REOFFERING MEMORANDUM

REMARKETING — NOT A NEW ISSUE **ANTICIPATED RATINGS: S&P: "AAA/A-1"**
BOOK-ENTRY ONLY **(See "RATINGS.")**

In connection with the original issuance of the Bonds, Goodwin Procter LLP, Los Angeles, California ("Bond Counsel"), delivered its opinion dated December 14, 2006, to the effect that, based upon an analysis of existing laws, regulations, rulings, and judicial decisions and assuming, among other matters, compliance with certain covenants and requirements described herein, interest on the Bonds is excludable from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended, and is exempt from State of California personal income taxes. Bond Counsel expressed the further opinion that interest on the Bonds is not a specific preference item for purposes of federal individual or corporate alternative minimum taxes, although Bond Counsel observed that such interest is included in adjusted current earnings in calculating federal corporate alternative minimum taxable income. Bond Counsel expressed no opinion regarding other tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds. See "TAX MATTERS." ***OTHER THAN AS DESCRIBED ABOVE, NO REPRESENTATIONS ARE BEING MADE AND NO LEGAL OPINIONS ARE BEING OBTAINED OR RENDERED IN CONNECTION WITH THE REMARKETING OF THE BONDS AS TO THE PRIOR, CURRENT, OR CONTINUED EXCLUDABILITY OF INTEREST PAYABLE WITH RESPECT TO THE BONDS FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES, THE EXEMPTION OF SUCH INTEREST FROM STATE OF CALIFORNIA PERSONAL INCOME TAXES, OR OTHER TAX CONSEQUENCES RELATING TO THE OWNERSHIP OR DISPOSITION OF THE BONDS.***

$23,515,000
CITY OF OXNARD FINANCING AUTHORITY
VARIABLE RATE DEMAND LEASE REVENUE BONDS
(CIVIC CENTER PHASE 2 PROJECT)
SERIES 2006
(CUSIP No. 691875 AQ1[(1)])

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Original Date of Issuance: December 14, 2006 **Price: 100%** **Maturity Date: June 1, 2036**
Remarketing Date: August 26, 2008

THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR QUICK REFERENCE ONLY. IT IS NOT A SUMMARY OF THIS ISSUE. INVESTORS MUST READ THE ENTIRE REOFFERING MEMORANDUM TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION.

The City of Oxnard Financing Authority Variable Rate Demand Lease Revenue Bonds (Civic Center Phase 2 Project), Series 2006 (the "Bonds"), were issued by the City of Oxnard Financing Authority (the "Authority") on December 14, 2006, in the aggregate principal amount of $24,205,000, of which $23,515,000 is currently outstanding. The Bonds were issued pursuant to a Trust Agreement, dated as of December 1, 2006 (the "Original Trust Agreement"), by and among the Authority, the City of Oxnard (the "City"), and Wells Fargo Bank, National Association, as trustee (the "Trustee"), which Original Trust Agreement has been amended and restated in its entirety by an Amended and Restated Trust Agreement, dated as of August 1, 2008 (the "Trust Agreement"), by and among the Authority, the City, and the Trustee. The Bonds are being remarketed on August 26, 2008 (the "Remarketing Date"), in accordance with the terms of the Trust Agreement in connection with the issuance of an irrevocable, direct-pay letter of credit (the "Letter of Credit") by Union Bank of California, N.A. ("Union Bank"), to pay the purchase price of the Bonds subject to mandatory or optional tender for purchase by the registered owners thereof (the "Owners") and to serve as additional security for the payment of principal of and interest on the Bonds when due. Capitalized terms used on this cover page and not otherwise defined shall have the meanings ascribed to them elsewhere in this Reoffering Memorandum. See in particular "APPENDIX A — SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS — Selected Definitions."

The proceeds from the original sale of the Bonds were used to (i) finance the acquisition, construction, and improvement of certain public facilities constituting the Project (as defined herein), (ii) obtain a qualified reserve fund surety bond in lieu of the required deposit to the reserve fund established for the Bonds under the Trust Agreement, and (iii) pay the costs incurred in connection with the issuance, sale, and delivery of the Bonds. See "THE PROJECT" and "SECURITY FOR THE BONDS — Reserve Fund."

The Bonds were issued in fully registered form, without coupons, and are registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC acts as securities depository for the Bonds. Individual purchases of Bonds may be made in book-entry form only, in the principal amount of $100,000 and any integral multiple of $5,000 in excess thereof. Purchasers will not receive certificates representing their interest in the Bonds purchased. See "THE BONDS — Book-Entry Only System."

Payments of interest on the Bonds are made by the Trustee to DTC, which in turn remits such interest to its participants for subsequent disbursal to beneficial owners of the Bonds as described herein. The Bonds currently bear interest at a Weekly Interest Rate. So long as the Bonds bear interest at a Weekly Interest Rate, such interest is payable on the first Business Day of each March, June, September, and December until the maturity or the earlier redemption thereof. Principal and any redemption premiums with respect to each Bond will be paid upon surrender of such Bond at the principal corporate office of the Trustee upon maturity or the earlier redemption thereof.

The Bonds are subject to optional, mandatory sinking account, and extraordinary mandatory redemption prior to their stated maturities, as described herein.

The Bonds are payable from Base Rental payments required to be made by the City to the Authority pursuant to the Master Lease and Option to Purchase, dated as of December 1, 2006 (the "Lease"), by and between the City and the Authority, and from amounts held in certain funds and accounts established under the Trust Agreement. Pursuant to the Lease, the City has leased from the Authority certain public facilities described herein (collectively, the "Property"). The City has covenanted in the Lease that, as long as the Property is available for the City's use, it will make all Base Rental payments and other payments provided for in the Lease, it will include all such payments in its annual budget, and it will make the necessary annual appropriations for such rental payments. The City's obligation to make Base Rental payments is subject to abatement in the event of damage to, destruction or condemnation of, or a title defect with respect to, the Property. See "THE PROPERTY."

On and after the Remarketing Date, payment of (i) the principal of and interest on the Bonds and (ii) the purchase price of Bonds that are subject to mandatory or optional tender for purchase by the Owners thereof and that are not remarketed on or before the required purchase date will be paid from amounts drawn on the Letter of Credit issued by Union Bank in accordance with the terms of a Letter of Credit and Reimbursement Agreement, dated as of August 1, 2008 (the "Reimbursement Agreement"), by and among the City, the Authority, and Union Bank.

