or reduced in the event of declining property value caused by damage, destruction or other factors including a general economic downturn. The amendment further limits the amount of any ad valorem tax on real property to one percent of the full cash value except that additional taxes may be levied to pay debt service on indebtedness approved by the voters prior to July 1, 1978, and bonded indebtedness for the acquisition or improvement of real property approved on or after July 1, 1978 by two-thirds of the votes cast by the voters voting on the proposition.

Legislation enacted by the California Legislature to implement Article XIIIA provides that all taxable property is shown at full assessed value as described above. In conformity with this procedure, all taxable property value included in this Official Statement (except as noted) is shown at 100% of assessed value and all general tax rates reflect the $1 per $100 of taxable value. Tax rates for voter approved bonded indebtedness and pension liability are also applied to 100% of assessed value.

The voters of the State subsequently approved various measures which further amended Article XIIIA. One such amendment generally provides that the purchase or transfer of (i) real property between spouses or (ii) the principal residence and the first $1,000,000 of the Full Cash Value of other real property between parents and children, do not constitute a "purchase" or "change of ownership" triggering reappraisal under Article XIIIA. Other amendments permitted the State Legislature to allow persons over the age of 55 who meet certain criteria or "severely disabled homeowners" who sell their residence and buy or build another of equal or lesser value within two years in the same county, to transfer the old residence's assessed value to the new residence. Other amendments permit the State Legislature to allow persons who are either 55 years of age or older, or who are "severely disabled," to transfer the old residence's assessed value to their new residence located in either the same or a different county and acquired or newly constructed within two years of the sale of their old residence.

In the November 1990 election, the voters approved an amendment of Article XIIIA to permit the State Legislature to exclude from the definition of "new construction" certain additions and improvements, including seismic retrofitting improvements and improvements utilizing earthquake hazard mitigation technologies constructed or installed in existing buildings after November 6, 1990.

Article XIIIA has also been amended to provide that there would be no increase in the Full Cash Value base in the event of reconstruction of the property damaged or destroyed in a disaster.

Section 51 of the Revenue and Taxation Code permits county assessors who have reduced the assessed valuation of a property as a result of natural disasters, economic downturns or other factors, to subsequently "recapture" such value (up to the pre-decline value of the property) at an annual rate higher than 2%, depending on the assessor's measure of the restoration of value of the damaged property.

Section 4 of Article XIIIA also provides that cities, counties and special districts cannot, without a two-thirds vote of the qualified electors, impose special taxes, which has been interpreted to include special fees in excess of the cost of providing the services or facility for which the fee is charged, or fees levied for general revenue purposes.

Both the California State Supreme Court and the United States Supreme Court have upheld the validity of Article XIIIA.

Article XIIIB of the California Constitution

On November 6, 1979, California voters approved Proposition 4, the Gann Initiative, which added Article XIIIB to the California Constitution. In June 1990, Article XIIIB was amended by the voters through their approval of Proposition 111. Article XIIIB of the California Constitution limits the annual appropriations of the State and any city, county, school district, authority or other political subdivision of the State to the level of appropriations for the prior fiscal year, as adjusted annually for changes in the cost of living, population and services rendered by the governmental entity. The "base year" for establishing such appropriation limit is fiscal year 1978-79. Increases in appropriations by a governmental entity are also permitted (1) if financial responsibility for providing services is transferred to the governmental entity, or (2) for emergencies so long as the appropriations limits for the three years following the emergency are reduced to prevent any aggregate increase above the Constitutional limit. Decreases are required where responsibility for providing services is transferred from the government entity.

Appropriations subject to Article XIIIB include generally any authorization to expend during the fiscal year the proceeds of taxes levied by the State or other entity of local government, exclusive of certain State subventions, refunds of taxes, benefit payments from retirement, unemployment insurance and disability insurance funds. Appropriations subject to limitation pursuant to Article XIIIB do not include debt service on indebtedness existing or legally authorized as of January 1, 1979, on bonded indebtedness thereafter approved according to law by a vote of the electors of the issuing entity voting in an election for such purpose, appropriations required to comply with mandates of courts or the Federal government, appropriations for qualified outlay projects, and appropriations by the State of revenues derived from any increase in gasoline taxes and motor vehicle weight fees above January 1, 1990 levels. "Proceeds of taxes" include, but are not limited to, all tax revenues and the proceeds to any entity of government from (1) regulatory licenses, user charges, and user fees to the extent such proceeds exceed the cost of providing the service or regulation, (2) the investment of tax revenues and (3) certain State subventions received by local governments. As amended by Proposition 111, the appropriations limit is tested over consecutive two-year periods. Any excess of the aggregate "proceeds of taxes" received by the City over such two-year period above the combined appropriations limits for those two years is to be returned to taxpayers by reductions in tax rates or fee schedules over the subsequent two years.

As amended in June 1990, the appropriations limit for the City in each year is based on the limit for the prior year, adjusted annually for changes in the costs of living and changes in population, and adjusted, where applicable, for transfer of financial responsibility of providing services to or from another unit of government. The change in the cost of living is, at the City's option, either (1) the percentage change in California per capita personal income, or (2) the percentage change in the local assessment roll for the jurisdiction due to the addition of nonresidential new construction. The measurement of change in population is a blended average of statewide overall population growth, and change in attendance at local school and community college ("K-14") districts.

Article XIIIB permits any government entity to change the appropriations limit by vote of the electorate in conformity with statutory and Constitutional voting requirements, but any such voter-approved change can only be effective for a maximum of four years.

Articles XIIIC and XIIID (Proposition 218) of the California Constitution

On November 5, 1996, the voters of the State approved Proposition 218, a constitutional initiative, entitled the "Right to Vote on Taxes Act" ("Proposition 218"). Proposition 218 added Articles XIIIC and XIIID to the California Constitution and contained a number of interrelated provisions affecting the ability of local governments, including the City, to levy and collect both existing and future taxes and assessments, fees and charges.

Article XIIIC

Section 2 of Article XIIIC requires majority voter approval for the imposition, extension or increase of general taxes and requires two thirds voter approval for the imposition, extension or increase of special taxes. These voter approval requirements of Article XIIIC reduce the flexibility of the City to raise revenues by the levy of general or special taxes and, given such voter approval requirements, no assurance can be given that the City will be able to enact, impose, extend or increase any such taxes in the future to meet increased expenditure requirements.

Although a portion of the City's General Fund revenues are derived from general taxes purported to be governed by Proposition 218, all of such taxes were either imposed, extended or increased prior to the effective date of Proposition 218 or in accordance with the requirements of Proposition 218. 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, such as the TOT, Proposition 172 revenues, or storm water fees which support the City's General Fund. TOT and other local taxes, assessments, fees and charges, could be subject to reduction or repeal by initiative under Proposition 218.

Section 3 of Article XIIIC expressly extends the initiative power to give voters the power to reduce or repeal local taxes, assessments, fees and charges, regardless of the date such taxes, assessments, fees or charges were imposed. Section 3 expands the initiative power to include reducing or repealing assessments, fees and charges that had previously been considered administrative rather than legislative matters and therefore beyond the initiative power. This extension of the initiative power is not limited by the terms of Article XIIIC to fees imposed after November 6, 1996, the effective date of Proposition 218, and absent other legal authority could result in the reduction in any existing taxes, assessments or fees and charges imposed prior to November 6, 1996.

"Fees" and "charges" are not expressly defined in Article XIIIC or in SB 919, the Proposition 218 Omnibus Implementation Act enacted in 1997 to prescribe specific procedures and parameters for local jurisdictions in complying with Article XIIIC and Article XIIID ("SB 919"). However, on July 24, 2006, the California Supreme Court ruled in Bighorn-Desert View Water Agency v. Virjil (Kelley) (the "Bighorn

Decision") that charges for ongoing water delivery are fees and charges within the meaning Section 3 of Article XIIIC. The California Supreme Court held that such water service charges may, therefore, be reduced or repealed through a local voter initiative pursuant to Section 3 of Article XIIIC. The Bighorn Decision has been interpreted to mean that ongoing water delivery charges are also property-related fees and charges within the meaning of Article XIIID.

In the Bighorn Decision, the Supreme Court stated that nothing in Section 3 of Article XIIIC authorizes initiative measures that impose voter-approval requirements for future increases in fees or charges for water delivery. The Supreme Court stated that water providers may determine rates and charges upon proper action of the governing body and that the governing body may increase a charge which was not affected by a prior initiative or impose an entirely new charge.

The Supreme Court further stated in the Bighorn Decision that it was not holding that the initiative power is free of all limitations and was not determining whether the initiative power is subject to the statutory provision requiring that water and wastewater service charges be set at a level that will pay debt service on bonded debt and operating expenses. Such initiative power could be subject to the limitations imposed on the impairment of contracts under the contract clause of the United States Constitution. Additionally, SB 919 provides that the initiative power provided for in Proposition 218 "shall not be construed to mean that any owner or beneficial owner of a municipal security, purchased before or after (the effective date of Proposition 218) assumes the risk of, or in any way consents to, any action by initiative measure that constitutes an impairment of contractual rights" protected by the United States Constitution.

Article XIIIC also removes many of the limitations on the initiative power in matters of reducing or repealing any local tax, assessment, fee or charge. 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. "Assessments," "fees" and "charges" are not defined in Article XIIIC, and it is unclear whether these terms are intended to have the same meanings for purposes of Article XIIIC as for Article XIIID described below. If not, the scope of the initiative power under Article XIIIC potentially could include any General Fund local tax, assessment, or fee not received from or imposed by the federal or State government or derived from investment income.

If the City is unable to continue to collect assessment revenues for a particular program, the program might have to be curtailed and/or funded by the City's General Fund. Given the approval requirements imposed by Article XIIID, the City is unable to predict whether it will be able to continue to collect assessment revenues for these programs. If the City chose to fund any such programs from the General Fund instead, the General Fund budget would be affected.

Article XIIID

Article XIIID defines a "fee" or "charge" as any levy other than an ad valorem tax, special tax, or assessment imposed by an agency upon a parcel or upon a person as an incident of property ownership, including a user fee or charge for a property-related service. A "property-related service" is defined as "a public service having a direct relationship to a property ownership" herein. Article XIIID further provides that reliance by an agency on any parcel map (including an assessor's parcel map) may be considered a significant factor in determining whether a fee or charge is imposed as an incident of property ownership. In the Bighorn Decision, the Supreme Court stated that ongoing water delivery charges are also property-related fees and charges within the meaning of Article XIIID.

Article XIIID requires that any agency imposing or increasing any property-related fee or charge must provide written notice thereof to the record owner of each identified parcel upon which such fee or charge is to be imposed and must conduct a public hearing with respect thereto. The proposed fee or charge may not be imposed or increased if a majority of owners of the identified parcels file written protests against it. As a result, if and to the extent that a fee or charge imposed by a local government for water service is ultimately determined to be a "fee" or "charge" as defined in Article XIIID, the local government's ability to increase such fee or charge may be limited by a majority protest.

In addition, Article XIIID also includes a number of limitations applicable to existing fees and charges including provisions to the effect that (i) revenues derived from the fee or charge shall not exceed the funds required to provide the property-related service; (ii) such revenues shall not be used for any purpose other than that for which the fee or charge was imposed; (iii) the amount of a fee or charge imposed upon any parcel or person as an incident of property ownership shall not exceed the proportional cost of the service attributable to the parcel; and (iv) no such fee or charge may be imposed for a service unless that service is actually used by, or immediately available to, the owner of the property in question. Property-related fees or charges based on potential or future use of a service are not permitted.

Depending on the interpretation of what constitutes a "property-related fee" under Article XIIID, there could be future restrictions on the ability of the City's General Fund to charge its enterprise funds for various services provided. In the event that fees and charges of enterprise funds cannot be appropriately increased or are reduced pursuant to exercise of the initiative power, the City may have to decide whether to supplement any deficiencies in these enterprise funds with moneys from the General Fund or to curtail service, or both.

The interpretation and application of Proposition 218 will ultimately be determined by the courts or through implementing legislation with respect to a number of the matters described above, and it is not possible at this time to predict with certainty the outcome of such determination or the nature or scope of any such legislation.

Both Articles XIIIA and XIIIB, as well as Articles XIIIC and XIIID described above, were adopted as measures that qualified for the ballot pursuant to California's constitutional initiative process. From time to time other initiative measures could be adopted, affecting the ability of the City to increase revenues and to increase appropriations.

Proposition 62

Proposition 62 was adopted by the voters at the November 4, 1986, general election which (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 government 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 XIIIA of the California Constitution, (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 October 15, 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.

On September 28, 1995, the California Supreme Court, in the case of *Santa Clara County Local Transportation Corporation v. Guardino*, upheld the constitutionality of Proposition 62. In this case, the court held that a county-wide sales tax of one-half of one percent was a special tax that, under section 53722 of the Government Code, required a two-thirds voter approval. The county-wide sales tax at issue received an affirmative vote of only 54.1% and was found to be invalid.

Following the California Supreme Court's decision upholding Proposition 62, several actions were filed challenging taxes imposed by public agencies since the adoption of Proposition 62. On June 4, 2001, the California Supreme Court released its decision in one of these cases, *Howard Jarvis Taxpayers Association v. City of La Habra, et al.* ("*La Habra*"). In this case, the court held that public agency's continued imposition and collection of a tax is an ongoing violation, upon which the statute of limitations period begins anew with each collection. The court also held that, unless another statute or constitutional rule provided differently, the statute of limitations for challenges to taxes subject to Proposition 62 is three years. Accordingly, a challenge to a tax subject to Proposition 62 may only be made for those taxes received within three years of the date the action is brought.

Proposition 1A of 2004

The California Constitution and existing statutes give the legislature authority over property taxes, sales taxes and the VLF. The legislature has authority to change tax rates, the items subject to taxation and the distribution of tax revenues among local governments, schools, and community college districts. The State has used this authority for many purposes, including increasing funding for local services, reducing State costs, reducing taxation, addressing concerns regarding funding for particular local governments, and restructuring local finance.

The California Constitution generally requires the State to reimburse the local governments when the State "mandates" a new local program or higher level of service. Due to the ongoing financial difficulties of the State, it has not provided in recent years reimbursements for many mandated costs. In other cases, the State has "suspended" mandates, eliminating both responsibility of the local governments for complying with the mandate and the need for State reimbursements.

The 2004 Budget Act, related legislation and the enactment of Proposition 1A of 2004 (described below) dramatically changed the State-local fiscal relationship. These constitutional and statutory changes implemented an agreement negotiated between the Governor and local government officials (the "State-local agreement") in connection with the 2004 Budget Act.

One change related to the reduction of the VLF rate from 2% to 0.65% of the market value of the vehicle. In order to protect local governments, which had previously received all VLF revenues, the 1.35 percent reduction in VLF revenue to cities and counties from this rate change was backfilled by an increase in the amount of property tax revenues they receive. This worked to the benefit of local governments, because the backfill amount annually increases in proportion to the growth in secured roll property tax revenues, which has historically grown at a higher rate than VLF revenues. Proposition 1A of 2004 requires the State to provide local governments with equal replacement revenues.

On November 3, 2004 the voters of the State approved Proposition 1A ("Proposition 1A of 2004"). Proposition 1A of 2004 amended the State Constitution to, among other things, reduce the Legislature's authority over local government revenue sources by placing restrictions on the State's access to local governments' property tax, sales tax, and VLF revenues as of November 3, 2004. Pursuant to Proposition 1A of 2004, the State is able to borrow up to 8% of local property tax revenues but only if the Governor proclaims such action is necessary due to a severe State fiscal hardship and two-thirds of both houses of the State Legislature approve the borrowing. Any amounts borrowed are required to be repaid within three years. Proposition 1A of 2004 also permits the State to borrow from local property tax revenues for no more than two fiscal years within a period of 10 fiscal years, and only if previous borrowings have been repaid. In addition, the State cannot reduce the local sales tax rate or restrict the authority of the local governments to impose or change the distribution of the statewide local sales tax. Proposition 1A of 2004 generally prohibits the State from mandating activities on cities, counties, or special districts without providing the funding needed to comply with the mandates, and if the State does not provide funding for the activity that has been determined to be mandated, the requirement on cities, counties, or special districts to abide by the mandate is suspended. Proposition 1A of 2004 also expanded the definition of what constitutes a mandate to encompass State action that transfers to cities, counties, and special districts financial responsibility for a required program for which the State previously had partial or complete responsibility. The State mandate provisions of Proposition 1A of 2004 do not apply to schools or community colleges or to mandates relating to employee rights.

Pursuant to statutory changes made in conjunction with amendments to the fiscal year 2008-09 State Budget Act, the fiscal year 2009-10 State Budget Act and related budget legislation adopted by the State Legislature and signed by the Governor in February 2012 (collectively, the "February 2012 Budget Package"), the VLF rate increased from 0.65% to 1.15% effective May 19, 2012. Of this 0.50% increase, 0.35% will flow to the State General Fund, and 0.15% will support various law enforcement programs previously funded by the State General Fund.

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. Due to the prohibition with respect to State's ability to take, reallocate, and borrow money raised by local governments for local purposes, Proposition 22 supersedes certain provisions of Proposition 1A of 2004. See " – Proposition 1 A of 2004" herein. 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 schools' and community college districts' 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. The LAO states that Proposition 22 will prohibit the State from enacting new laws that require redevelopment agencies to shift funds to schools or other agencies.

Proposition 22 prohibits the State from borrowing sales taxes or excise taxes on motor vehicle fuels or changing the allocations of those taxes among local government except pursuant to specified procedures involving public notices and hearings. In addition, Proposition 22 requires that the State apply the formula setting forth the allocation of State fuel tax revenues to local agencies revert to the formula in effect on June 30, 2009. The LAO anticipated that Proposition 22 would require the State to adopt alternative actions to address its fiscal and policy objectives, particularly with respect to short-term cash flow need. The City does not believe that Proposition 22 will have a significant impact on its revenues and expenditures.

Proposition 26

Proposition 26 ("Proposition 26"), which was approved by California voters on November 2, 2010, revises the California Constitution to expand the definition of "taxes." Proposition 26 re-categorizes many State and local fees as taxes and specifies a requirement of two-thirds voter approval for taxes levied by local governments.

Proposition 26 requires the State obtain the approval of two-thirds of both houses of the State Legislature for any proposed change in State statutes, which would result in any taxpayer paying a higher tax. Proposition 26 eliminates the previous practice whereby a tax increase coupled with a tax reduction that resulted in an overall neutral fiscal effect was subject only to a majority vote in the State Legislature. Furthermore, pursuant to Proposition 26, any increase in a fee above the amount needed to provide the specific service or benefit is deemed to be a tax and the approval thereof will require such two-thirds vote of approval to be effective. In addition, for State imposed fees and charges, any fee or charge adopted after January 1, 2010 with a majority vote of approval of the State Legislature which would have required a two-thirds vote of approval of the State Legislature 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 XIII C of the State Constitution to state that a "tax" means a levy, charge or exaction of any kind imposed by a local government, except (1) a charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege; (2) a charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of providing the service or product; (3) a charge imposed for the reasonable regulatory costs to a local government for issuing licenses and permits, performing investigations, inspections and audits, enforcing agricultural marketing orders, and the administrative enforcement and adjudication thereof; (4) a charge imposed for entrance to or use of local government property or the purchase rental or lease of local government property; (5) a fine, penalty, or other monetary charge imposed by the judicial branch of government or a local government as a result of a violation of law; (6) a charge imposed as a condition of property development; or (7) assessments and property related fees imposed in accordance with the provisions of Proposition 218.

Proposition 26 applies to any levy, charge or exaction imposed, increased, or extended by local government on or after November 3, 2010, unless exempted, as stated above. 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. As of the date hereof, none of the City's fees or charges has been challenged in a court of law in connection with the requirements of Proposition 26.

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 fifty percent voter requirement. Proposed local government fees that are not subject to Proposition 26 generally 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 the affected property owners.

Proposition 30

On November 6, 2012, voters approved the Temporary Taxes to Fund Education, Guaranteed Local Public Safety Funding, Initiative Constitutional Amendment (also known as "Proposition 30"), which temporarily increases the State Sales and Use Tax and personal income tax rates on higher incomes. Proposition 30 temporarily imposes an additional tax on all retailers, at the rate of 0.25% of gross receipts from the sale of all tangible personal property sold in the State from January 1, 2013 to December 31, 2017. Proposition 30 also imposes an additional excise tax on the storage, use, or other consumption in the State of tangible personal property purchased from a retailer on and after January 1, 2013 and before January 1, 2017, for storage, use, or other consumption in the State. This excise tax will be levied at a rate of 0.25% of the sales price of the property so purchased. For personal income taxes imposed beginning in the taxable year commencing January 1, 2012 and ending August 1, 2019, Proposition 30 increases the marginal personal income tax rate by: (i) 1% for taxable income over $250,000 but less than $300,000 for single filers (over $340,000 but less than $408,000 for joint filers), (ii) 2% for taxable income over $300,000 but less than $500,000 for single filers (over $408,000 but less than $680,000 for joint filers), and (iii) 3% for taxable income over $500,000 for single filers (over $608,000 for joint filers).

The revenues generated from the temporary tax increases will be included in the calculation of the minimum funding guarantee for school districts and community college districts contained in the State Constitution. From an accounting perspective, the revenues generated from the temporary tax increases will be deposited into the State account created pursuant to Proposition 30 called the Education Protection Account (the "EPA"). By dedicating the Proposition 30 funds to education, other revenues in the State General Fund are freed up to fund other programs. Proposition 30 also placed into the state Constitution the current statutory provisions transferring 1.0625 percent of the state sales tax to local governments to fund realignment.

The 0.25% sales tax increase expired as planned at the end of 2016. The higher income tax rates have been extended for 12 years through the end of 2030 with the passage of Proposition 55 by the voters of the State in 2016.

Proposition 19

On November 3, 2020, State voters approved a constitutional amendment entitled Property Tax Transfers, Exemptions and Revenue for Wildfire Agencies and Counties Amendment ("Proposition 19"), which will: (i) expand special rules that give property tax savings to homeowners that are over the age of 55, severely disabled, or whose property has been impacted by a natural disaster or contamination, when they buy a different home; (ii) narrow existing special rules for inherited properties; and (iii) broaden the scope of legal entity ownership changes that trigger reassessment of properties. The City cannot make any assurance as to what effect the implementation of Proposition 19 will have on assessed valuation of real property in the City.

Future Initiatives

Articles XIIIA, XIIIB, XIIIC and XIIID, Propositions 62, 1A, 22, 26, and 30 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, which may place further limitations on the ability of the State, the City or local districts to increase revenues or to increase appropriations which may affect the City's revenues or its ability to expend its revenues.

RISK FACTORS

This section provides a general overview of certain risk factors which should be considered, in addition to the other matters set forth in this Official Statement, in evaluating an investment in the Bonds. This section is not meant to be a comprehensive or definitive discussion of the risks associated with an investment in the Bonds, and the order in which this information is presented does not necessarily reflect the relative importance of various risks. Potential investors in the Bonds are advised to consider the following factors, among others, and to review this entire Official Statement to obtain information essential to the making of an informed investment decision. Any one or more of the risk factors discussed below, among others, could lead to a decrease in the market value and/or in the marketability of the Bonds. There can be no assurance that other risk factors not discussed herein will not become material in the future.

Bonds are Unsecured General Fund Obligations of the City

The obligation of the City to make debt service payments on the Bonds does not constitute an obligation of the City for which the City is obligated to levy or pledge any form of taxation or for which the City has levied or pledged any form of taxation.

The Trust Agreement does not create a pledge, lien or encumbrance upon the funds of the City. Pursuant to law, the Bonds are payable from any available funds of the City. The City covenants in the Trust Agreement to punctually pay the interest on and principal of every Bond in strict conformity with the terms thereof and of the Trust Agreement. The City is liable and may become liable on other obligations payable from general revenues, some of which may have a priority over payments of the principal of, and interest on, the Bonds, or which the City, in its discretion, may determine to pay prior to the principal of, and interest on, the Bonds.

A variety of national, state or regional factors, which are beyond the control of the City could reduce the City's General Fund revenues or increase the City's General Fund expenditures. If the amounts which the City is obligated to pay in a Fiscal Year exceed the City's revenues for such year, the City may choose to make some payments rather than making other payments, including payments on the Bonds, based on the perceived needs of the City. The same result could occur if, because of California Constitutional limits on expenditures, the City is not permitted to appropriate and spend all of its available revenues or is required to expend available revenues to preserve the public health, safety and welfare. See "STATE CONSTITUTIONAL LIMITATIONS ON CITY REVENUES AND APPROPRIATIONS."

The City has the capacity to enter into other obligations payable from the City's General Fund without the consent of or prior notice to the Owners of the Bonds, and has expressly reserved the right to issue or incur other obligations for any of its corporate purposes. To the extent that additional obligations are incurred by the City, the funds available to make payments of the principal of, , and interest on, the

Bonds may be decreased. In the event the City's revenue sources are less than its total obligations, the City could choose to fund other activities before making payment of the principal of, , and interest on, the Bonds. The same result could occur if State constitutional expenditure limitations were to prohibit the City from appropriating and spending all of its otherwise available revenues.

Cash Management

The City has numerous internal or external means to manage its cash flow, including but not limited to interfund borrowing, intrafund borrowing and tax and revenue anticipation notes which may be employed to the extent the City Council is required to make budget adjustments in order to maintain a balanced budget. If the City does not take required actions and the budget remains out of balance, the cash requirements of the City may exceed available cash flow. The ability of the City to borrow on an interim basis to meet any cash shortfalls also may be limited if the budget remains out of balance for a sustained period of time. The City has the legal authority to issue "warrants" in place of cash to meet various types of expenditures or appropriations as an additional means to manage its cash flow. See "CITY FINANCIAL INFORMATION."

COVID-19 Pandemic

The outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, has been characterized by the World Health Organization and is currently affecting many parts of the world, including the City, California, and the United States. On January 31, 2020, the Secretary of the United States Health and Human Services Department declared a public health emergency for the United States and on March 13, 2020, the President of the United States declared the outbreak of COVID-19 in the United States a national emergency.

On March 4, 2020, the Governor of the State proclaimed a state of emergency in California as a result of the threat of COVID-19. Under the California Emergency Services Act, during a state of emergency, the Governor has authority over all agencies of the state government and can exercise the State's police powers. His powers also include the power to promulgate, issue, and enforce orders and regulations as he deems necessary.

To mitigate the spread of the pandemic, several cities and counties throughout the state (including the City) announced shelter-in-place ("Shelter-in-Place") emergency orders on March 13, 2020, which generally directed individuals to stay home, except for certain limited travel for the conduct of essential activities and services. Most retail establishments (e.g., restaurants, bars and nightclubs, entertainment venues, gyms, etc.) were closed in response to the Shelter-in-Place order. On March 17, 2020, the County Health Officer issued a Shelter-in-Place order and on March 19, 2020, California's Governor announced a similar Shelter-in-Place emergency executive order (N 33-20) effective for the entire State.

Blueprint for a Safer Economy. On August 29, 2020, the Governor announced a color-coded statewide system called "Blueprint for a Safer Economy." The color-coded structure replaces the county monitoring list. The color-coded system became effective as of August 31, 2020. As detailed below, the new system features a color-coded list benchmarked to each county's rate of new cases per 100,000 residents per day (based on a seven-day average with seven-day lag), the percentage of positive COVID-19 tests, and as of October 6, 2020 a health equity metric targeted to ensure the test positivity rates in disadvantaged neighborhoods do not significantly fall behind overall county test positivity rate. The health equity metric evaluates whether test positivity in neighborhoods in the lowest quartile of the California Health Places

Index within each County fall within or near an acceptable range from the County's overall positivity rate. Hospitalizations and capacity at intensive care units are given less weight than under the prior system.

Under the color-coded system, each county is given a designation of "purple" (widespread), "red" (substantial) "orange" (moderate) or "yellow" (minimal) that measures the spread of COVID-19 and dictates what types of businesses and activities are allowed to open in each county.

Each county will be assigned its tier every Tuesday, and a county must remain in a tier for 21 consecutive days before moving to the next one. To move forward, a county must meet the next tier's criteria for 14 consecutive days. A county can move backwards by failing to meet the criteria for two consecutive weeks, or if state officials see a rapid rise in hospitalizations. County guidelines may override the state's reopening thresholds, but only if they are stricter.

A brief summary of the four tiers is below:

Purple tier: County risk level is "widespread"

- *Benchmark* - More than seven daily new cases per 100,000 residents, or test positivity greater than 8%, or health equity metric > 8%.
- Most non-essential indoor businesses operations are closed, but indoor hair salons and barbershops can reopen effective immediately.
- All retail stores and shopping malls may open at a maximum of 25% capacity.

Red tier: County risk level is "substantial"

- Benchmark - Four to seven daily new cases per 100,000 residents, or test positivity between 5% and 8%, and health equity metric between 8% and 5.2%.
- Some non-essential indoor business operations (office spaces, card rooms) are closed, but gyms, movie theaters and indoor dining can reopen with modifications and capacity limitations.
- Schools can open for in-person instruction two weeks after a county moves from purple to red.
- All retail stores and shopping malls may increase occupancy to a maximum of 50% capacity.
- **The County is currently in the Red/Substantial tier.**

Orange tier: County risk is "moderate"

- Benchmark - One to four daily new cases per 100,000 residents, or test positivity between 2% and 5%, and health equity metric between 5.2% and 2.1%.
- Most non-essential indoor business operations including office spaces, card rooms, gyms, movie theaters and indoor dining can reopen with modifications and capacity limitations.
- Bars may open outdoor service with modification.

Yellow tier: County risk is "minimal"

- Benchmark - Less than 1 new daily case per 100,000 residents, or test positivity less than 2%, and health equity metric less than 2.1%.
- non-essential indoor business operations (office spaces, card rooms) are closed, but gyms, movie theaters and indoor dining can reopen with modifications. Capacity limitations are increased.
- Bars may open indoors with modifications and capacity limitations.