UNION BANK OF CALIFORNIA

Payment of the principal of and interest on the Bonds when due is also insured by a financial guaranty insurance policy (the "Bond Insurance Policy") previously issued by Ambac Assurance Corporation, a Wisconsin-domiciled stock insurance company (the "Bond Insurer"), simultaneously with the original issuance and delivery of the Bonds. In connection with the remarketing of the Bonds, the Bond Insurer will add an endorsement to the Bond Insurance Policy permitting, among other things, Union Bank to make drawings thereunder to reimburse itself for amounts due and owing by the City under the Reimbursement Agreement.

Ambac

THE BONDS ARE LIMITED OBLIGATIONS OF THE AUTHORITY PAYABLE SOLELY FROM AND SECURED SOLELY BY THE BASE RENTAL PAYMENTS AND AMOUNTS HELD IN CERTAIN FUNDS AND ACCOUNTS ESTABLISHED UNDER THE TRUST AGREEMENT. THE BONDS DO NOT CONSTITUTE AN OBLIGATION OF THE AUTHORITY FOR WHICH THE AUTHORITY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE AUTHORITY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. THE OBLIGATION OF THE CITY TO MAKE BASE RENTAL PAYMENTS UNDER THE LEASE 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. NEITHER THE FULL FAITH AND CREDIT NOR THE TAXING POWER OF THE CITY, THE COUNTY OF VENTURA (THE "COUNTY"), THE STATE OF CALIFORNIA (THE "STATE"), OR ANY POLITICAL SUBDIVISION OF THE STATE IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THE BONDS. NEITHER THE BONDS NOR THE OBLIGATION OF THE CITY TO MAKE BASE RENTAL PAYMENTS CONSTITUTES AN INDEBTEDNESS OF THE AUTHORITY, THE CITY, THE COUNTY, THE STATE, OR ANY POLITICAL SUBDIVISION OF THE STATE, WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

Certain legal matters will be passed upon for the Authority and the City by the City Attorney and Goodwin Procter LLP, Los Angeles, California, as Bond Counsel or as Disclosure Counsel, and for Union Bank by Nixon Peabody LLP, San Francisco, California. It is expected that the remarketed Bonds will be available for delivery through the DTC book-entry system on or about August 26, 2008.

DE LA ROSA & CO.
INVESTMENT BANKERS
(as Remarketing Agent)

Dated: August 21, 2008.

No dealer, broker, salesperson, or other person has been authorized by the City, the Authority, or the Remarketing Agent to give any information or to make any representations other than those contained in this Reoffering Memorandum and, if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Reoffering Memorandum does not constitute an offer to sell or the solicitation of an offer to buy the Bonds, nor will there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation, or sale.

This Reoffering Memorandum is not to be construed to be a contract with the purchasers of the Bonds. Statements contained in this Reoffering Memorandum that involve estimates, forecasts, or matters of opinion, whether or not expressly described as such herein, are intended solely as such and are not to be construed as representations of fact.

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

The Remarketing Agent has provided the following sentence for inclusion in this Reoffering Memorandum: The Remarketing Agent has reviewed the information in this Reoffering Memorandum in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Remarketing Agent does not guarantee the accuracy or completeness of such information.

This Reoffering Memorandum is submitted in connection with the remarketing of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

THE BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON AN EXEMPTION CONTAINED IN SUCH ACT. THE BONDS HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE.

IN CONNECTION WITH THIS REOFFERING, THE REMARKETING AGENT MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

Other than with respect to information concerning Ambac Assurance Corporation, a Wisconsin-domiciled stock insurance company (the “Bond Insurer”), contained under the caption “BOND INSURANCE POLICY” and “APPENDIX F – SPECIMEN BOND INSURANCE POLICY,” none of the information in this Reoffering Memorandum has been supplied or verified by the Bond Insurer and the Bond Insurer makes no representation or warranty, express or implied, as to (i) the accuracy or completeness of such information, (ii) the validity of the Bonds, or (iii) the tax-exempt status of the interest with respect to the Bonds.

CITY OF OXNARD, CALIFORNIA

MAYOR AND CITY COUNCIL

Dr. Thomas E. Holden, *Mayor*
Dean Maulhardt, *Mayor Pro Tem*,
Andres Herrera, *Councilmember*
John C. Zaragoza, *Councilmember*
Timothy B. Flynn, *Councilman*

GOVERNING BOARD OF THE AUTHORITY

Dr. Thomas E. Holden, *Chairman*
Dean Maulhardt, *Vice Chairman*
Andres Herrera, *Board Member*
John C. Zaragoza, *Board Member*
Timothy B. Flynn, *Board Member*

CITY OFFICIALS

Edmund F. Sotelo, *City Manager*
Alan Holmberg, *Acting City Attorney*
Dale Belcher, *City Treasurer*
James Cameron, *Chief Financial Officer*
Michael J. More, *Financial Services Manager*
Beth Vo, *Financial Analyst III*
Daniel Martinez, *City Clerk*

PROFESSIONAL SERVICES

Bond Counsel and Disclosure Counsel
Goodwin Procter LLP
Los Angeles, California

Trustee/Tender Agent
Wells Fargo Bank, National Association
Los Angeles, California

Remarketing Agent
E. J. De La Rosa & Co., Inc.
San Francisco, California

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TABLE OF CONTENTS

REOFFERING MEMORANDUM

$23,515,000
CITY OF OXNARD FINANCING AUTHORITY
VARIABLE RATE DEMAND LEASE REVENUE BONDS
(CIVIC CENTER PHASE 2 PROJECT)
SERIES 2006

INTRODUCTION

General

This Reoffering Memorandum, which includes the cover page, Table of Contents, and Appendices (the "Reoffering Memorandum"), provides certain information concerning the remarketing by the City of Oxnard Financing Authority (the "Authority") of its outstanding Variable Rate Demand Lease Revenue Bonds (Civic Center Phase 2 Project), Series 2006 (the "Bonds"), issued on December 14, 2006, in the aggregate principal amount of $24,205,000, of which $23,515,000 is currently outstanding. Descriptions and summaries of various documents hereinafter set forth do not purport to be comprehensive or definitive and reference is made to each such document for complete details of all terms and conditions therein. All statements in this Reoffering Memorandum are qualified in their entirety by reference to the applicable documents.

This Introduction is subject in all respects to the more complete information contained elsewhere in this Reoffering Memorandum, and the reoffering of the Bonds to potential investors is made only by means of the entire Reoffering Memorandum. Capitalized terms used and not otherwise defined herein shall have the meanings ascribed to them in "APPENDIX A – SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS – Selected Definitions."