On April 6, 2021, the Governor announced that the State plans to eliminate the "Blueprint for a Safer Economy" reopening system and will lift all COVID-19 restrictions on business closures and indoor and outdoor occupancy limitations on June 15, 2021. Face masking requirements are expected to remain in place.

Additional information about the State's reopening plans and the County's current status can be found at the State's website, www.covid19.ca.gov. Also see the County's website at www.countyofglenn.net/dept/health-human-services/public-health/covid-19 for up to date information regarding COVID-19 restrictions in place in the County. Reference to the State's and the County's website is included in this Official Statement for general information only and information on such website is not included in this Official Statement by reference to such website.

The COVID-19 Pandemic has negatively affected travel, commerce, investment values, and financial markets globally, and is widely expected to continue to negatively affect economic output worldwide and within the City. While federal and state governments (including California) have enacted legislation and taken executive actions seeking to mitigate the negative public health and economic impacts of the Pandemic, the City offers no assurances that these interventions will have the intended effects.

These negative economic impacts may reduce or otherwise negatively affect revenues to the City's General Fund including declines in sales tax, property tax, and transient occupancy tax revenues as discussed under "CITY FINANCIAL INFORMATION." The City has developed what it believes to be reasonable budgeted projections of the magnitude of these impacts on its revenues and on its expenditures, the COVID-19 Pandemic is ongoing and the City cannot predict how and when it will be resolved.

The COVID-19 Pandemic is ongoing, and the ultimate geographic spread of the coronavirus, the duration and severity of the outbreak, and the economic and other of actions that may be taken by governmental authorities to contain the outbreak or to treat its impact are uncertain. The ultimate impact of the COVID-19 Pandemic on the City's operations and finances is unknown. As of the date of this Official Statement, the City does not believe that the impacts of the COVID-19 Pandemic will prevent the City from making payments of principal and interest on the Bonds when due.

Limitation on Remedies; Bankruptcy

The enforceability of the rights and remedies of the Holders of the Bonds are subject to a number of limitations, including bankruptcy, moratorium, insolvency or other laws affecting creditor's rights or remedies and is subject to general principles of equity (regardless of whether such enforceability is considered in equity or at law), to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against governmental entities in the State.

In addition, the rights and remedies of the Owners may be limited by and are subject to the provisions of federal bankruptcy laws and to other laws or equitable principles that may affect the enforcement of creditors' rights. The City is a governmental unit and therefore cannot be the subject of an involuntary case under the United States Bankruptcy Code (the "Bankruptcy Code"). However, the City is a municipality and therefore may seek voluntary protection from its creditors pursuant to Chapter 9 of the Bankruptcy Code for purposes of adjusting its debts. Should the City file for bankruptcy, there could be adverse effects on the Owners. In two situations in the State, holders of pension obligations bonds issued by cities that participate in CalPERS experienced significant losses in their investment in such pension obligation bonds as a result of the cities subsequently seeking voluntary protection from their creditors pursuant to Chapter 9 of the Bankruptcy Code.

If the City is in bankruptcy, the parties (including the Trustee and the Owners) may be prohibited from taking any action to collect any amount from the City or to enforce any obligation of the City, unless the permission of the bankruptcy court is obtained. These restrictions may also prevent the Trustee from making payments to the holders of the Bonds from funds in the Trustee's possession.

The Bonds are not secured by any property other than the funds that the City has actually deposited with the Trustee, and the City is not obligated to deposit any funds with the Trustee until the third business day prior to the applicable bond payment debt. The Bonds are not secured by the funds in the City treasury allocated to pay debt seevice on the Bonds. If the City is in bankruptcy, it may not be obligated to make any further deposits with the Trustee, it may not be obligated to make any further allocations to the payment of debt service, and it may not be obligated to turn over to the Trustee any moneys that have been allocated in the City treasury. As a result, the Bonds would likely be treated as unsecured obligations of the City in the bankruptcy case. Under such circumstances, the Owners could suffer substantial losses.

The City may be able, without the consent and over the objection of the Trustee or the Owners, to alter the priority, interest rate, payment terms, maturity dates, payment sources, covenants, and other terms or provisions of the Trust Agreement and the Bonds, as long as the bankruptcy court determines that the alterations are fair and equitable.

There may be delays in payments on the Bonds while the court considers any of these issues. There may be other possible effects of a bankruptcy of the City that could result in delays or reductions in payments on the Bonds, or result in losses to the Owners. Regardless of any specific adverse determinations in a City bankruptcy proceeding, the fact of a City bankruptcy proceeding could have an adverse effect on the liquidity and value of the Bonds.

Treatment of Pension Obligation Bonds in Recent Municipal Bankruptcies. Recent bankruptcies in the cities of Stockton, San Bernardino and the City of Detroit, Michigan have addressed obligations held by holders of pension obligation securities. In the Stockton bankruptcy the bankruptcy court found that CalPERS was an unsecured creditor of the city with a claim on parity with those of other unsecured creditors. In the San Bernardino bankruptcy, the bankruptcy court held that in the event of a municipal bankruptcy, payments on pension obligation bonds, such as the Bonds, were unsecured obligations and not entitled to the same priority of payments made to CalPERS. A variety of events, including, but not limited to, additional rulings adverse to the interests of bond owners in the Stockton, San Bernardino and Detroit bankruptcy cases or additional municipal bankruptcies, could prevent or materially adversely affect the rights of Beneficial Owners to receive payments on the Bonds in the event the City files for bankruptcy. Accordingly, in the event of bankruptcy, Beneficial Owners may not recover the full amount of principal and interest due on the Bonds.

The opinion to be delivered by Bond Counsel concurrently with the execution and delivery of the Bonds will be subject to various limitations on remedies including those related to bankruptcy and the various other legal opinions to be delivered concurrently with the issuance of the Bonds will be similarly qualified. See APPENDIX G—FORM OF OPINION OF BOND COUNSEL. In the event that the City fails to comply with its covenants under the Trust Agreement or fails to pay debt service payments on the Bonds, there can be no assurance of the availability of remedies adequate to protect the interest of the Beneficial Owners of the Bonds.

Pension Benefit Liability

Many factors influence the amount of the City's pension benefit liabilities, including, without limitation, inflationary factors, changes in statutory provisions of CalPERS retirement system laws, changes in the level of benefits provided or in the contribution rates of the City, increases or decreases in the number of covered employees, changes in actuarial assumptions or methods (including but not limited to the assumed rate of return), and differences between actual and anticipated investment experience of CalPERS. Any of these factors could give rise to additional liability of the City to its pension plans as a result of which the City would be obligated to make additional payments to its pension plans in order to fully fund the City's obligations to its pension plans.

Natrual Calamities

General. From time to time, the City has been and could be subject to natural calamities, including, but not limited to, earthquake, flood or wildfire, that may adversely affect economic activity in the City, and which could have a negative impact on City finances. There can be no assurance that the occurrence of any natural calamity would not cause substantial damage to persons, property and structures in the City and could have a substantial negative effect on the City's General Fund.

Seismic. Like most regions in California, the City is in an area of significant seismic activity. Soils in lowland areas away from major faults may also be unable to support buildings during major earthquakes. Landslides are likely on hillsides during major earthquakes. Damage resulting from such an event could have a material adverse effect on the City's financial condition as well, through unexpected recovery costs and reduced tax and other revenues.

Flood. Like most of the State, the City is subject to unpredictable seasonal rainfall, with periods of intense and sustained precipitation occurring every few years. The City is not located in the 100-year floodplain.

Wildfire. In recent years, wildfires have caused extensive damage to cities throughout the State. In some instances, entire neighborhoods have been destroyed. Areas effected by wildfires may be more prone to flooding and mudslides. In addition to the direct impact of wildfires on health and safety and property damage, the smoke from wildfires has negatively impacted the quality of life in the City and may have short-term and future impacts on residential and commercial activity in the City.

Recent wildfires in the State have been driven in large measure by drought conditions and low humidity. Experts expect that California will continue to be subject to wildfire conditions as a result in changing weather patterns due to climate change. There can be no assurances that wildfires will not occur within the City or the region or that the City will not be negatively impacted by sustained smoky conditions caused by wildfires. Damage resulting from such an event could have a material adverse effect on the City's financial condition as well, through unexpected recovery costs and reduced tax and other revenues.

Hazardous Substances

One of the most serious risks in terms of the potential reduction in the value or use of a parcel of property is a claim with regard to a hazardous substance. In general, the owners, lessors and/or lessees of a parcel of real property may be required by law to remedy conditions of the parcel relating to releases or threatened releases of hazardous substances. The federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, sometimes referred to as "CERCLA" or the "Superfund Act," is the most well-known and widely applicable of these laws, but California laws with regard to hazardous substances are also stringent and similar in application. Under many of these laws, the owner (or operator) is obligated to remedy a hazardous substance condition of property whether or not the owner (or operator) has contributed to or caused contamination with the hazardous substances. The effect, therefore, should property in the City be affected by a hazardous substance, is to reduce both marketability and the value of property by the costs of remedying the condition. While the City is not currently aware of any such condition, it is possible that such hazardous substance conditions do currently exist and that the City has not been made aware of their existence.

Potential Impact of State of California Financial Condition on the City

During the most recent recession, the State faced a structural deficit that resulted in substantial annual deficits and reductions in expenditures. Although the State has had a budget surplus in the more recent fiscal years, according to the State there remain a number of major risks and pressures that threaten the State's financial condition, including the threat of recession, potential changes to federal fiscal policies and unfunded long-term liabilities of more than $200 billion related to pensions and other post-retirement benefits. These risks and financial pressures could result in future reductions or deferrals in amounts payable to the City. The State's financial condition and budget policies affect local public agencies throughout California. To the extent that the State budget process results in reduced revenues to the City, the City will be required to adjust its budget. State budget policies can also impact conditions in the local economy and could have an adverse effect on the local economy and the City's major revenue sources.

No prediction can be made by the City as to whether the State will encounter budgetary problems in future fiscal years, and if it were to do so, it is not clear what measures would be taken by the State to balance its budget, as required by law. In addition, the City cannot predict the final outcome of future State budget negotiations, the impact that such budgets will have on City finances and operations or what actions will be taken in the future by the Legislature and the Governor to deal with changing State revenues and expenditures. There can be no assurance that actions taken by the State to address its financial condition will not materially adversely affect the financial condition of the City. Current and future State budgets will be affected by national and State economic conditions and other factors over which the City has no control (see "STATE BUDGET INFORMATION"). The ability of the state to divert funds from the City has been limited by Proposition 1A and Proposition 22, which are discussed herein. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES, REVENUES AND APPROPRIATIONS."

Increased Internet Use May Reduce Sales Tax Revenues

The increasing use of the Internet to conduct electronic commerce may affect the levels of the sales tax revenues collected by the City. Online sales of physical products by businesses located in the State, and online sales of physical products delivered to the State by businesses located outside of the State are generally subject to the sales taxes. However, the City believes that many of these transactions may avoid taxation either through error or deliberate non-reporting and this potentially reduces the amounts of the sales tax revenues collected. As a result, the more that the Internet is used to conduct electronic commerce, along with the failure to collect sales taxes on such online purchases, the more that the City may experience reductions sales tax collections. On September 23, 2011, Governor Jerry Brown signed into law a settlement with Amazon.com Inc., one of the largest internet retailers in the State. As a result, beginning in September

2012, Amazon started collecting taxes from its online sales in the State, to remit to the California Department of Tax and Fee Administration ("CDTFA"). On June 21, 2018, in the case of South Dakota v. Wayfair, the Supreme Court of the United States ruled that state and local governments have the authority to require out-of-state vendors with no local physical presence in a state to collect and remit sales taxes to state and local governments. As of April 1, 2019, retailers located outside of the State are required to register with CDTFA, collect the California use tax and pay the tax to CDTFA based on the amount of their sales into California, even if they do not have a physical presence in the state, with exceptions for retailers with California sales below certain volume and dollar thresholds. The City cannot predict the degree that the collection of the California use tax on such retailers will affect the collection of sales taxes on a going forward basis.

Secondary Market Risk

There can be no assurance that there will be a secondary market for purchase or sale of the Bonds, and from time to time there may be no market for them, depending upon prevailing market conditions, the financial condition or market position of firms who may make the secondary market and the financial condition of the City.

Risks Related to Cyber Security

The City relies on computers and technology to conduct its operations. The City and its departments face cyber threats from time to time including, but not limited to, hacking, viruses, malware and other forms of technology attacks. The City owns and operates its own enterprise class data network serving the municipal city government and its operations. The City has retained information technology professionals to support, maintain and protect these operations locally in a purpose-built and physically secure environment. This network and its operations are governed by and in compliance with all applicable governmental regulations as well as the City's own administrative regulations. Within the City's operations and guidance is an active cyber-security program designed to protect from, and to quickly identify and mitigate, a multitude of complex security threats. While no network is completely immune from all possible compromise, the City exercises its due diligence in protecting the data it possesses and the systems it operates. To date, there have been no significant cyber-attacks on the City's computers and technologies.

While the City routinely maintains its technology systems and continuously implements new information security controls, no assurances can be given that the City's security and operational control measures will be successful in guarding against all cyber threats and attacks. The results of any attack on the City's computer and technology could negatively impact the City's operations, and the costs related to such attacks could be substantial.

Changes in Law

There can be no assurance that the electorate of the State will not at some future time adopt additional initiatives or that the Legislature will not enact legislation that will amend the laws or the Constitution of the State resulting in a reduction of the General Fund revenues of the City and consequently, having an adverse effect on the security for the Bonds.

ABSENCE OF LITIGATION

At the time of delivery of and payment for the Bonds, the City will certify that there is no action, suit, proceeding, inquiry, or investigation, at law or in equity, before or by any court or regulatory agency, public board, or body pending or threatened against the City affecting the existence or the titles its officers or seeking to restrain or to enjoin the issuance, sale, or delivery of the Bonds, or the application of the proceeds thereof in accordance with the Trust Agreement, or in any way contesting or affecting the validity or enforceability of the Bonds, any agreement entered into between the City and any purchaser of the Bonds, the Trust Agreement or any other applicable agreements or any action of the City contemplated by any of said documents, or in any way contesting the completeness or accuracy of this Official Statement or any amendment or supplement thereto, or contesting the powers of the City or its authority with respect to the Bonds or any action of the City contemplated by any of said documents, nor, to the knowledge of the City, is there any basis therefor.

CONTINUING DISCLOSURE

Pursuant to the Rule, the City has agreed, for the benefit of holders of the Bonds, to provide certain financial information and operating data relating to the City and the balances of funds relating to the Bonds, by not later than March 31 of each fiscal year commencing with the report for the 2019-20 fiscal year (the "Annual Information"), and to provide notices of the occurrence of certain enumerated events. The Annual Information and notices of enumerated events will be filed by the City with the Municipal Securities Rulemaking Board (the "MSRB") via its Electronic Municipal Market Access ("EMMA") system. The nature of the information to be provided in the Annual Information and the notices of enumerated events is set forth in APPENDIX E—FORM OF CONTINUING DISCLOSURE CERTIFICATE. The City currently has no obligations to provide Annual Information or notices of enumerated events to EMMA.

MUNICIPAL ADVISOR

Wulff, Hansen & Co. (the "Municipal Advisor"), is registered as a "Municipal Advisor" with the Securities Exchange Commission and Municipal Securities Rulemaking Board. The Municipal Advisor has assisted the City in connection with the planning, structuring, sale and issuance of the Bonds. The Municipal Advisor is not obligated to undertake, and has not undertaken to make, an independent verification of or to assume responsibilities for the accuracy, completeness or fairness of the information contained in this Official Statement not provided by the Municipal Advisor. The fees of the Municipal Advisor in respect to the Bonds are contingent upon their sale and delivery. The Municipal Advisor is an independent advisory firm and not engaged in the business of underwriting, trading or distributing municipal or other public securities.

LEGAL MATTERS

All legal matters in connection with the execution and delivery of the Bonds are subject to the approval of Quint & Thimmig LLP, Willows, California, Bond Counsel. Bond Counsel's opinion with respect to the Bonds will be substantially in the form set forth in APPENDIX G—FORM OF OPINION OF BOND COUNSEL. Certain legal matters will also be passed on for the City by Quint & Thimmig LLP, as Disclosure Counsel, and for the Underwriter by its counsel Nixon Peabody LLP, Los Angeles, California.

The fees and expenses of Bond Counsel, Disclosure Counsel and Underwriter's counsel are contingent upon the execution and delivery of the Bonds.

VALIDATION

On October 27, 2020, the City, acting pursuant to the provisions of sections 860 *et seq.* of the California Code of Civil Procedure, filed a complaint in the Superior Court of the State of California for the County of Glenn seeking judicial validation of the Bonds and certain other matters, including the Trust Agreement. On December 23, 2020, the court entered a judgment to the effect, among other things, that the Bonds and were valid, legal and binding obligations of the City. The Trust Agreement was also the subject of the judgment. The time period for the filing of appeals with respect to the judgment has expired and no appeals were filed, therefore the judgment is final and unappealable. In issuing its opinion as to the validity of the Bonds, Bond Counsel has relied upon the entry of the foregoing judgment.

TAX MATTERS

In the opinion of Quint & Thimmig LLP, Bond Counsel, under existing law, interest on the Bonds is exempt from State of California personal income taxes. Bond Counsel expresses no opinion as to any other tax consequences regarding the Bonds. INTEREST ON THE BONDS IS NOT EXCLUDED FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES.

The complete text of the final opinion that Bond Counsel expects to deliver upon the delivery of the Bonds is set forth in APPENDIX G—FORM OF OPINION OF BOND COUNSEL.

UNDERWRITING

The Bonds are being purchased by Hilltop Securities Inc. (the "Underwriter"). The Underwriter agrees to purchase the Bonds at a price of $__________ (representing the $__________ aggregate principal amount of the Bonds, less $__________ of Underwriter's discount).The Purchase Agreement relating to the Bonds provides that the Underwriter will purchase all of the Bonds if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in said Purchase Agreement, approval of certain legal matters by counsel and certain other conditions. After a bona fide initial public offering at the price stated on the inside cover page hereof, the Underwriter may offer and sell the Bonds to certain dealers and others at prices lower than the initial public offering price. The offering price may be changed from time to time by the Underwriter.

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

In the ordinary course of its various business activities, the Underwriter and its respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities, which may include credit default swaps) and financial instruments (including bank loans) 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.

The Underwriter and its respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

RATING

S&P Global Ratings, a Standard & Poor's Financial Services LLC business ("S&P") has assigned the rating of "______" to the Bonds. Such rating reflects only the view of S&P and any desired explanation of the significance of such rating should be obtained from S&P at the following address: 55 Water Street, New York, NY 10041, (212) 208-8000. 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 such rating will continue for any given period of time or that such rating will not be revised downward or withdrawn entirely by S&P if, in the judgment of S&P, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price for the Bonds.

FINANCIAL STATEMENTS

The City's Comprehensive Annual Financial Report for fiscal year ended June 30, 2020 is set forth in APPENDIX C—AUDITED FINANCIAL STATEMENTS OF THE CITY OF WILLOWS FOR THE FISCAL YEAR ENDED JUNE 30, 2020. The City's Auditor was not requested to consent to the inclusion of its report in Appendix C and it has not undertaken to update financial statements included in Appendix C. No opinion is expressed by the City's Auditor with respect to any event subsequent to its report.

ADDITIONAL INFORMATION

All of the preceding summaries of the Bonds, the Trust Agreement and other documents are made subject to the provisions of such documents respectively and do not purport to be complete statements of any or all of such provisions. Reference is hereby made to such documents on file with the City for further information in connection therewith.

This Official Statement does not constitute a contract with the purchasers of the Bonds.

Any statements made in this Official Statement involving matters of opinion or estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized.

References are made herein to certain documents and reports which are brief summaries thereof which do not purport to be complete or definitive and reference is made to such documents and reports for full and complete statements of the contents thereof.

The City will furnish a certificate dated the date of delivery of the Bonds, from an appropriate officer of the City, to the effect that to the best of such officer's knowledge and belief, and after reasonable investigation, (i) neither the Official Statement nor any amendment or supplement thereto contains any untrue statement of a material fact or omits to state any material fact necessary to make the statements therein, in light of the circumstances in which they were made, not misleading; (ii) since the date of the Official Statement, no event has occurred which should have been set forth in an amendment or supplement to the Official Statement which has not been set forth in such an amendment or supplement, and the Bonds, the Trust Agreement and other applicable agreements conform as to form and tenor to the descriptions thereof contained in the Official Statement; and (iii) the City has complied with all the agreements and has satisfied all the conditions on its part to be performed or satisfied under the Trust Agreement at and prior to the date of the issuance of the Bonds.

The execution and delivery of the Official Statement by the City have been duly authorized by the City Council on behalf of the City.

CITY OF WILLOWS

By ______________________________

Wayne Peabody,
Interim City Manager

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APPENDIX A

SUMMARY OF CERTAIN PROVISIONS OF THE TRUST AGREEMENT

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APPENDIX B

GENERAL, ECONOMIC AND DEMOGRAPHIC INFORMATION RELATING TO THE CITY AND THE COUNTY

The following information concerning the City of Willows and Glenn County is included only for the purpose of supplying general information regarding the City and the County. The Bonds are not a debt of the County, the State or any of its political subdivisions, and none of the County, the State nor any of their political subdivisions, except for the City, are liable therefor.

Although reasonable efforts have been made to include up-to-date information in this Appendix B, some of the information is not current due to delays in reporting of information by various sources. It should not be assumed that the trends indicated by the following data would continue beyond the specific periods reflected herein.

In addition, as described herein, the COVID-19 pandemic has materially impacted the national, State and local economies. The information in this appendix relates to time periods prior to the commencement of the COVID-19 pandemic and does not reflect such material impacts.

Introduction

City of Willows. The of Willows (the "City") was incorporated as a general law city on January 16, 1886 and is the county seat of Glenn County (the "County"), California. The City is located in the northern part of the California's Central Valley approximately halfway between the cities of Sacramento and Redding. The City encompasses an area of approximately 2.9 square miles and has a current population of approximately 6,200 residents. The City is a home to regional government offices of the California Highway Patrol, the California Department of Motor Vehicles, the United States Bureau of Reclamation and the main offices of the Mendocino National Forest, which comprises about one million acres of Federal land located mostly in mountainous terrain west of Willows.

Glenn County. Glenn County encompasses 1,327 square miles and is bordered by Colusa County to the south, Butte County to the east, Tehama County to the north, Mendocino County to the west and Lake County to the southwest. Approximately two thirds of the land in the County is used for the production of rice, fruits, nuts, dairy products, wheat, and livestock. Agribusiness and the government sector are the foundations of the County's economy.

Population

The table below summarizes population of the City, the County, and the State of California for the last five years.

CITY OF WILLOWS, GLENN COUNTY, and CALIFORNIA
Population

Year	City of Willows	Glenn County	State of California
2016	6,112	28,118	39,131,307
2017	6,111	28,350	39,398,702
2018	6,115	28,510	39,586,646
2019	6,080	28,695	39,695,376
2020	6,208	29,400	39,782,870

Source: California Department of Finance, E-4 Population Estimate for Cities, Counties, and the State, 2011-20, with 2010 Census Benchmark.

Employment

The following table summarizes historical employment and unemployment for the County, the State of California and the United States:

GLENN COUNTY, CALIFORNIA, and UNITED STATES
Civilian Labor Force, Employment, and Unemployment
(Annual Averages)

Year	Area	Labor Force	Employment	Unemployment	Unemployment Rate (1)
2016	Glenn County	13,090	12,020	1,070	8.2%
	California	19,102,700	18,065,000	1,037,700	5.4
	United States	159,187,000	151,436,000	7,751,000	4.9
2017	Glenn County	12,920	11,950	960	7.5
	California	19,312,000	18,393,100	918,900	4.8
	United States	160,320,000	153,337,000	6,982,000	4.4
2018	Glenn County	12,780	11,940	830	6.5
	California	19,398,200	18,582,800	815,400	4.2
	United States	162,075,000	155,761,000	6,314,000	3.9
2019	Glenn County	13,000	12,200	800	6.1
	California	19,411,600	18,627,400	784,200	4.0
	United States	163,539,000	157,538,000	6,001,000	3.7
2020(2)	Glenn County	12,570	11,450	1,110	8.9
	California	18,821,200	16,913,100	1,908,100	10.1
	United States	160,742,000	147,795,000	12,947,000	8.1

Source: California Employment Development Department, Monthly Labor Force Data for Counties, Annual Average 2010-20, and US Department of Labor.

(1) The unemployment rate is computed from unrounded data; therefore, it may differ from rates computed from rounded figures available in this table.

(2) Latest available full-year data.

Major Industries in the County

The table below sets forth the ten largest employers in Glenn County in 2019.

GLENN COUNTY
2019 Major Employers

Employer	No. of Employees	% of Total
Glenn County	485	3.82%
Johns Manville	250-499	1.97-3.93
Erick Nielsen Enterprises Incorporated	100-249	.79-1.96
Glenn Family Medical Group	100-249	.79-1.96
Glenn Medical Center	100-249	.79-1.96
Rumiano Cheese Factory	100-249	.79-1.96
Sierra Nevada Cheese Co.	100-249	.79-1.96
Sunsweet Dryers	100-249	.79-1.96
Walmart	100-249	.79-1.96
Glenn County Office of Education	50-99	.39-.78
Total Top 10 Employers	4,568,000	11.71-22.28%

Source: Glenn County 2018-19 CAFR.

Construction Activity

The following table reflects the five-year history of building permit valuation for the City and the County:

CITY OF WILLOWS
Building Permits and Valuation
(Dollars in Thousands)

	2015	2016	2017	2018	2019(1)
Permit Valuation:					
New Single-family	$ 200	$ 474	$ -	$ -	$ 770
New Multi-family	-	-	-	-	-
Res. Alterations/Additions	69	292	521	226	233
Total Residential	269	767	521	226	1,003
Total Nonresidential	4,372	15	5,626	464	644
Total All Building	4,642	782	6,147	691	1,647
New Dwelling Units:					
Single Family	1	2	-	-	4
Multiple Family	-	-	-	-	-
Total	1	2	-	-	4

GLENN COUNTY
Building Permits and Valuation
(Dollars in Thousands)

	2015	2016	2017	2018	2019(1)
Permit Valuation:					
New Single-family	$ 5,010	$ 11,438	$ 4,302	$ 10,769	$ 7,860
New Multi-family	-	-	-	978	124
Res. Alterations/Additions	1,150	1,640	1,967	867	1,634
Total Residential	6,160	13,078	6,269	12,614	9,619
Total Nonresidential	27,799	5,472	9,920	5,627	7,051
Total All Building	33,960	18,550	16,190	18,241	16,671
New Dwelling Units:					
Single Family	24	54	21	49	45
Multiple Family	-	-	-	10	2
Total	24	54	21	59	47

Source: Construction Industry Research Board: "Building Permit Summary."
Note: Columns may not sum to totals due to independent rounding.
(1) Latest available full year data.

Median Household Income

The following table summarizes the median household effective buying income for the City, the County, the State of California and the nation for the past five years.

CITY OF WILLOWS, GLENN COUNTY,
STATE OF CALIFORNIA AND UNITED STATES
Median Household Effective Buying Income

	2016	2017	2018	2019	2020
Willows	$ 39,477	$ 40,819	$ 38,858	$ 45,345	$ 43,194
Glenn County	36,957	38,861	39,936	44,392	45,405
California	55,681	59,646	62,637	65,870	67,956
United States	48,043	50,735	52,841	55,303	56,790

Source: Nielsen, Inc

APPENDIX C

AUDITED FINANCIAL STATEMENTS OF THE CITY OF WILLOWS FOR THE YEAR ENDED JUNE 30, 2020

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APPENDIX D

CITY OF WILLOWS INVESTMENT POLICY

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APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This CONTINUING DISCLOSURE CERTIFICATE (the "Disclosure Certificate") is executed and delivered by the CITY OF WILLOWS (the "City") in connection with the issuance by the City of its $__________* City of Willows (Glenn County, California) Taxable Pension Obligation Bonds, Series 2021 (the "Bonds"). The Bonds are being issued pursuant to a trust agreement, dated as of May 1, 2021 (the "Trust Agreement"), by and between the City and U.S. Bank National Association, as trustee (the "Trustee"). The City covenants and agrees as follows:

Section 1. Definitions. In addition to the definitions set forth above and, in the Trust Agreement, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section 1, the following capitalized terms shall have the following meanings:

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

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

"*Dissemination Agent*" shall mean, initially, NBS or any successor Dissemination Agent designed in writing by the City and which has been filed with the then current Dissemination Agent a written acceptance of such designation.

"*Fiscal Year*" means any twelve-month period beginning on July 1 in any year and extending to the next succeeding June 30, both dates inclusive, or any other twelve-month period selected and designated by the City as its official fiscal year period under a certificate of the City filed with the Trustee.

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

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

"*Participating Underwriter*" means Hilltop Securities Inc., the original underwriter of the Bonds.

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

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

Section 2. 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 the Rule.

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* Preliminary, subject to change.

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 March 31, 2022, with the report for fiscal year 2020-21 provide to the MSRB, in an electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate. Not later than 15 Business Days prior to the Annual Report Date, the City shall provide the Annual Report to the Dissemination Agent (if other than the City). If by 15 Business Days prior to the Annual Report Date the Dissemination Agent (if other than the City) has not received a copy of the Annual Report, the Dissemination Agent shall contact the City to determine if the City is in compliance with the previous sentence. The Annual Report may be submitted as a single document or as separate documents comprising a package and may include by reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the City may be submitted separately from the balance of the Annual Report, and later than the Annual Report Date, if not available by that date. If the City's fiscal year changes, it shall give notice of such change in the same manner as for a Significant Event under Section 5(c). 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 in a timely manner shall provide (or cause the Dissemination Agent to provide) 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 prior to the annual filing deadline for Annual Reports provided for in Section 3 above, financial information and operating data with respect to the City for preceding fiscal year, substantially similar to that provided in the Official Statement, as follows:

(i) general fund revenue sources by type (over $1,000,000);
(ii) combined annual contribution (City's share and employees' share) to the Public Employees Retirement System; and
(iii) adopted general fund budget.