Authorization

The Bonds were issued by the Authority pursuant to the Marks-Roos Local Bond Pooling Act of 1985 (Article 4 of Chapter 5 of Division 7 of Title 1 of the California Government Code) (the "Act") and the provisions of a Trust Agreement, dated as of December 1, 2006 (the "Original Trust Agreement"), by and among the Authority, the City of Oxnard (the "City"), and Wells Fargo Bank, National Association, as trustee (the "Trustee"), which Original Trust Agreement has been amended and restated in its entirety by an Amended and Restated Trust Agreement, dated as of August 1, 2008 (the "Trust Agreement"), by and among the Authority, the City, and the Trustee. The Bonds were issued by the Authority on December 14, 2006, in the aggregate principal amount of $24,205,000, of which $23,515,000 is currently outstanding.

Purpose of Original Issuance

The proceeds from the original sale of the Bonds were used to (i) finance the acquisition, construction, and improvement of certain public facilities constituting the Project (as defined herein), (ii) obtain a qualified reserve fund surety bond in lieu of the required deposit to the reserve fund established for the Bonds under the Trust Agreement (the "Reserve Fund"), and (iii) pay the costs incurred in connection with the issuance, sale, and delivery of the Bonds. See "SECURITY FOR THE BONDS – Reserve Fund" and "THE PROJECT."

Purpose of Remarketing

The Bonds are being remarketed on August 26, 2008 (the "Remarketing Date"), in accordance with the terms of the Trust Agreement in connection with the issuance of an irrevocable, direct-pay letter of credit (the "Letter of Credit") by Union Bank of California, N.A. ("Union Bank"), to pay the purchase price of the Bonds subject to mandatory or optional tender for purchase by the registered owners thereof (each, an "Owner" and collectively, the "Owners") and to serve as additional security for the payment of principal of and interest on the Bonds when due, which Letter of Credit constitutes, and is referred to herein (when applicable) as, a "Liquidity Facility" and a "Credit Facility." The Letter of Credit is being issued by Union Bank in accordance with the terms of a Letter of Credit and Reimbursement Agreement, dated as of August 1, 2008 (the "Reimbursement Agreement"), by and among the City, the Authority, and Union Bank. Union Bank is also referred to herein (when applicable) as the "Credit Provider" and the "Liquidity Provider." See "REMARKETING," "THE LETTER OF CREDIT, THE REIMBURSEMENT AGREEMENT, AND UNION BANK," and "APPENDIX E – FORM OF LETTER OF CREDIT."

Registration, Maturity, and Payment of Bonds

The Bonds are registered in the name of Cede & Co., as nominee for The Depository Trust Company, which acts as securities depository for the Bonds. The Bonds mature on the date and in the principal amount set forth on the cover page hereof. The Bonds currently bear interest at a Weekly Interest Rate. So long as the Bonds bear interest at a Weekly Interest Rate, such interest is payable on the first Business Day of each March, June, September, and December, until the maturity or the earlier redemption thereof. Interest on the Bonds is paid by check, mailed by first class mail to the Owners as of the applicable Record Date; provided, however, that any Owner of $1,000,000 or more in aggregate principal amount of Bonds may request in writing payment of such interest by wire transfer in immediately available funds to a designated account in the United States. Principal of and any redemption premium with respect to each Bond is payable upon surrender of such Bond at the principal corporate trust office of the Trustee in Los Angeles, California, upon the maturity or earlier redemption thereof. See "THE BONDS – Authorization and Payment of Bonds" and "– Weekly Interest Rate."

Optional Tender and Purchase of Bonds

At the option of the Owner thereof and in accordance with the terms of the Trust Agreement, on any Business Day during which interest with respect to the Bonds is payable at an Weekly Interest Rate, any Bonds will be purchased at a purchase price equal to 100% of the principal amount thereof plus accrued and unpaid interest to the date of purchase. See "THE BONDS – Purchase of Bonds on Demand of Owner."

Mandatory Tender of Bonds for Purchase

So long as the Bonds bear interest at a Weekly Interest Rate, the Bonds are subject to mandatory tender on any date, without premium, (i) upon the conversion of the interest thereon to a Fixed Rate at the option of the Authority in accordance with the terms of the Trust Agreement, (ii) upon the expiration of the Liquidity Facility, (iii) upon the expiration of the Credit Facility, (iv) upon the delivery of a Substitute Liquidity Facility in substitution for the then-current Liquidity Facility, (v) upon the delivery of a Substitute Credit Facility in substitution for the then-current Credit Facility, (vi) upon the receipt by the Trustee of written notification from the Liquidity Provider of the occurrence of an event of default under the Liquidity Facility, (vii) upon the receipt by the Trustee of written notification from the Credit Provider of the occurrence of an event of default under the Credit Facility, (viii) upon the termination of the Credit Facility by the Authority without the delivery of a Substitute Credit Facility in substitution therefor, (ix) upon any termination of the Bond Insurance Policy by the Authority, and (x) at the option of Ambac Assurance Corporation, a Wisconsin-domiciled stock insurance company (the "Bond Insurer"), upon the occurrence and continuation of an event of default under the Trust Agreement. See "THE BONDS – Mandatory Tender of Bonds."

Remarketing Agent; Determination of Weekly Interest Rate

Pursuant to a Remarketing Agreement, dated as of December 1, 2006 (the "Remarketing Agreement"), by and between the Authority and E. J. De La Rosa & Co., Inc., E. J. De La Rosa & Co., Inc., serves as Remarketing Agent in connection with the Bonds and, among other things, determines the Weekly Interest Rate for the Bonds. The determination of the interest rate on the Bonds by the Remarketing Agent as provided in the Trust Agreement is conclusive and binding upon the Owners, the Trustee, the Authority, the City, the Bond Insurer, the Credit Provider, the Liquidity Provider, and Wells Fargo Bank, National Association, as tender agent (the "Tender Agent").

Redemption of Bonds

Optional Redemption Prior to Fixed Rate Date. While the Bonds bear interest at a Weekly Interest Rate, the Bonds are subject to redemption in whole or in part on any Business Day, from amounts deposited with the Trustee by the City upon the exercise by the City of its option to purchase the Authority's right, title, and interest in each Component of the Property (as such terms are defined herein) in accordance with the Master Lease and Option to Purchase, dated as of December 1, 2006 (the "Lease"), by and between the City and the Authority, and from any other funds available therefor, at a redemption price equal to the principal amount of the Bonds called for redemption, plus accrued interest to the date of redemption, without premium. See "THE BONDS – Optional Redemption of Bonds."

Optional Redemption After Fixed Rate Date. After the Fixed Rate Date, the Bonds are subject to redemption in whole or in part on any Business Day, at a redemption price equal to the principal amount of the Bonds called for redemption, plus accrued interest to the date of redemption, plus a premium as described herein. See "THE BONDS – Optional Redemption of Bonds."