(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 Significant Events with respect to the Bonds:

(i) Principal and interest payment delinquencies;

(ii) Non-payment related defaults, if material;

(iii) Unscheduled draws on debt service reserves reflecting financial difficulties;

(iv) Unscheduled draws on credit enhancements reflecting financial difficulties;

(v) Substitution of credit or liquidity providers, or their failure to perform;

(vi) 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;

(vii) Modifications to rights of security holders, if material;

(viii) Bond calls, if material, and tender offers;

(ix) Defeasances;

(x) Release, substitution, or sale of property securing repayment of the securities, if material;

(xi) Rating changes;

(xii) Bankruptcy, insolvency, receivership or similar event of the City or other obligated person;

(xiii) 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;

(xiv) Appointment of a successor or additional trustee or the change of name of a trustee, if material;

(xv) The incurrence of a financial obligation of the City or other obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the City or other obligated person, any of which affect security holders, if material; or

(xvi) A default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the City or other obligated person, any of which reflect financial difficulties.

(b) Whenever the City obtains knowledge of the occurrence of a Significant 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 Significant Event. Notwithstanding the foregoing, notice of Significant Events described in subsection (a)(viii) 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 Trust Agreement.

(c) The City acknowledges that the events described in subparagraphs (a)(ii), (a)(vii), (a)(viii) (if the event is a bond call), (a)(x), (a)(xiii), (a)(xiv) and (a) (xv) of this Section 5 contain the qualifier "if material." The City shall cause a notice to be filed as set forth in paragraph (b) above with respect to any such event only to the extent that the City determines the event's occurrence is material for purposes of U.S. federal securities law. The City intends that the words used in paragraphs (xv) and (xvi) and the definition of "financial obligation" to have the meanings ascribed thereto in SEC Release No. 34-83885 (August 20, 2018) or any further guidance or release provided by the SEC.

(d) For purposes of this Disclosure Certificate, any event described in paragraph (a)(xii) 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.

Section 6. Identifying Information for Filings with the MSRB. All documents provided to the MSRB under this 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.

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 Trust Agreement for amendments to the Trust Agreement 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.

The Dissemination Agent shall not be obligated to enter into any amendment increasing or affecting its duties or obligations hereunder.

A notice of any amendment made pursuant to this Section 9 shall be filed in the same manner as for a Significant 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 Significant 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 Significant 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 Significant Event.

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

Section 12. Duties, Immunities and Liabilities of Dissemination Agent.

(a) Article IX of the Trust Agreement is hereby made applicable to this Disclosure Certificate as if this Disclosure Certificate were (solely for this purpose) contained in the Trust Agreement. The Dissemination Agent shall be entitled to the protections and limitations from liability afforded to the Trustee thereunder. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the City agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall have no duty or obligation to review any information provided to it by the City hereunder and shall not be deemed to be acting in any fiduciary capacity for the City, the Bond holders or any other party. The obligations of the City under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

(b) The Dissemination Agent shall be paid compensation by the City for its services provided hereunder in accordance with its schedule of fees as amended from time to time, and shall be reimbursed for all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder.

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

Date: [Closing Date]

CITY OF WILLOWS

By ____
Interim City Manger

ACKNOWLEDGED:

NBS, as Dissemination Agent

By ____
Authorized Officer

EXHIBIT A

NOTICE TO EMMA OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer:	City of Willows
Name of Issue:	City of Willows (Glenn County, California) Taxable Pension Obligation Bonds, Series 2021
Date of Issuance:	[Closing Date]

NOTICE IS HEREBY GIVEN that the Obligor has not provided an Annual Report with respect to the above-named Issue as required by the Continuing Disclosure Certificate, dated [Closing Date], furnished by the Issuer in connection with the Issue. The Issuer anticipates that the Annual Report will be filed by ______________.

Dated: ________________________

NBS, as Dissemination Agent

By ____________________________________

Title ___________________________________

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APPENDIX F

BOOK-ENTRY ONLY SYSTEM

The information in this Appendix F, concerning The Depository Trust Company, New York, New York ("DTC"), and DTC's book-entry system, has been furnished by DTC for use in official statements and the City takes no responsibility for the completeness or accuracy thereof. The City cannot and does not give any assurances that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest or principal with respect to the Bonds, (b) certificates representing ownership interest in or other confirmation of ownership interest in the Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix F. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC. Information Furnished by DTC Regarding its Book-Entry Only System

1. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds (as used in this Appendix F, the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for each maturity of the Securities, in the aggregate principal amount of such issue, and will be deposited with DTC. If, however, the aggregate principal amount of any issue exceeds $500 million, one certificate will be issued with respect to each $500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.

2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has an S&P Global Ratings rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com. Information set forth in such website is not incorporated herein by reference.

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

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

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit the notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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

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

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

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

10. 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, Security certificates will be printed and delivered to DTC.

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

APPENDIX G

FORM OF OPINION OF BOND COUNSEL

[Letterhead of Quint & Thimmig LLP]

[Closing Date]

City of Willows
201 North Lassen Street
Willows, California 95988

OPINION: $___________* City of Willows (Glenn County, California) Taxable Pension Obligation Bonds, Series 2021

Members of the City Council:

We have acted as bond counsel to the City of Willows (the "City") in connection with the issuance by the City of $_________* principal amount of City of Willows (Glenn County, California) Taxable Pension Obligation Bonds, Series 2021 (the "Bonds"), pursuant to the provisions of Articles 9 and 11 of Chapter 3 (commencing with section 53550) of Division 2 of Title 5 of the California Government Code (the "Act"), a Trust Agreement, dated as of February 1, 2021, by and between the City and U.S. Bank National Association, as trustee (the "Trust Agreement"), and a resolution adopted by the City Council of the City on October 13, 2020 (the "Resolution"). We have examined the law and such certified proceedings and other papers as we deemed necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon representations of the City contained in the Trust Agreement, the Resolution and in the certified proceedings and certifications of public officials and others furnished to us, without undertaking to verify such facts by independent investigation.

Based upon our examination, we are of the opinion, as of the date hereof, that:

1. The City is duly created and validly existing as a general law city and municipal corporation with power to enter into the Trust Agreement, to perform the agreements on its part contained therein and to issue the Bonds.

2. The Bonds constitute legal, valid and binding obligations of the City enforceable in accordance with their terms and payable solely from the sources provided therefor in the Trust Agreement.

3. The Trust Agreement has been duly authorized, executed and delivered by the City and constitutes a legal, valid and binding obligation of the City enforceable against the City in accordance with its terms.

4. Interest on the Bonds is includible in gross income for federal income tax purposes.

5. The interest on the Bonds is exempt from personal income taxation imposed by the State of California.

Ownership of the Bonds may result in other tax consequences to certain taxpayers, and we express no opinion regarding any such collateral consequences arising with respect to the Bonds.

The rights of the owners of the Bonds and the enforceability of the Bonds and the Trust Agreement may be subject to the bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and also may be subject to the exercise of judicial discretion in accordance with general principles of equity.

Our opinion represents our legal judgment based upon such review of the law and the facts that we deem relevant to render our opinion and is not a guarantee of a result. This opinion is given as of the date hereof and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Respetfully submitted,

ATTACHMENT C

$\$$_______
City of Willows
Taxable Pension Obligation Bonds, Series 2021

Bond Purchase Agreement

_______, 2021

City of Willows
201 North Lassen Street
Willows, California 95988

Ladies and Gentlemen:

The undersigned, Hilltop Securities Inc. (the "Underwriter"), hereby offers to enter into the following agreement (this "Purchase Agreement") with the City of Willows (the "City") which, upon the City's execution of this agreement, will be binding upon the City and upon the Underwriter. This offer is made subject to the written acceptance hereof by the City prior to 9:00 p.m., California time, on the date hereof, as evidenced by the signature of the City Manager of the City in the space provided herein.

The City acknowledges and agrees that (i) the purchase and sale of the Bonds (as defined below) pursuant to this Purchase Agreement is an arm's-length commercial transaction between the City and the Underwriter, and that the Underwriter has financial and other interests that differ from those of the City, (ii) in connection with such transaction the Underwriter is not acting as a municipal advisor, financial advisor or fiduciary to the City or any other person or entity and has not assumed a fiduciary responsibility in favor of the City with respect to the offering of the Bonds or the process leading thereto (whether or not the Underwriter has advised or is currently advising the City on other matters), (iii) the only obligations the Underwriter has to the City with respect to the transaction contemplated hereby expressly are set forth in this Purchase Agreement, and (iv) the City has consulted with its own legal and other professional advisors to the extent it deemed appropriate in connection with the offering of the Bonds.

The Underwriter has provided to the City prior disclosures under Rule G-17 of the Municipal Securities Rulemaking Board, which have been received by the City.

Section 1. Purchase and Sale. Upon the terms and conditions and upon the basis of the representations, warranties and agreements set forth herein, the Underwriter hereby agrees to purchase from the City, and the City hereby agrees to sell and deliver to the Underwriter at the Closing Time on the Closing Date (both as defined herein), all and not less than all, of the aggregate principal amount of its Taxable Pension Obligation Bonds, Series 2021 (the "Bonds"). The Bonds shall be dated the Closing Date, shall mature on the dates, and bear interest at the rates per annum, shown on Exhibit A hereto. Interest on the Bonds shall be payable on February 1 and August 1 of each year, commencing February 1, 2022. The price at which the Underwriter is to purchase the

Bonds shall be $________ in immediately available funds (being the aggregate principal amount thereof, less an Underwriter's discount of $_________). (The date of such payment and delivery is referred to herein as the "Closing Date," the hour and date of such delivery and payment is referred to herein as the "Closing Time," and the other actions contemplated hereby to take place at the time of such payment and delivery are sometimes referred to herein as the "Closing").

Section 2. The Bonds. The Bonds shall be issued and secured pursuant to Articles 10 and 11 (commencing with Section 53570) of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code (the "Refunding Law") and the Trust Agreement, dated as of February 1, 2021 (the "Trust Agreement"), between the City and U.S. Bank National Association, as trustee (the "Trustee"). Capitalized terms used but not defined herein have the meanings ascribed to them in the Trust Agreement.

The City is a member of the California Public Employees' Retirement System ("CalPERS"), and as such, is obligated by the Public Employees' Retirement Law, constituting Part 3 of Division 5 of Title 2 of the California Government Code (the "Retirement Law"), and the contract between the Board of Administration of CalPERS and the City Council of the City, effective July 1, 1948, as amended (the "CalPERS Contract"), to (i) make contributions to CalPERS to fund pension benefits for certain City employees, (ii) amortize the unfunded accrued actuarial liability with respect to such pension benefits, and (iii) appropriate funds for the foregoing purposes. The Bonds are being issued to pay the City's currently unamortized, unfunded accrued liability to CalPERS and to pay the costs of issuance of such Bonds.

The Bonds shall be payable and shall be subject to redemption as provided in the Trust Agreement and shall be as described in the Preliminary Official Statement of the City dated ______, 2021 (the "Preliminary Official Statement") and the Official Statement of the City dated of even date herewith. Such Preliminary Official Statement, including the cover page, the inside cover and the appendices thereto, relating to the Bonds, as amended to include the terms of this Purchase Agreement with respect to pricing and interest rates and with such changes and amendments thereto as have been mutually agreed to by the City and the Underwriter, is hereinafter referred to as the "Official Statement."

The City will undertake pursuant to the Trust Agreement and a Continuing Disclosure Certificate, dated _________, 2021 (the "Disclosure Certificate"), and executed by the City, to provide certain annual information and notices of the occurrence of certain events, if material. A description of the undertaking is set forth in the Preliminary Official Statement and will also be set forth in the Official Statement.

The Trust Agreement, the Disclosure Certificate and this Purchase Agreement are collectively referred to herein as the "Legal Documents." The resolutions of the City adopted on October 13, 2020 and _________ approving the Legal Documents, the issuance of the Bonds, and related matters are collectively herein referred to as the "Resolutions."

Section 3. Offering by the Underwriter. It shall be a condition to the City's obligations to sell and to deliver the Bonds to the Underwriter, and to the Underwriter's obligation to purchase, to accept delivery of and to pay for the Bonds that the entire principal amount of the Bonds shall be issued, sold and delivered by the City for sale to the Underwriter, and purchased, accepted and paid for by the Underwriter at the Closing. It is understood that the Underwriter proposes to offer the Bonds for sale to the public (which may include selected dealers and special purchasers) at the yield as set forth in Exhibit A hereto and on the inside cover page of the Official Statement. Concessions from the public offering price may be allowed to selected dealers and special purchasers. It is understood that the initial public offering price and concessions set forth in the Official Statement may vary after the initial public offering. It is further understood that the Bonds may be offered to the public at prices other than the par value thereof. The net premium on the sale of the Bonds to the public, if any, shall accrue to the benefit of the Underwriter. The Underwriter hereby represents that it has the full right, power and authority to enter into this Purchase Agreement.

Section 4. Official Statement, Delivery of Other Documents, Use of Documents.

(a) The City hereby authorizes the use by the Underwriter of the Preliminary Official Statement and the Official Statement (including any supplements or amendments thereto), the Trust Agreement and the Continuing Disclosure Certificate and the information therein contained, in connection with the public offering and sale of the Bonds. The Preliminary Official Statement is deemed final by the City as of its date and as of the date hereof, except for the omission of such information as is permitted to be omitted in accordance with paragraph (b)(1) of Rule 15c2-12 promulgated by the U.S. Securities and Exchange Commission under the Securities Exchange Act of 1934 ("Rule 15c2-12"). The City has delivered to the Underwriter a certification to such effect in the form acceptable to the Underwriter.

(b) The City shall deliver to the Underwriter, within seven (7) business days from the date hereof, such number of copies (including in electronic form) of the final Official Statement executed on behalf of and approved for distribution by the City as the Underwriter may reasonably request in order for the Underwriter to comply with the rules of the Municipal Securities Rulemaking Board (the "MSRB") and paragraph (b)(4) of Rule 15c2-12.

(c) As soon as practicable following receipt thereof, the Underwriter shall deliver the Official Statement, and any supplements or amendments thereto, to a nationally recognized municipal securities information repository.

Section 5. Representations, Warranties and Agreements of the City. The City represents, warrants and agrees as follows:

(a) The City is a municipal corporation duly organized and existing under and by virtue of the Constitution and laws of the State of California.

(b) The City has full legal right, power and authority (i) to enter into, execute and deliver the Legal Documents and to execute and deliver the Official Statement; (ii) to sell, issue and deliver the Bonds to the Underwriter under the Refunding Law, as provided in this Purchase Agreement; and (iii) to carry out and consummate the transactions on its part contemplated by the Legal Documents.