Mandatory Redemption. The Bonds are subject to extraordinary mandatory redemption in whole, without premium, under certain circumstances as described herein. The Bonds are also subject to mandatory redemption, in part, from sinking account installments as set forth herein, without premium. See "THE BONDS – Mandatory Redemption of Bonds."

Security for the Bonds

The Bonds are payable from base rental ("Base Rental") payments to be made by the City to the Authority pursuant to the Lease, and from amounts held in certain funds and accounts established under the Trust Agreement.

Pursuant to the Lease, the City has leased from the Authority the Property, as described herein under the caption "THE PROPERTY." Pursuant to the Trust Agreement, the Authority has assigned to the Trustee, for the benefit of the Owners, certain of its rights, title, and interest in and to the Lease and the Property Lease, dated as of December 1, 2006 (the "Property Lease"), by and between the City and the Authority, including, without limitation, the right to receive Base Rental payments and the right to enforce payment of Base Rental payments when due, but excluding certain rights to payment of expenses, to indemnification, and to receive notices under the Lease. The rights, title, and interest of the Authority assigned under the Trust Agreement shall also be applied and exercised by the Trustee for the benefit of (1) the Liquidity Provider (solely with respect to the City's obligations under the Liquidity Facility), (2) the Credit Provider (solely with respect to the City's obligations under the Credit Facility), (3) the Swap Provider (as defined herein) (solely with respect to the City's obligations under the Swap Agreement, as defined herein), and (4) the Bond Insurer (solely with respect to the Authority's obligations under the Surety Bond, as defined herein), all to the extent provided under the Lease, the Property Lease, and the Trust Agreement.

Pursuant to the Lease, the City is required, subject to its abatement rights, to pay Base Rental and, as Additional Rental, any taxes, assessments, and insurance premiums with respect to the Property and the fees, costs, and expenses incurred by the Authority, the Trustee, the Credit Provider, the Liquidity Provider, the Swap Provider, and the Bond Insurer in connection with the Lease, the Trust Agreement, the Swap Agreement, the Credit Facility, and the Liquidity Facility. See "SECURITY FOR THE BONDS – Base Rental" and "INTEREST RATE SWAP AGREEMENT." While the Bonds bear interest at a Weekly Interest Rate, Base Rental payments are payable one Business Day prior to each Interest Payment Date. At such time, if any, that the Bonds bear interest at a Fixed Rate, the Base Rental payable by the City shall be due five Business Days prior to each Interest Payment Date.

Base Rental payments are subject to abatement during any period in which, by reason of a material title defect or material damage, destruction, or condemnation, there is substantial interference with the City's right to use and occupancy of the Property or any portion thereof.

Under the Lease, the City is required to maintain rental interruption insurance covering a period of 24 months, in an amount equal to two times the Reserve Requirement (as defined herein). In addition, the Property is insured against loss or damage. Any net insurance proceeds and condemnation awards will be applied to repair or replace the Property or to redeem all or a portion of the Bonds. See "THE BONDS – Extraordinary Mandatory Redemption" and "APPENDIX A – SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS."

The City has covenanted in the Lease to take such action as may be necessary to include and maintain all Base Rental and Additional Rental payments due under the Lease in its annual budget, and to make the necessary annual appropriations for all such payments, as long as a portion of the Property with fair rental value sufficient to support such Base Rental and Additional Rental payments is available for the City's use. See "SECURITY FOR THE BONDS – Base Rental," "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS – Article XIIIB of California Constitution: Limits on Appropriations," and "APPENDIX A – SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS – Lease."

Pursuant to the Trust Agreement, the Authority is required to maintain amounts on deposit in the Reserve Fund, which is held by the Trustee and pledged to the payment of principal of and interest on the Bonds, in an amount equal to the Reserve Requirement. In accordance with the terms of the Trust Agreement, concurrently with the issuance of the Bonds, the Authority arranged for the Bond Insurer to deliver to the Trustee a surety bond (the "Surety Bond") in lieu of a deposit into the Reserve Fund, as provided in the Trust Agreement. See "SECURITY FOR THE BONDS – Reserve Fund" and "– Surety Bond" and "APPENDIX A – SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS – Trust Agreement."

The Letter of Credit (i) as the Credit Facility, provides for the payment of principal of and interest on the Bonds when due in accordance with the terms of the Trust Agreement and the Reimbursement Agreement, and (ii) as the Liquidity Facility, provides for the purchase price of Bonds tendered for purchase by the Owners in accordance with the terms of the Trust Agreement and the Reimbursement Agreement. See "SECURITY FOR THE BONDS – Credit Facility" and "– Liquidity Facility," "THE LETTER OF CREDIT, THE REIMBURSEMENT AGREEMENT, AND UNION BANK," and "APPENDIX E – FORM OF LETTER OF CREDIT."

Concurrently with the issuance of the Bonds, the Authority arranged for the Bond Insurer to deliver to the Trustee a financial guaranty insurance policy (the "Bond Insurance Policy"). The Bond

Insurance Policy guarantees payment of the principal of and interest on the Bonds when due. In connection with the remarketing of the Bonds, the Bond Insurer will add an endorsement to the Bond Insurance Policy permitting, among other things, Union Bank to make drawings thereunder to reimburse itself for amounts due and owing by the City under the Reimbursement Agreement. See "BOND INSURANCE POLICY."

Interest Rate Swap Agreement

The City previously entered into an interest rate exchange agreement with respect to the Bonds with Royal Bank of Canada (the "Swap Provider"), consisting of an ISDA (International Swap Dealers Association, Inc.) Master Agreement, dated as of December 1, 2006, including the related Schedule, Credit Support Annex, and Confirmation pertaining thereto (collectively, the "Swap Agreement"). The Swap Agreement terminates by its terms on June 1, 2036. Under certain circumstances, the City or the Swap Provider may terminate their respective obligations under the Swap Agreement, and such termination may result in the payment of a settlement amount by the City or the Swap Provider to the other party. Under the Swap Agreement, the City pays the Swap Provider a fixed rate of interest to be specified in the Confirmation on a notional amount to be specified in the Confirmation, and the Swap Provider pays the City a variable rate of interest equal to a certain percentage of the offered rate for deposits in U.S. dollars for a one-month period in the London interbank market ("LIBOR") specified in the Confirmation on such notional amount. The City's obligations to pay amounts under the Swap Agreement are insured by a separate surety bond relating to the Swap Agreement (the "Swap Surety Bond") previously issued by the Bond Insurer and delivered to the Swap Provider. See "INTEREST RATE SWAP AGREEMENT." The City's obligations under the Swap Agreement are payable under the Lease.