(c) By all necessary official action, the City has duly authorized and approved the Legal Documents and the Official Statement, has duly authorized and approved the execution and delivery of, and the performance by the City of the obligations in connection with the issuance of the Bonds on its part contained in the Trust Agreement and this Purchase Agreement, and the consummation by it of all other transactions contemplated by the Legal Documents in connection with the issuance of the Bonds.

(d) As of the date hereof, to the best of its knowledge, the City is not in any material respect in breach of or default under any applicable constitutional provision, law or administrative regulation of any state or of the United States, or any City or instrumentality of either, or any applicable judgment or decree, or any loan agreement, indenture, bond, note, resolution, agreement (including, without limitation, the Trust Agreement) or other instrument to which the City is a party which breach or default has or may have a materially adverse effect on the ability of the City to perform its obligations under the Trust Agreement, and no event has occurred and is continuing which with the passage of time or the giving of notice, or both, would constitute such a default or event of default under any such instrument; and the execution and delivery of the Legal Documents and the Official Statement, and compliance with the provisions on the City's part contained therein, will not conflict in any material way with or constitute a material breach of or a material default under any constitutional provision, law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the City is a party nor will any such execution, delivery, adoption or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the property or assets of the City or under the terms of any such law, regulation or instrument, except as provided by the Bonds and the Trust Agreement.

(e) To the best of the City's knowledge, except as described in or contemplated by the Official Statement, all authorizations, approvals, licenses, permits, consents and orders of any governmental authority, legislative body, board, City or commission having jurisdiction of the matter which are required for the due authorization by, or which would constitute a condition precedent to or the absence of which would materially adversely affect the due performance by, the City of its obligations in connection with the issuance of the Bonds under this Purchase Agreement or the Trust Agreement have been duly obtained, except for such approvals, consents and orders as may be required under the Blue Sky or securities laws of any state in connection with the offering and sale of the Bonds.

(f) Except as disclosed in the Official Statement, as of the date hereof, there is no action, suit, proceeding, inquiry or investigation, notice of which has been served on the City, at law or in equity before or by any court, government agency, public board or body, pending or to the best knowledge of the officer of the City executing this Purchase Agreement, threatened against the City, affecting the existence of the City or the titles of its officers to their respective offices, or affecting or seeking to prohibit, restrain or enjoin the sale, issuance or delivery of the Bonds or the pledge and lien on the funds and accounts held under the Trust Agreement or any other monies pledged to the payment of the Bonds pursuant to the Trust Agreement, or contesting or affecting as to the City the validity or enforceability of the Refunding Law or the Legal Documents, or contesting the completeness or accuracy of the Preliminary Official Statement or the Official Statement, or contesting the powers of the City for, or the execution and delivery or adoption by the City of, the Legal Documents, or in any way contesting or challenging the consummation of the transactions contemplated hereby or thereby; nor, to the best knowledge of the City, is there any basis for any such action, suit, proceeding, inquiry or investigation, wherein an unfavorable decision, ruling or finding would materially adversely affect the validity of the Refunding Law, or the authorization, execution, delivery or performance by the City of the Legal Documents.

(g) The Trust Agreement, the Continuing Disclosure Certificate and the Bonds when issued, will conform to the descriptions thereof contained in the Official Statement under the captions "INTRODUCTION," "THE BONDS," "SECURITY FOR THE BONDS," "APPENDIX A – SUMMARY OF CERTAIN PROVISIONS OF THE TRUST AGREEMENT" and "APPENDIX E – FORM OF CONTINUING DISCLOSURE CERTIFICATE."

(h) The Bonds, when issued, authenticated and delivered in accordance with the Trust Agreement will be validly issued and outstanding obligations of the City, entitled to the benefits of the Trust Agreement, and upon such issuance and delivery, the Trust Agreement will provide, for the benefit of the owners from time to time of the Bonds, the legally valid and binding pledge of and lien and security interest they purport to create in the funds and accounts held under the Trust Agreement and certain other moneys pledged therefor in the Trust Agreement. The obligation of the City to make payments on the Bonds is a general fund obligation of the City, imposed upon the City by law and enforceable against the City pursuant to the Retirement Law.

(i) The City is in compliance in all material respects with the Retirement Law to the extent applicable to it and has received no notice to the contrary from any governmental entity or agency. Upon issuance of the Bonds and consummation of the transactions contemplated by the Legal Documents, the City's current unfunded accrued actuarial liability to CalPERS, if any, will not have a material adverse effect on the ability of the City to perform its obligations under the Legal Documents. No event has occurred and is continuing which could result in a material contribution deficiency or a material liability of the City to CalPERS, except as described in the Official Statement with respect to the expected liability to be created by the CalPERS rate of return for Fiscal Year 2019-20.

(j) All financial statements of the City furnished to the Underwriter in connection with the Bonds were prepared in accordance with GAAP applied on a consistent basis throughout the periods involved. Since the date of the most recent financial statements referred to in the preceding sentence, no material adverse change has occurred in the business, operations, or financial condition of the City.

(k) The City will furnish such information, execute such instruments and take such other action in cooperation with the Underwriter as the Underwriter may reasonably request in order (i) 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 as the Underwriter may designate and (ii) to determine the eligibility of the Bonds for investment under the laws of such states and other jurisdictions, and will use its best efforts to continue such qualifications in effect so long as required for the distribution of the Bonds; provided, however, that the City shall not be required to execute a general or special consent to service of process or qualify to do business in connection with any such qualification or determination in any jurisdiction, and provided, further, that the Underwriter shall bear all costs in connection with the City's action under (i) and (ii) herein.

(l) As of the date thereof, the Preliminary Official Statement does not, except for the omission of certain information permitted to be omitted in accordance with Rule 15c2-12, 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.

(m) At the time of the City's acceptance hereof, and (unless an event occurs of the nature described in paragraph (o) of this Section 5) at all times subsequent thereto up to and including the Closing Date, the Official Statement does not and will 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.

(n) If the Official Statement is supplemented or amended pursuant to paragraph (q) of this Section 5, at the time of each supplement or amendment thereto and (unless subsequently again supplemented or amended pursuant to such paragraph) at all times subsequent thereto up to and including the Closing Date, the Official Statement as so supplemented or amended will 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.

(o) If between the date of this Purchase Agreement and that date which is twenty-five (25) days after the end of the underwriting period (as determined in accordance with Section 13 hereof) any event known to the City shall occur affecting the City which might adversely affect the marketability of the Bonds or the market prices thereof, or which might cause the Official Statement, as then supplemented or amended, to contain any untrue statement of a material fact or to omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, the City shall notify the Underwriter thereof, and if in the reasonable opinion of the Underwriter such event requires the preparation and publication of a supplement or amendment to the Official Statement, the City will at its expense prepare and furnish to the Underwriter a reasonable number of copies of such supplement to, or amendment of, the Official Statement in a form and in a manner approved by the Underwriter.

(p) Any certificate signed by any officer of the City and delivered to the Underwriter pursuant to the Trust Agreement, this Purchase Agreement or any document contemplated thereby shall be deemed a representation and warranty by the City to the Underwriter as to the statements made therein.

(q) The City will cause the proceeds from the sale of the Bonds to be paid to the Trustee for the purposes specified in the Trust Agreement and the Official Statement. So long as any of the Bonds are outstanding and except as may be authorized by the Trust Agreement, the City will not issue or sell any bonds or other obligations, other than the Bonds sold thereby, the interest on and premium, if any, or principal of which will be payable from moneys pledged under the Trust Agreement.

(r) At or prior to the Closing, the City shall have duly authorized, executed and delivered the Continuing Disclosure Certificate which complies with the provisions of paragraph (b)(5) of Rule 15c2-12 and which shall be substantially in the form presented as Appendix E to the Official Statement.

Section 6. Closing. At 8:00 a.m., California time, on ________, 2021, or on such earlier date or as soon thereafter as practicable, as may be mutually agreed upon by the City and the Underwriter, the City will deliver, or the City will cause the Trustee to deliver on behalf of the City, to or at the direction of the Underwriter, the Bonds, in definitive form duly executed by the City, subject to the terms and conditions hereof and together with the other documents hereinafter mentioned. The Underwriter will accept such delivery and will pay the purchase price of the Bonds at the offices of Quint & Thimmig LLP, Larkspur, California ("Bond Counsel") as set forth in Paragraph 1 hereof by delivering Federal or other immediately available funds in the amount of such purchase price to the Trustee. The Bonds shall be prepared in book-entry form and registered in the name of Cede & Co. at the direction of the Underwriter.

Section 7. Closing Conditions. The Underwriter has entered into this Purchase Agreement in reliance upon the representations and warranties of the City contained herein, and in reliance upon the representations and warranties to be contained in the documents and instruments to be delivered at the Closing and upon the performance by the City of its obligations hereunder, both as of the date hereof and as of the Closing Date. Accordingly, the Underwriter's obligations under this Purchase Agreement to purchase, to accept delivery of and to pay for the Bonds shall be conditioned upon the performance by the City of its obligations to be performed hereunder and under such documents and instruments at or prior to the Closing, and shall also be subject to the following additional conditions:

(a) The representations and warranties of the City contained herein shall be true, complete and correct on the date hereof and on and as of the Closing Date, as if made on the Closing Date;

(b) At the time of the Closing, the Legal Documents shall be in full force and effect in accordance with its terms and shall not have been amended, modified or supplemented and the Official Statement shall not have been supplemented or amended, except in any such case as may have been agreed to by the Underwriter;

(c) At the time of the Closing, all necessary official action of the City and of the other parties thereto relating to the Legal Documents shall have been taken and shall be in full force and effect and shall not have been amended, modified or supplemented in any material respect;

(d) Subsequent to the date hereof, there shall not have occurred any change in or affecting particularly the City or the Bonds, as the foregoing matters are described in the Official Statement, which in the reasonable opinion of the Underwriter materially impairs the investment quality of the Bonds;

(e) At or prior to the Closing, the Underwriter shall have received copies of each of the following documents:

(1) The Official Statement and each supplement or amendment, if any, thereto, executed by a designated officer of the City;

(2) A copy of the Trust Agreement, executed by the City and the Trustee;

(3) A certificate, dated the Closing Date, signed by a duly authorized official of the City satisfactory in form and substance to the Underwriter to the effect that the representations and warranties of the City contained herein are true and correct as of the Closing Date;

(4) An opinion (the "Final Approving Legal Opinion") dated the Closing Date and addressed to the City, of Bond Counsel, in substantially the form included as Appendix G to the Official Statement, with respect to the Bonds, accompanied by a reliance letter from Bond Counsel to the effect that such opinion may be relied upon by the Underwriter with the same effect as if such opinion were addressed to it (which reliance letter may be incorporated in the supplemental opinion to be delivered pursuant Item (5) below);

(5) A supplemental opinion of Bond Counsel, dated the Closing Date and addressed to the Underwriter, in substantially the form attached hereto as Exhibit B;

(6) Negative assurance letter, dated the Closing Date and addressed to the City and the Underwriter, of Quint & Thimmig LLP, as Disclosure Counsel, in substantially the form acceptable for the Underwriter;

(7) An opinion, dated the Closing Date and addressed to the Underwriter, of Cole Huber LLP, counsel to the City, substantially in the form attached hereto as Exhibit D;

(8) A certificate of the City Clerk of the City, dated the date of Closing and in form and substance satisfactory to the Underwriter, to the effect that the Resolutions have been duly adopted by the City and remains in full force and effect;

(9) An opinion of counsel to the Trustee dated the Closing Date and addressed to the City and the Underwriter, in form and substance satisfactory to the Underwriter, to the effect that:

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

(ii) The Trustee has duly authorized, executed and delivered the Trust Agreement and the Continuing Disclosure Certificate (together, the "Trustee Documents"), and by all proper corporate action has authorized the acceptance of the duties and obligations of the Trustee under the Trustee Documents and to authorize in its capacity as trustee thereunder the authentication and delivery of the Bonds;

(iii) Assuming due authorization, execution and delivery by the City, the Trustee Documents are valid, legal and binding agreements of the Trustee, enforceable in accordance with their terms, except as such enforcement may be limited by bankruptcy, insolvency, reorganization or other similar laws affecting the enforcement of creditors' rights in general and by general equity principles (regardless of whether such enforcement is considered in a proceeding in equity or at law);

(iv) Exclusive of federal or state securities laws and regulations, to the best of such counsel's knowledge after reasonable inquiry and investigation, other than routine filings required to be made with governmental agencies in order to preserve the Trustee's authority to perform a trust business (all of which routine filings such counsel believes, after reasonable inquiry and investigation, to have been made), no consent, approval, authorization or other action by any governmental or regulatory authority having jurisdiction over the Trustee is or will be required for the execution and delivery by the Trustee of the Trustee Documents or the authentication and delivery of the Bonds;

(v) To the best of such counsel's knowledge, the execution and delivery by the Trustee of the Trustee Documents and the Bonds, and compliance with the terms thereof will not, in any material respect, conflict with, or result in a violation or breach of, or constitute a default under, any loan agreement, indenture, bond, note, resolution or any other agreement or instrument to which the Trustee is a party or by which it is bound, or any law or any rule, regulation, order or decree of any court or governmental agency or body having jurisdiction over the Trustee or any of its activities or properties, or (except with respect to the lien of the Trust Agreement) result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the property or assets of the Trustee; and

(vi) To the best of such counsel's knowledge, there is no litigation pending or threatened against or affecting the Trustee to restrain or enjoin the Trustee's participation in, or in any way contesting the powers of the Trustee with respect to the transactions contemplated by the Bonds and the Trustee Documents;

(10) A copy of the general resolution of the Trustee authorizing the execution and delivery of certain documents by certain officers of the Trustee, which resolution authorizes the execution and delivery of the Bonds and the Trustee Documents;

(11) A certificate of the Trustee, in form and substance satisfactory to the City and the Underwriter, dated the Closing Date, that as of the Closing Date:

(i) The Trustee is duly organized and existing as a national banking association in good standing under the laws of the United States of America having the full power and authority to enter into and perform its duties under the Trustee Documents and to authenticate and deliver the Bonds to the Underwriter pursuant to the terms of the Trust Agreement;

(i) The Trustee has been duly authorized to enter into the Trustee Documents and to authenticate and deliver the Bonds;

(ii) The Trustee has on the Closing Date authenticated and delivered the Bonds and executed and delivered the Trustee Documents;

(iii) To the best of the Trustee's knowledge, after due inquiry, no consent, approval, authorization or other action by any governmental or regulatory authority having jurisdiction over the Trustee that has not been obtained by the Trustee is or will be required for the execution and delivery of the Trustee Documents or the performance by the Trustee of its duties and obligations under the Trustee Documents;

(iv) To the best of the knowledge of the Trustee, after due investigation, the execution and delivery by the Trustee of the Trustee Documents and the Bonds, and compliance with the terms thereof will not, in any material respect, conflict with, or result in a violation or breach of, or constitute a default under, any loan agreement, indenture, bond, note, resolution or any other agreement or instrument to which the Trustee is a party or by which it is bound, or any law or any rule, regulation, order or decree of any court or governmental agency or body having jurisdiction over the Trustee or any of its activities or properties, or (except with respect to the lien of the Trust Agreement) result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the property or assets of the Trustee; and

(v) To the best knowledge of the officer of the Trustee signing the certificate, after due inquiry, there is no litigation pending or threatened against or affecting the Trustee to restrain or enjoin the Trustee's participation in, or in any way contesting the powers of the Trustee with respect to the transactions contemplated by the Bonds, the Trustee Documents;

(12) An executed copy of the Continuing Disclosure Certificate, substantially in the form presented as Appendix E to the Official Statement;

(13) Evidence of the ratings on the Bonds;

(14) A copy of the notices required to be delivered to the California Debt and Investment Advisory Commission pursuant to Section 8855(i) of the California Government Code;

(15) A copy of the Blanket Letter of Representation to the Depository Trust Company signed by the City;

(16) A signature and incumbency certificate of the City, dated the Closing Date and signed by an authorized officer of the City;

(17) A copy of the filed, final nonappealable judgment of the Superior Court of the State for the County of Los Angeles validating the issuance of the Bonds; and

(18) Such additional legal opinions, certificates, instruments and other documents as the Underwriter may reasonably request to evidence the truth and accuracy,

as of the date hereof and as of the Closing Date, of the City's representations and warranties contained herein and of the statements and information contained in the Official Statement and the due performance or satisfaction by the City on or prior to the Closing Date of all the agreements then to be performed and conditions then to be satisfied by it.