No Continuing Disclosure

So long as the Bonds bear interest at the Weekly Interest Rate and are in denominations of $100,000 or more, the Authority is not required to provide continuing disclosure under Rule 15c2-12 of the Securities and Exchange Commission ("SEC"), promulgated under the Securities Exchange Act of 1934, as amended ("Rule 15c2-12"). If and when the Authority elects to convert the interest on the Bonds to a Fixed Rate, the Authority will provide the continuing disclosure required under Rule 15c2-12. See "NO CONTINUING DISCLOSURE."

Limited Obligations

The Bonds are limited obligations of the Authority payable solely from and secured solely by the Base Rental payments and amounts held in certain funds and accounts established under the Trust Agreement. The Bonds do not constitute an obligation of the Authority for which the Authority is obligated to levy or pledge any form of taxation or for which the Authority has levied or pledged any form of taxation. The obligation of the City to make Base Rental payments under the Lease 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. Neither the full faith and credit nor the taxing power of City, the County of Ventura (the "County"), the State of California (the "State"), or any political subdivision of the State is pledged to the payment of the principal of or interest on the Bonds. Neither the Bonds nor the obligation of the City to make Base Rental payments constitutes an indebtedness of the Authority, the City, the County, the State, or any political subdivision of the State, within the meaning of any constitutional or statutory debt limitation or restriction.

Forward-Looking Statements

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

The achievement of certain results or other expectations contained in such forward-looking statements involves known and unknown risks, uncertainties, and other factors that may cause the actual results, performance, or achievements described to be materially different from any future results, performance, or achievements expressed or implied by such forward-looking statements. No updates or revisions to these forward-looking statements are expected to be issued if or when the expectations, events, conditions, or circumstances on which such statements are based change. The forward-looking statements in this Reoffering Memorandum are subject to risks and uncertainties that could cause actual results to differ materially from those expressed in or implied by such forward-looking statements. READERS ARE CAUTIONED NOT TO PLACE UNDUE RELIANCE ON SUCH FORWARD-LOOKING STATEMENTS, WHICH SPEAK ONLY AS OF THE DATE HEREOF.

References Qualified

The summaries of and references to all documents, statutes, reports, and other instruments referred to herein do not purport to be complete, comprehensive, or definitive, and each such summary and reference is qualified in its entirety by reference to each such document, statute, report, or instrument.

REMARKETING

The Bonds are being remarketed on the Remarketing Date in accordance with the terms of the Trust Agreement in connection with the issuance of the Letter of Credit by Union Bank to pay the purchase price of the Bonds subject to mandatory or optional tender for purchase by the Owners thereof and to serve as additional security for the payment of principal of and interest on the Bonds when due, which Letter of Credit constitutes, and is referred to herein (when applicable) as, a Liquidity Facility and a Credit Facility. The Letter of Credit is being issued by Union Bank in accordance with the terms of the Reimbursement Agreement. Union Bank is also referred to herein (when applicable) as the Credit Provider and the Liquidity Provider. See "SECURITY FOR THE BONDS – Credit Facility" and "– Liquidity Facility," "THE LETTER OF CREDIT, THE REIMBURSEMENT AGREEMENT, AND UNION BANK," and "APPENDIX E – FORM OF LETTER OF CREDIT."

THE BONDS

Authorization and Payment of Bonds

The Bonds were issued pursuant to the Act and the provisions of the Trust Agreement. The Bonds are dated the date of their initial delivery and mature on the date and in the principal amount set forth on the cover page hereof. The Bonds currently bear interest a Weekly Interest Rate, payable on the first Business Day of each March, June, September, and December (each, an "Interest Payment Date"), to Owners recorded in the registration books kept by the Trustee as of the close of business on the Business Day immediately preceding the applicable Interest Payment Date (the "Record Date"). See "Weekly Interest Rate" below. In the event interest on the Bonds is converted from a Weekly Interest Rate to a Fixed Rate, interest on the Fixed Rate Bonds will be paid semiannually on each June 1 and December 1 to

Owners recorded in the registration books kept by the Trustee as of the fifteenth day of the month preceding such June 1 and December 1.

The Bonds were issued as fully registered bonds in the denomination of $100,000 and any integral multiple of $5,000 in excess thereof. In the event interest on the Bonds is converted from a Weekly Interest Rate to a Fixed Rate, the Bonds bearing a Fixed Rate will be in denominations of $5,000 or any integral multiple thereof. Principal of and redemption premium, if any, on each Bond are payable upon surrender of such Bond at the principal corporate trust office of the Trustee in Los Angeles, California, upon the maturity or earlier redemption thereof. Interest is payable by check, mailed to the Owners as of the applicable Record Date at their addresses as they appear on the Bond register maintained by the Trustee; provided, however, that interest payable to an Owner of $1,000,000 or more aggregate principal amount represented by the Bonds may request in writing that the Trustee pay the interest represented by such Bonds by wire transfer to a designated account in the United States and the Trustee shall comply with such request for all Interest Payment Dates following the fifteenth day after receipt of such request. Certain of the provisions described above will not apply as long as the Bonds are in a book-entry only system. See "THE BONDS – Book-Entry Only System" below.

Weekly Interest Rate

The Weekly Interest Rate on the Bonds is determined for each Weekly Period (as defined below) by the Remarketing Agent (currently E. J. De La Rosa & Co., Inc.) in accordance with the Trust Agreement and as described in the following paragraph. The Authority, in its sole discretion, may elect to have the Bonds bear interest at a Fixed Rate to be payable in accordance with the Trust Agreement. **On the date, if any, on which the Bonds are converted from a Weekly Interest Rate to a Fixed Rate (the "Fixed Rate Date"), the Bonds will be purchased from the Owners thereof as more fully described below under the heading "Mandatory Tender of Bonds for Purchase – Conversion to Fixed Rate."**

While the Bonds bear interest at a Weekly Interest Rate, each Weekly Period is the period commencing on the Thursday following the Wednesday on which each interest rate is determined to and including the following Wednesday (each, a "Weekly Period"). Such interest is computed on the basis of a 365 or 366 day year, as applicable, for the number of days actually elapsed. The Weekly Interest Rate is the rate determined by the Remarketing Agent on the applicable Wednesday (each, an "Adjustment Date"), having due regard for prevailing financial market conditions, to be the rate (but not higher than the rate) that would be necessary to be payable with respect to the Bonds in order to enable the Remarketing Agent to remarket the Bonds at 100% of the principal amount thereof. The Remarketing Agent is required to notify the Trustee, the Tender Agent, the Bond Insurer, the Credit Provider, the Liquidity Provider, the City, and the Authority of the Weekly Interest Rate on each Adjustment Date.