All the opinions, letters, certificates, instruments and other documents mentioned above or elsewhere in this Purchase Agreement shall be deemed to be in compliance with the provisions hereof if, but only if, they are in form and substance satisfactory to Bond Counsel and the Underwriter. The opinions and certificates presented as Exhibits hereto or as Appendices to the Official Statement shall be deemed satisfactory provided they are substantially in the forms of such exhibits or appendices.

If the City shall be unable to satisfy the conditions to the obligation of the Underwriter to purchase, to accept delivery of and to pay for the Bonds contained in this Purchase Agreement, or if the obligation of the Underwriter to purchase, to accept delivery of and to pay for the Bonds shall be terminated for any reason permitted by this Purchase Agreement, this Purchase Agreement shall terminate and neither the Underwriter nor the City shall be under any further obligation hereunder.

Section 8. Termination. The Underwriter shall have the right to terminate the Underwriter's obligations under this Purchase Agreement to purchase, to accept delivery of and to pay for the Bonds by notifying the City, in writing or by telegram, of their election to do so, if, after the execution hereof and prior to the Closing:

(a) The United States has become engaged in new hostilities (or an escalation of hostilities) which have resulted in a declaration of war or a national emergency affecting the normal operation of the government of, or in the financial community in, the United States of America in a manner that makes it impracticable for the Underwriter in its reasonable opinion to market the Bonds or enforce the contracts for sale of the Bonds;

(b) There shall have occurred the declaration of a general banking moratorium by any authority of the United States or the States of New York or California;

(c) An event shall have occurred or been discovered as described in paragraph (q) of Section 5 hereof which, in the reasonable opinion of the Underwriter, requires the preparation and publication of disclosure material or a supplement or amendment to the Official Statement, and (i) the City refuses to prepare and furnish such disclosure material, or supplement or amendment to the Official Statement, or (ii) in the reasonable judgment of the Underwriter, the occurrence or discovery of such event materially and adversely affect the marketability of the Bonds or render the enforcement of contracts for sale of the Bonds impracticable;

(d) Any legislation, ordinance, rule or regulation shall be introduced in, or be enacted by any governmental body, department or agency in the State of California, or a decision by any court of competent jurisdiction within the State of California shall be rendered which, in the Underwriter's reasonable opinion, materially adversely affects the market price of the Bonds;

(e) Legislation shall be introduced, by amendment or otherwise, or be enacted by the House of Representatives or the Senate of the Congress of the United States, or a decision by a court of the United States shall be rendered, or a stop order, ruling, regulation or official statement by or on behalf of the Securities and Exchange Commission or other governmental agency having jurisdiction of the subject matter shall be made or proposed, to the effect that the issuance, offering or sale of obligations of the general character of the Bonds, or the Bonds, as contemplated hereby or by the Official Statement, is or would be in violation of any provision of the Securities Act of 1933, as amended and as then in effect, or the Securities Exchange Act of 1934, as amended and as then in effect, or the Trust Indenture Act of 1939, as amended and as then in effect, or with the purpose or effect of otherwise prohibiting the issuance, offering or sale of the Bonds or obligations of the general character of the Bonds, as contemplated hereby or by the Official Statement;

(f) Additional material restrictions not in force as of the date hereof shall have been imposed upon trading in securities generally by any governmental authority or by any national securities exchange which, in the Underwriter's reasonable opinion, materially adversely affects the marketability or market price of the Bonds;

(g) The New York Stock Exchange, or other national securities exchange or association or any governmental authority, shall impose as to the Bonds, or obligations of the general character of the Bonds, any material restrictions not now in force, or increase materially those now in force, with respect to the extension of credit by or the charge to the net capital requirements of broker dealers;

(h) Trading in securities on the New York Stock Exchange or the American Stock Exchange shall have been suspended or limited or minimum prices have been established on either such exchange which, in the Underwriter's reasonable opinion, materially adversely affects the marketability or market price of the Bonds;

(i) The withdrawal or downgrading of any rating of the Bonds by a national rating agency which has materially adversely affected, in the reasonable judgment of the Underwriter, the marketability of the Bonds or the market prices thereof; or

(j) Any action shall have been taken by any government in respect of its monetary affairs which, in the reasonable opinion of the Underwriter, has a material adverse effect on the United States securities market, rendering the marketing and sale of the Bonds, or enforcement of sale contracts with respect thereto impracticable.

If this Purchase Agreement shall be terminated pursuant to Section 7 or this Section 8 or if the purchase provided for herein is not consummated because any condition to the Underwriter's obligation hereunder is not satisfied or because of any refusal, inability or failure on the part of the City to comply with any of the terms or to fulfill any of the conditions of this Purchase Agreement, or if for any reason the City shall be unable to perform all of its respective obligations under this Purchase Agreement, the City shall not be liable to the Underwriter for damages alleged as loss of anticipated profits arising out of the transactions covered by this Purchase Agreement.

Section 9. Payment of Costs and Expenses. (a) Subject to Sections 5(m) and 9(b), the City shall pay or reimburse all costs and expenses incident to the sale and delivery of the Bonds to the Underwriter, including, but not limited to: (i) the fees and expenses of the City and its Counsel; (ii) the fees and expenses of Bond Counsel and Disclosure Counsel; (iii) the fees and expenses of the Municipal Advisor or any other consultant retained by the City; (iv) all costs and expenses incurred in connection with the preparation and printing of the Bonds; (v) all expenses in connection with the preparation, printing, distribution and delivery of the Preliminary Official Statement, the Official Statement and any amendment or supplement thereto; (vi) rating fees, (vii) bond insurance and surety bond premiums, if applicable, and (viii) the fees and expenses of the Trustee.

(b) The Underwriter shall pay CDIAC, DTC, MSRB, CUSIP Bureau, California Public Securities Association fees, the cost of preparation of any Blue Sky and Legal Investment Memoranda and all Blue Sky filing fees in connection with the public offering of the Bonds, all advertising expenses in connection with the public offering of the Bonds, and fees and expenses of its counsel.

The City acknowledges that the Underwriter will pay from the underwriter's expense allocation of the underwriting discount certain fees, including the applicable per bond assessment charged by the California Debt and Investment Advisory Commission.

Section 10. Representations, Warranties and Agreements to Survive Delivery. The representations, warranties, agreements and other statements of the City and the Underwriter or their officers or partners set forth in, or made pursuant to, this Purchase Agreement will remain operative and in full force and effect regardless of any investigation made by or on behalf of the City or the Underwriter or any controlling person and will survive delivery of and payment for the Bonds.

Section 11. Notices. Any notice or other communication to be given under this Purchase Agreement may be given by delivering the same in writing:

To the City:	City of Willows 303 East "B" Street Willows, California 91764 Attention: City Manager
To the Underwriter:	Hilltop Securities Inc. 2533 S. Coast Highway 101, Suite 250 Cardiff, California 92007 Attention: Mr. Todd Smith

Section 12. Parties in Interest. This Purchase Agreement is made solely for the benefit of the City and the Underwriter (including the successors or assigns of the Underwriter) and no other person shall acquire or have any right hereunder or by virtue hereof. All of the City's representations, warranties and agreements contained in this Purchase Agreement shall remain operative and in full force and effect, regardless of: (i) any investigations made by or on behalf of the Underwriter; and (ii) delivery of and payment for the Bonds pursuant to this Purchase Agreement.

Section 13. Determination of End of the Underwriting Period. For purposes of this Purchase Agreement, the End of the Underwriting Period for the Bonds shall mean the earlier of (a) the day of the Closing unless the City has been notified in writing by the Underwriter, on or prior to the day of the Closing, that the "end of the underwriting period" for the Bonds for all purposes of Rule 15c2-12 will not occur on the day of the Closing, or (b) the date on which notice is given to the City by the Underwriter in accordance with the following sentence. In the event that the Underwriter has given notice to the City pursuant to clause (a) above that the "end of the underwriting period" for the Bonds will not occur on the day of the Closing, the Underwriter agrees to notify the City in writing as soon as practicable following the "end of the underwriting period" for the Bonds for all purposes of the Rule; provided, that the End of the Underwriting Period shall in no event extend beyond 90 days after the Closing.

Section 14. Effectiveness. This Purchase Agreement shall become effective upon the execution of the acceptance by the designees of the City, and shall be valid and enforceable at the time of such acceptance.

Section 15. Headings. The headings of the sections of this Purchase Agreement are inserted for convenience only and shall not be deemed to be a part hereof.

Section 16. Governing Law. This Purchase Agreement shall be construed in accordance with the laws of the State of California.

Section 17. Counterparts. This Purchase Agreement may be executed in any number of counterparts.

If the foregoing is in accordance with your understanding of the Purchase Agreement please sign and return to us the enclosed duplicate copies hereof, whereupon it will become a binding agreement between the City and the Underwriter in accordance with its terms.

Very truly yours,

HILLTOP SECURITIES INC.,
as Underwriter

By:________________________________
Authorized Signatory

Accepted as of the date first stated above:

CITY OF WILLOWS

By:______________________________
City Manager

Time of Execution: ____________ p.m.

Exhibit A

MATURITY SCHEDULE

$_______

City of Willows

Taxable Pension Obligation Bonds, Series 2021

Maturity Date (August 1)	Principal Amount	Interest Rate	Yield

Exhibit B

Supplemental Opinion of Bond Counsel
Addressed to the Underwriter

$________
City of Willows
Taxable Pension Obligation Bonds, Series 2021

[dated the Closing Date]

Hilltop Securities Inc.
Cardiff, California

Ladies and Gentlemen:

We have examined certified copies of proceedings taken for the sale and issuance to you of the above-referenced bonds (the "Bonds") of the City of Willows (the "City"), and we have rendered our opinion to the City Council of the City this day regarding the validity and enforceability of such Bonds (the "Approving Opinion"). The Bonds have been issued pursuant to the authority contained in Articles 10 and 11 of Chapter 3 of Division 2 of Title 5 of the Government Code of the State of California (the "Act"). You may rely upon our Approving Opinion as if it were addressed to you. Capitalized terms not otherwise defined herein shall have the meanings set forth in the Bond Purchase Agreement dated ________, 2021 (the "Purchase Agreement"), between the City and Hilltop Securities Inc., as Underwriter.

In connection with the preparation of this letter, we have examined originals or copies certified or otherwise identified to our satisfaction of (i) the Purchase Agreement, (ii) the Trust Agreement dated as of February 1, 2021, by and between the City and U.S. Bank National Association, as trustee (the "Trustee"), (iii) the Official Statement dated ________, 2021 relating to the Bonds (the "Official Statement"), iv) the letters, certificates and opinions delivered to you pursuant to the provisions of Section 7(e) of the Purchase Agreement, and (v) such other documents, certificates, instructions and records as we have considered necessary or appropriate as a basis for our opinion.

We have assumed, but not independently verified, that the signatures on all documents, letters, opinions and certificates which we have examined are genuine, that all documents submitted to us are authentic and were duly and properly executed by the parties thereto and that all representations made in the documents that we have reviewed are true and accurate. As to questions of fact material to our opinion, we have relied upon the representations of each party made in the aforesaid documents, and we have made no independent investigation of such matters.

Based upon the foregoing and such other information and documents as we consider necessary to render this opinion, we are of the opinion that:

1. The Purchase Agreement has been duly authorized, executed and delivered by the City and, assuming due authorization, execution and delivery by the Underwriter, constitutes the legal, valid and binding agreement of the City, enforceable in accordance with its terms, except as the same may be limited by bankruptcy, insolvency, reorganization, fraudulent conveyance or transfer, moratorium or other laws relating to or affecting generally the enforcement of creditors' rights, by equitable principles, by the exercise of judicial discretion in appropriate cases and by the limitations on remedies against public agencies in the State of California; provided, however, that we express no opinion with respect to any indemnification, penalty, contribution, choice of law, choice of forum or waiver provisions contained therein.

2. The statements contained in the Official Statement on the cover page and under the captions "INTRODUCTION," "THE BONDS," "SECURITY FOR THE BONDS," "TAX MATTERS" and in APPENDIX A – "SUMMARY OF CERTAIN PROVISIONS OF THE TRUST AGREEMENT" and APPENDIX G – "FORM OF OPINION OF BOND COUNSEL" to the Official Statement, are accurate insofar as such statements purport to summarize certain provisions of the Bonds, the Trust Agreement and our Approving Opinion.

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

The foregoing opinions are based upon our analysis and interpretation of existing laws, regulations, rulings and judicial decisions and cover certain matters not directly addressed by such authorities. The opinions are limited to matters governed by the laws of the State of California and federal securities laws, and we assume no responsibility with respect to the applicability or the effect of the laws of any other jurisdiction.

No opinion is expressed herein with respect to the compliance with, or applicability of, any "blue sky" laws of any state as they relate to the offer or sale of the Bonds.

We call attention to the fact that the foregoing opinions may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. We have not undertaken to determine, or to inform any person, whether such actions or events are taken (or not taken) or occur (or do not occur), and we expressly disclaim any responsibility to advise you as to events occurring after the date hereof with respect to the Bonds or other matters discussed in the Official Statement.

No attorney-client relationship has existed or exists between our firm and the Underwriter in connection with the Bonds or by virtue of this letter. This letter is solely for your benefit and is not to be used, circulated, quoted or otherwise referred to or relied upon for any other purpose or by any other person. This letter is not intended to be relied upon by holders of Bonds or any beneficial interest therein.