Except for Bank Bonds, which shall evidence interest at the rates specified in the Reimbursement Agreement, if the Remarketing Agent shall fail to determine the Weekly Interest Rate on an Adjustment Date, then the Weekly Interest Rate shall be the Weekly Interest Rate in effect for the immediately preceding weekly period. Except for Bank Bonds, in no event shall the Weekly Interest Rate exceed the then applicable Maximum Interest Rate, defined in the Trust Agreement (for Bonds other than Bank Bonds) to be 12% per annum.

The determination of the Weekly Interest Rate by the Remarketing Agent shall be conclusive and binding upon the Authority, the City, the Trustee, the Bond Insurer, the Credit Provider, the Liquidity Provider, the Tender Agent, and the Owners.

Conversion to Fixed Rate

Upon the written direction of the Authority to convert to a Fixed Rate, the Remarketing Agent will designate the Fixed Rate to be in effect for the Bonds by delivering written notice to the Authority, the City, the Trustee, the Tender Agent, the Credit Provider, the Liquidity Provider, and the Bond Insurer, at least 35 days prior to the Fixed Rate Date, in accordance with the Trust Agreement. Such notice from the Remarketing Agent will be accompanied by an opinion of Independent Counsel to the effect that the designation of the Fixed Rate will not materially adversely affect the enforceability of the Property Lease or the Lease or the ability of an Owner to treat interest payable with respect to the Bonds as interest excludable from gross income for federal income tax purposes.

Within five days following receipt of such written notice from the Remarketing Agent, the Trustee is required to give written notice, by first class mail, postage prepaid, to all Owners of Bonds, which notice states (a) the Fixed Rate Date and (b) that all Bonds shall be called for mandatory tender for purchase on the Fixed Rate Date and shall be purchased on the Fixed Rate Date. The Authority may cancel the designation of the Fixed Rate by delivering to the Remarketing Agent a written request to such effect at least 12 Business Days prior to the Fixed Rate Date; provided, however, that the Bonds will be subject to mandatory tender for purchase on the date specified by the Remarketing Agent as the Fixed Rate Date notwithstanding that the Remarketing Agent has caused the cancellation of the conversion of the interest rate payable with respect to the Bonds to the Fixed Rate pursuant to such written request of the Authority.

Purchase of Bonds on Demand of Owner

During the period in which the Bonds bear interest at a Weekly Interest Rate, so long as the Letter of Credit or a Substitute Liquidity Facility is in effect, any Bond (or portion thereof in a principal amount equal to an Authorized Denomination), including any Bond for which a notice of redemption has been given pursuant to the Trust Agreement, will be purchased, on the demand of the Owner thereof, on any designated Business Day (the "Purchase Date") at a purchase price equal to 100% of the principal amount thereof or portion thereof to be purchased, plus accrued interest, if any, thereon to the Purchase Date, upon presentation to the Tender Agent at its principal corporate trust office in Los Angeles, California, Minneapolis, Minnesota, or at such other location as may be designated by the Tender Agent and approved by the Authority, of a properly completed Tender Notice at or before 10:00 a.m., California time, on or prior to the seventh day next preceding the Purchase Date, and delivery to the Tender Agent at or prior to 10:00 a.m., California time, on the Purchase Date of such Bond (with an appropriate transfer of registration form executed in blank and in form satisfactory to the Tender Agent).

Such presentation shall be deemed made on the day of receipt of the Tender Notice by the Tender Agent if received not later than 10:00 a.m., California time, on that day and if received after 10:00 a.m., California time, such presentation shall be deemed made on the following Business Day. Any Tender Notice once given as described above shall be irrevocable whether or not Bonds are thereafter delivered.

Promptly upon receipt by the Tender Agent of a Tender Notice delivered to it as described above, or such notice of demand for purchase as may be required by DTC, the Tender Agent shall give notice in accordance with the requirements of the Trust Agreement to the Remarketing Agent, the Credit Provider, the Liquidity Provider, and the Trustee specifying the principal amount of Bonds to be purchased pursuant to said notice and specifying the Purchase Date. By 9:30 a.m., California time, on the Business Day immediately preceding the Purchase Date, the Remarketing Agent shall give notice as required under the Trust Agreement to the Tender Agent, the Trustee, the Credit Provider, and the Liquidity Provider specifying the principal amount represented by the Bonds (including Bank Bonds) sold by it and the proceeds of such Bonds received by it pursuant to the Trust Agreement, including any registration information supplied by the purchaser, and the principal amount of Bonds required to be purchased on behalf of the Liquidity Provider pursuant to moneys drawn by the Trustee under the Liquidity Facility or any Substitute Liquidity Facility. The Remarketing Agent shall not remarket any Bonds to the Authority, the City, the Bond Insurer, any of their respective affiliates, or any guarantors of the aforementioned parties.

Mandatory Tender of Bonds

Conversion to Fixed Rate. The Authority may elect at any time Bonds are outstanding to have the Bonds bear interest at the Fixed Rate in accordance with the Trust Agreement. On the Fixed Rate Date, all Bonds (except Bank Bonds) are required to be purchased from the Owners thereof at a purchase price equal to 100% of the principal amount thereof plus accrued interest, if any, thereon in accordance with and from the sources of funds specified in the Trust Agreement; except that Bonds with respect to which the Tender Agent shall have received Non-tender Notices from the Owners thereof in accordance with the Trust Agreement will not be purchased.

Expiration of Credit Facility or Liquidity Facility. All Bonds (except Bank Bonds) are required to be purchased from the Owners thereof on the tenth day prior to the expiration date of the Credit Facility or Liquidity Facility, as applicable, then in effect or, if such expiration date is not a Business Day, then the Business Day immediately preceding such date, at a purchase price equal to 100% of the principal amount thereof, plus accrued interest, if any, thereon, in accordance with and from the sources of funds specified in the Trust Agreement, except that, in connection with the expiration of the Liquidity Facility only, Bonds with respect to which the Tender Agent shall have received a Non-tender Notice from the Owners thereof as described below will not be purchased.