Our engagement with respect to the Bonds terminates as of the date hereof, and we have not undertaken any duty, and expressly disclaim any responsibility, to advise you as to events occurring after the date hereof with respect to the Bonds or other matters discussed herein or in the Official Statement.

Respectfully submitted,

Exhibit C

Reserved

Exhibit D

Opinion of Cole Huber LLP

$________
City of Willows
Taxable Pension Obligation Bonds, Series 2021

[dated the Closing Date]

City of Willows
Willows, California

Hilltop Securities Inc.
Cardiff, California

Ladies and Gentlemen:

This opinion is being delivered to you pursuant to Section 7(e)(7) of the Bond Purchase Agreement, dated _______, 2021 (the "Purchase Agreement"), by and between the City of Willows (the "City") and Hilltop Securities Inc., as the Underwriter. All capitalized terms used but not defined herein have the meanings ascribed to them in the Purchase Agreement. In our capacity as counsel to the City in connection with the issuance of the above-captioned bonds (the "Bonds"), we have reviewed the Legal Documents and such other documents, certificates, and records as we have deemed relevant and necessary as the basis for the opinion set forth herein. Relying on such examination and subject to the limitations and qualifications hereinafter set forth, we are of the opinion that:

(1) City is a municipal corporation duly organized and existing under and by virtue of the Constitution and laws of the State of California;

(2) Resolution No. ______ and ______ of the City approving and authorizing the execution and delivery of the Legal Documents and approving the Official Statement (collectively, the "Resolutions") were duly adopted at meetings of the City which were called and held on October 13, 2020 and ___________, respectively, pursuant to law and with all public notice required by law and at which a quorum was present and acting throughout, and the Resolutions are in full force and effect and have not been modified, amended or rescinded;

(3) Except as disclosed in the Official Statement, there is no litigation, action, suit, proceeding or investigation at law or in equity before or by any court, governmental agency or body, pending and notice of which has been served on and received by the City or, to the best of our knowledge, threatened against the City, challenging the creation, organization or existence of the City, or the validity of the Bonds, the Official Statement, the Legal Documents or contesting the authority of the City to enter into or perform its obligations under any of the such documents,

or which, in any manner, questions the right of the City to issue the Bonds and the security for the Bonds provided by the Trust Agreement; and

(4) To the best of our knowledge, the authorization, execution and delivery of the Bonds, the Official Statement, and the Legal Documents by the City and compliance with the provisions thereof by the City of its obligations thereunder, will not conflict with, or constitute a breach or default under, in any material respect, any law, administrative regulation, court decree, resolution, ordinance or other agreement to which the City is subject or by which it is bound.

This opinion is based on such examination of the law of the State of California as we deemed relevant for the purposes of this opinion. We have not considered the effect, if any, of the laws of any other jurisdiction upon matters covered by this opinion. We express no opinion as to the status of the Bonds or the interest thereon, or the Legal Documents under any federal securities laws or any state securities or "Blue Sky" law or any federal, state or local tax law. Further, we express no opinion with respect to any indemnification, contribution, choice of law, choice of forum or waiver provisions contained in the Legal Documents. Without limiting any of the foregoing, we express no opinion as to any matter other than as expressly set forth above.

Whenever a statement herein is qualified by "to the best of our knowledge," it shall be deemed to indicate that, during the course of our representation of the City in connection with the financing described herein, no information that would give us current, actual knowledge of the inaccuracy of such statement has come to our attention. We have not, however, undertaken any independent investigation to determine the accuracy of such statements, and any limited inquiry undertaken by us during the preparation of this opinion letter should not be regarded as such investigation. No inference as to our knowledge of any matters bearing upon the accuracy of any such statement should be drawn from the fact of our representation of the City.

This opinion is furnished by us as legal counsel to the City. Except for the City, no attorney-client relationship has existed or exists between our firm and the addressees hereof in connection with the Bonds or by virtue of this opinion. This opinion is rendered solely in connection with the financing described herein, and may not be relied upon by you for any other purpose. We disclaim any obligation to update this opinion. This opinion shall not extend to, and may not be used, quoted, referred to, or relied upon by any other person, firm, corporation or other entity without our prior written consent.

Very truly yours,

CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the CITY OF WILLOWS (the "City") in connection with the issuance by the City of its $_________ City of Willows (Glenn County, California) Taxable Pension Obligation Bonds, Series 2021 (the "Bonds"). The Bonds are being issued pursuant to a trust agreement, dated as of May 1, 2021 (the "Trust Agreement"), by and between the City and U.S. Bank National Association, as trustee (the "Trustee"). The City covenants and agrees as follows:

Section 1. Definitions. In addition to the definitions set forth above and, in the Trust Agreement, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section 1, the following capitalized terms shall have the following meanings:

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

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

"Dissemination Agent" shall mean, initially, NBS or any successor Dissemination Agent designed in writing by the City and which has been filed with the then current Dissemination Agent a written acceptance of such designation.

"Fiscal Year" means any twelve–month period beginning on July 1 in any year and extending to the next succeeding June 30, both dates inclusive, or any other twelve–month period selected and designated by the City as its official fiscal year period under a certificate of the City filed with the Trustee.

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

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

"Participating Underwriter" means Hilltop Securities Inc., the original underwriter of the Bonds.

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

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

Section 2. 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 3. Provision of Annual Reports.

(a) The City shall, or shall cause the Dissemination Agent to, not later than the Annual Report Date, commencing March 31, 2022, with the report for fiscal year 2020-21 provide to the MSRB, in an electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate. Not later than 15 Business Days prior to the Annual Report Date, the City shall provide the Annual Report to the Dissemination Agent (if other than the City). If by 15 Business Days prior to the Annual Report Date the Dissemination Agent (if other than the City) has not received a copy of the Annual Report, the Dissemination Agent shall contact the City to determine if the City is in compliance with the previous sentence. The Annual Report may be submitted as a single document or as separate documents comprising a package and may include by reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the City may be submitted separately from the balance of the Annual Report, and later than the Annual Report Date, if not available by that date. If the City's fiscal year changes, it shall give notice of such change in the same manner as for a Significant Event under Section 5(c). 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 in a timely manner shall provide (or cause the Dissemination Agent to provide) 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 prior to the annual filing deadline for Annual Reports provided for in Section 3 above, financial information and operating data with respect to the City for preceding fiscal year, substantially similar to that provided in the Official Statement, as follows:

(i) general fund revenue sources by type (over $1,000,000);
(ii) combined annual contribution (City's share and employees' share) to the Public Employees Retirement System; and
(iii) adopted general fund budget.

(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 Significant Events with respect to the Bonds:

(i) Principal and interest payment delinquencies;

(ii) Non–payment related defaults, if material;

(iii) Unscheduled draws on debt service reserves reflecting financial difficulties;

(iv) Unscheduled draws on credit enhancements reflecting financial difficulties;

(v) Substitution of credit or liquidity providers, or their failure to perform;

(vi) 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;

(vii) Modifications to rights of security holders, if material;

(viii) Bond calls, if material, and tender offers;

(ix) Defeasances;

(x) Release, substitution, or sale of property securing repayment of the securities, if material;

(xi) Rating changes;

(xii) Bankruptcy, insolvency, receivership or similar event of the City or other obligated person;

(xiii) 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;

(xiv) Appointment of a successor or additional trustee or the change of name of a trustee, if material;

(xv) The incurrence of a financial obligation of the City or other obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the City or other obligated person, any of which affect security holders, if material; or

(xvi) A default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the City or other obligated person, any of which reflect financial difficulties.

(b) Whenever the City obtains knowledge of the occurrence of a Significant 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 Significant Event. Notwithstanding the foregoing, notice of Significant Events described in subsection (a)(viii) 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 Trust Agreement.

(c) The City acknowledges that the events described in subparagraphs (a)(ii), (a)(vii), (a)(viii) (if the event is a bond call), (a)(x), (a)(xiii), (a)(xiv) and (a) (xv) of this Section 5 contain the qualifier "if material." The City shall cause a notice to be filed as set forth in paragraph (b) above with respect to any such event only to the extent that the City determines the event's occurrence is material for purposes of U.S. federal securities law. The City intends that the words used in paragraphs (xv) and (xvi) and the definition of "financial obligation" to have the meanings ascribed thereto in SEC Release No. 34-83885 (August 20, 2018) or any further guidance or release provided by the SEC.

(d) For purposes of this Disclosure Certificate, any event described in paragraph (a)(xii) 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.

Section 6. Identifying Information for Filings with the MSRB. All documents provided to the MSRB under this 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.

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 Trust Agreement for amendments to the Trust Agreement 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.

The Dissemination Agent shall not be obligated to enter into any amendment increasing or affecting its duties or obligations hereunder.

A notice of any amendment made pursuant to this Section 9 shall be filed in the same manner as for a Significant 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 Significant 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 Significant 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 Significant Event.

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

Section 12. Duties, Immunities and Liabilities of Dissemination Agent.

(a) Article IX of the Trust Agreement is hereby made applicable to this Disclosure Certificate as if this Disclosure Certificate were (solely for this purpose) contained in the Trust Agreement. The Dissemination Agent shall be entitled to the protections and limitations from liability afforded to the Trustee thereunder. 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.

[Remainder of this page is intentionally left blank]

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

Date: May __, 2021

CITY OF WILLOWS

By ______________________________
Interim City Manger

ACKNOWLEDGED:

NBS, as Dissemination Agent

By ______________________________
Authorized Officer

EXHIBIT A

NOTICE TO EMMA OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer:	City of Willows
Name of Issue:	$__________ City of Willows (Glenn County, California) Taxable Pension Obligation Bonds, Series 2021
Date of Issuance:	May __, 2021

NOTICE IS HEREBY GIVEN that the Obligor has not provided an Annual Report with respect to the above-named Issue as required by the Continuing Disclosure Certificate, dated May __, 2021, furnished by the Issuer in connection with the Issue. The Issuer anticipates that the Annual Report will be filed by ___________.

Dated: ____________________

NBS, as Dissemination Agent

By ________________________________

Title ______________________________

ATTACHMENT E

FILED
GLENN COUNTY
DEC 23 2020
CLERK OF THE SUPERIOR COURT
BY ________ DEPUTY

SUPERIOR COURT OF THE STATE OF CALIFORNIA

COUNTY OF GLENN

CITY OF WILLOWS, Plaintiff, v. ALL PERSONS INTERESTED IN THE MATTER OF THE ISSUANCE AND SALE OF BONDS FOR THE PURPOSE OF REFUNDING CERTAIN OBLIGATIONS OWED BY THE CITY OF WILLOWS TO THE PUBLIC EMPLOYEES' RETIREMENT SYSTEM UNDER THE PUBLIC EMPLOYEES' RETIREMENT LAW, AND ALL PROCEEDINGS LEADING THERETO, INCLUDING THE ADOPTION OF RESOLUTION NO. 39-2020 OF THE CITY COUNCIL OF THE CITY OF WILLOWS AUTHORIZING THE ISSUANCE AND SALE OF SUCH BONDS AND AUTHORIZING THE EXECUTION AND DELIVERY OF A TRUST AGREEMENT AND RELATED DOCUMENTS, Defendants.	Case No. 20CV02475 [~~PROPOSED~~] JUDGMENT [TIME SENSITIVE – PRIORITY Cal. Civ. Proc. Code § 867] Complaint Filed: October 27, 2020

The motion of Plaintiff, the City of Willows, California (the "City"), for a default judgment having come before the Court, and the Court having reviewed the Memorandum of Points and Authorities in Support of Plaintiff's Application For Default Judgment and the papers on file in this action, and good cause appearing therefor;

IT IS HEREBY ORDERED, ADJUDGED AND DECREED as follows:

(a) this action is properly brought under §860 *et seq.* of the California Code of Civil Procedure and §53589.5 and §53511 of the California Government Code;

(b) all proceedings by and for Plaintiff in connection with Resolution No. 39-2020 of the City Council of the City of Willows (the "Resolution"), the Trust Agreement, the Bonds and the refunding of the City's obligation, evidenced by the PERS Contract, to pay the Unfunded Liability, have been duly and lawfully taken in accordance with all requirements of law, including all requirements of the Validation Law and the Refunding Law;

(c) the Resolution, the Trust Agreement, the Bond Purchase Agreement, the Bonds and the refinancing of the Unfunded Liability, and any related contracts or agreements approved by the Resolution or contemplated by the City Council of the City in connection with such contract and agreements, were and are valid, legal and binding obligations enforceable against the City and the other parties thereto in accordance with their terms and were and are in conformity with the applicable provisions of all laws and enactments at any time in force or controlling upon such proceedings, whether imposed by law, constitution, statute or ordinance, and whether federal, State or municipal, including but not limited to the provisions of Article XVI, Section 18, of the California Constitution (the "Constitutional Debt Limit") and Articles 10 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code, commencing with Section 53570 of said Code (the "Refunding Law");

(d) all conditions, things and acts required by law to exist, happen or be performed precedent to the adoption of the Resolution, and the terms and conditions thereof, and including the authorization for the execution and delivery of the Trust Agreement, the Bond Purchase Agreement and the execution and delivery of all related contracts or agreements approved by the Resolution or contemplated by the City Council of the City in connection with the execution and delivery of the Trust Agreement, the Bond Purchase Agreement and the sale of the related Bonds, have existed, happened and been performed in the time, form and manner required by law;

(e) the City has the authority under California law to execute and deliver the Trust Agreement and to sell the Bonds for the purpose of refunding the Unfunded Liability, and paying the costs of issuance of the Bonds including the making of such any such changes therein, deletions therefrom and additions thereto as the officers authorized in the Resolution shall approve;

(f) the City has the authority under California law to apply the proceeds of the Bonds to the retirement of its obligation, evidenced by the PERS Contract, for the Unfunded Liability;

(g) the PERS Contract and the Unfunded Liability constitute evidences of indebtedness which are bonds and revenue bonds within the meaning of the Refunding Law, the Trust Agreement, and the Bond Purchase Agreement and the Bonds sold thereunder together constitute a refunding bond within the meaning of the Refunding Law;

(h) the City will be legally obligated to satisfy its obligations under the Bonds from the City's general fund, including all revenues, moneys, accounts receivable, contractual rights to payment, and other rights to payment of whatever kind legally available to pay principal and interest payments on the Bonds, and the pledge of the General Fund pursuant to the Resolution is legal, valid and in conformity with all requirements of law, and is an obligation which is fully enforceable against the City;

(i) the pledge of the City's general fund is secured by a statutory lien created by Government Code §5450 and following.

(j) the Trust Agreement and the Bonds and all contracts agreements related thereto, are "obligations imposed by law" and exempt from and not subject to the Constitutional Debt Limit;

(k) the Trust Agreement and agreements executed and delivered in connection therewith are valid and binding obligations under the Constitution and laws of the State of California;

(1) the institution by any person of any action or proceeding raising any issue as to which the judgment is binding and conclusive (which includes all matters adjudicated or which at the time of the judgment could have been adjudicated), against the City and against all other persons is permanently enjoined.

Judgment is hereby entered in favor of the Plaintiff, the City of Willows.

Dated: December 23, 2020

Judge of the Superior Court