Event of Default Under Liquidity Facility. The Bonds are subject to mandatory purchase at 100% of the principal amount thereof, plus interest accrued thereon to the date of purchase from the Owners thereof, in whole, on any date, from amounts drawn under the Liquidity Facility, in the event that the Liquidity Provider notifies the Trustee in writing of the occurrence of an event of default under the Liquidity Facility by delivering a notice of such mandatory tender. Notwithstanding any other provisions of the Trust Agreement to the contrary, the Bonds tendered or deemed tendered for purchase pursuant to the Trust Agreement as described above shall not be remarketed after such mandatory purchase unless and until the Liquidity Provider notifies the Trustee in writing that such event of default under the Liquidity Facility has been cured and that the Liquidity Provider's obligations thereunder have been reinstated. The Trustee shall give written notice, by first class mail, postage prepaid, of mandatory purchase within two Business Days after receiving the foregoing notice of mandatory tender from the Liquidity Provider to all Owners of Bonds. Such notice shall state (A) the Mandatory Purchase Date (which shall be a Business Day not later than five days later than the date on which such notice is mailed), (B) that all Outstanding Bonds will be purchased or deemed purchased on the Mandatory Purchase Date, regardless of whether such Bonds are physically tendered for purchase, (C) that no Bonds will be remarketed after the Mandatory Purchase Date, and (D) that no Owner may deliver a Non-tender Notice in connection with such mandatory tender. See also, "THE LETTER OF CREDIT, THE REIMBURSEMENT AGREEMENT, AND UNION BANK – The Letter of Credit" and "APPENDIX E – FORM OF LETTER OF CREDIT."

Event of Default Under Credit Facility. The Bonds are subject to mandatory purchase at 100% of the principal amount thereof, plus interest accrued thereon to the date of purchase from the Owners thereof, in whole, on any date, from amounts drawn under the Liquidity Facility, in the event that the Credit Provider notifies the Trustee in writing of the occurrence of an event of default under the Credit Facility or that the Bank will not be reinstating the interest component of the Credit Facility after a drawing thereunder by delivering a notice of such mandatory tender. Notwithstanding any other provisions of the Trust Agreement to the contrary, the Bonds tendered or deemed tendered for purchase pursuant to the Trust Agreement as described above shall not be remarketed after such mandatory purchase unless and until the Credit Provider notifies the Trustee in writing that such event of default under the Credit Facility has been cured and that the Credit Provider's obligations thereunder have been reinstated; provided, however, that after such event of default has been cured the Authority may determine that the Bonds shall be remarketed without being secured by any Credit Facility. The Trustee shall give written notice, by first class mail, postage prepaid, of mandatory purchase within two Business Days after receiving the foregoing notice of mandatory tender from the Credit Provider to all Owners of Bonds. Such notice shall state (A) the Mandatory Purchase Date (which shall be a Business Day not later than five days later than the date on which such notice is mailed), (B) that all Outstanding Bonds will be purchased or deemed purchased on the Mandatory Purchase Date, regardless of whether such Bonds are physically tendered for purchase, (C) that no Bonds will be remarketed after the Mandatory Purchase Date, subject to the cure and remarketing provisions set forth in the Trust Agreement, and (D) that no Owner may deliver a Non-tender Notice in connection with such mandatory tender. See also, "THE LETTER OF CREDIT, THE REIMBURSEMENT AGREEMENT, AND UNION BANK – The Letter of Credit" and "APPENDIX E – FORM OF LETTER OF CREDIT."

Event of Default Under Trust Agreement at Request of Bond Insurer. Upon the occurrence and continuation of an event of default under the Trust Agreement, the Bonds will be subject to mandatory tender for purchase at par, without premium, plus accrued interest to the date of tender, upon receipt by the Trustee of a written request therefor from the Bond Insurer. Upon receipt of such notice, the Trustee will mail a notice by first class mail, postage prepaid, to each Owner stating that (i) the Bonds shall be purchased and the date on which the purchase shall take place (which shall be no sooner than 30 days after the mailing of such notice), (ii) from and after the Mandatory Purchase Date, such Owners shall not be entitled to any rights under the Trust Agreement, and (iii) on the Mandatory Purchase Date, the Bonds must be presented to the Trustee, accompanied by an instrument of transfer thereof, in form satisfactory to the Trustee, executed in blank by the Owner thereof with the signature of such Owner guaranteed by an eligible guarantor institution. Payment of the purchase price of any Bond as described in this paragraph will be made by 3:00 p.m. (Los Angeles time) on the Mandatory Purchase Date, but only if and to the extent the Bond Insurer has deposited the aggregate purchase price with the Trustee prior to such time that the Trustee mails notice of such mandatory tender to the Owners, upon delivery of such Bonds to the Trustee at the principal corporate trust office of the Trustee in Los Angeles, California, accompanied by an instrument of transfer thereof, in form satisfactory to the Trustee, executed in blank by the Owner thereof with the signature of such Owner guaranteed by an eligible guarantor institution (provided, however, that while the Bonds are in the book-entry system, the Bonds shall be presented to the Trustee according to the normal and customary practice between DTC and the Trustee). No Owner may deliver a Non-tender Notice in accordance with a mandatory tender as described in this paragraph. Amounts may not be drawn under the Letter of Credit for any tender of Bonds for purchase as described in this paragraph.

Substitute Liquidity Facility. The Authority may, with the written approval of the Bond Insurer, provide the Trustee with a Substitute Liquidity Facility upon giving written notice thereof to the Trustee, the Remarketing Agent, the Tender Agent, the Liquidity Provider, the Credit Provider, the City, and the Bond Insurer 45 days prior to the proposed effective date of such Substitute Liquidity Facility. The Trustee is required to provide notice to each Owner not less than 30 days prior to the effective date of such Substitute Liquidity Facility, by first class mail, postage prepaid, of a Mandatory Purchase Date, which date shall be the effective date of such Substitute Liquidity Facility (unless such date is not a Business Day, in which case such Mandatory Purchase Date shall be on the next preceding Business Day), and requiring each Owner to tender his Bonds to the Tender Agent for purchase on such Mandatory Purchase Date. All Bonds, whether or not tendered for purchase on or prior to the effective date of such Substitute Liquidity Facility, shall be deemed purchased on the Mandatory Purchase Date, at a price of 100% of the principal amount thereof, plus accrued and unpaid interest to such Mandatory Purchase Date. The Trustee is require to cancel Bonds on its records not tendered by Owners as required pursuant to the aforesaid notice and prepare a revised form of Bond, with the advice of Independent Counsel and consistent with the terms of the Trust Agreement; provided that the Trustee shall receive an opinion of Independent Counsel that such cancellation of Bonds and preparation of a new Bond form will not result in the interest payable with respect to the Bonds becoming includable in the gross income of the Owners thereof for federal income tax purposes. No Owner may deliver a Non-tender Notice in accordance with the provision of a Substitute Liquidity Facility.

Substitute Credit Facility. The Authority may, with the written approval of the Bond Insurer, provide the Trustee with a Substitute Credit Facility upon giving written notice thereof to the Trustee, the Remarketing Agent, the Tender Agent, the Credit Provider, the City, and the Bond Insurer 45 days prior to the proposed effective date of such Substitute Credit Facility. The Trustee is required to provide notice to each Owner not less than 30 days prior to the effective date of such Substitute Credit Facility, by first class mail, postage prepaid, of a Mandatory Purchase Date, which date shall be the effective date of such Substitute Credit Facility (unless such date is not a Business Day, in which case such Mandatory Purchase Date shall be on the next preceding Business Day), and requiring each Owner to tender his Bonds to the Tender Agent for purchase on such Mandatory Purchase Date. All Bonds, whether or not tendered for purchase on or prior to the effective date of such Substitute Credit Facility, shall be deemed purchased on the Mandatory Purchase Date, at a price of 100% of the principal amount thereof, plus accrued and unpaid interest to such Mandatory Purchase Date. The Trustee is required to cancel Bonds on its records not tendered by Owners as required pursuant to the aforesaid notice and prepare a revised form of Bond, with the advice of Independent Counsel and consistent with the terms of the Trust Agreement; provided that the Trustee shall receive an opinion of Independent Counsel that such cancellation of Bonds and preparation of a new Bond form will not result in the interest payable with respect to the Bonds becoming includable in the gross income of the Owners thereof for federal income tax purposes. No Owner may deliver a Non-tender Notice in accordance with the provision of a Substitute Credit Facility.

Termination of Credit Facility. The Authority may terminate the Credit Facility without providing any Substitute Credit Facility in substitution therefor upon giving written notice thereof to the Trustee, the Remarketing Agent, the Tender Agent, the Liquidity Provider, the Credit Provider, the City, and the Bond Insurer 45 days prior to the proposed effective date of such termination. The Trustee shall provide notice to each Owner not less than 30 days prior to the termination date of the Credit Facility by first class mail, postage prepaid, of a Mandatory Purchase Date, which date shall be the date of termination of the Credit Facility (unless such date is not a Business Day, in which case such Mandatory Purchase Date shall be on the next preceding Business Day), and requiring each Owner to tender his Bonds to the Tender Agent for purchase on such Mandatory Purchase Date. All Bonds, whether or not tendered for purchase on or prior to the termination date of the Credit Facility, shall be deemed purchased on the Mandatory Purchase Date, at a price of 100% of the principal amount thereof, plus accrued and unpaid interest to such Mandatory Purchase Date. The Trustee is required to cancel Bonds on its records not tendered by Owners as required pursuant to the aforesaid notice and prepare a revised form of Bond, with the advice of Independent Counsel and consistent with the terms of the Trust Agreement; provided that the Trustee shall receive an opinion of Independent Counsel that such cancellation of Bonds and preparation of a new Bond form will not result in the interest payable with respect to the Bonds becoming includable in the gross income of the Owners thereof for federal income tax purposes. No Owner may deliver a Non-tender Notice in connection with the termination of the Credit Facility.

Termination of Bond Insurance Policy. If, for any reason, the Bond Insurance Policy is or will be terminated or no longer outstanding, the Authority shall give written notice thereof to the Trustee, the Remarketing Agent, the Tender Agent, and the City. If no Credit Facility is otherwise in effect, the Authority shall request in writing that the Trustee give notice to the Owners that the Bonds shall be subject to mandatory tender and purchase on a Mandatory Tender Date determined by the Authority. Upon receipt of such written request, the Trustee shall provide notice to each Owner not less than 30 days prior to the Mandatory Tender Date, by first class mail, postage prepaid, of a Mandatory Purchase Date, which date shall be, to the extent practicable, the effective date of such termination (unless such date is not a Business Day, in which case such Mandatory Purchase Date shall be on the next preceding Business Day), and requiring each Owner to tender his Bonds to the Tender Agent for purchase on such Mandatory Purchase Date. All Bonds, whether or not tendered for purchase on or prior to the effective date of such termination of the Bond Insurance Policy, shall be deemed purchased on the Mandatory Purchase Date, at a price of 100% of the principal amount thereof, plus accrued and unpaid interest to such Mandatory Purchase Date. The Trustee shall cancel Bonds on its records not tendered by Owners as required pursuant to the aforesaid notice and prepare a revised form of Bond, with the advice of Independent Counsel and consistent with the terms of the Indenture; provided that the Trustee shall receive an opinion of Independent Counsel that such cancellation of Bonds and preparation of a new Bond form will not result in the interest payable with respect to the Bonds becoming includable in the gross income of the Owners thereof for federal income tax purposes. No Owner may deliver a Non-tender Notice in accordance with the termination of the Bond Insurance Policy.

Notice and Payment of Bonds Upon Mandatory Tender. Upon receipt of a written request of the Authority, the Bond Insurer, the Credit Provider, or the Liquidity Provider, as applicable, for the mandatory tender of Bonds, the Trustee will mail each Owner notice of such mandatory tender at least 30 days prior to the required tender date for the Bonds, in form and substance as required under the Trust Agreement.

Payment of the purchase price of the Bonds so tendered shall be made on the Mandatory Purchase Date, but only from (i) proceeds from the remarketing of such Bonds or (ii) funds deposited with the Trustee by the Liquidity Provider for such purpose prior to such time; provided, however, that (a) Bonds tendered pursuant to a notice from the Liquidity Provider or the Credit Provider, as applicable, regarding an event of default under the Liquidity Facility or the Credit Facility, as applicable, shall be purchased from funds derived from a draw under the Liquidity Facility, and (b) Bonds tendered at the request of the Bond Insurer upon the occurrence of an event of default under the Trust Agreement shall be purchased from funds provided by the Bond Insurer under the Bond Insurance Policy. Such payment will be made to the applicable Owners upon the presentment of Bonds, together with valid instruments of transfer, as required by the Trust Agreement. So long as the Bonds are held in the book-entry system, the Bonds shall be tendered to the Trustee according to the normal and customary practices of DTC.

Right to Retain Bonds; Non-tender Notice. In connection with a mandatory tender of Bonds due to the substitution or termination of the Liquidity Facility or the Credit Facility then in effect, or certain events of default under the Liquidity Facility or Credit Facility then in effect, the Owners of Bonds called for such tender will be required to tender their Bonds and will not have the right to retain such Bonds.

In connection with a mandatory tender of Bonds due to the conversion of interest on the Bonds to a Fixed Rate, subsequent to the giving by the Trustee of the notice described above, any Owner may direct the Tender Agent not to effect the purchase on the designated Mandatory Purchase Date of any Bonds owned by such Owner by delivering to the Tender Agent on or before the fifteenth day preceding the Mandatory Purchase Date a Non-tender Notice which shall (i) state that such person is the Owner of the Bonds and specify the numbers and denominations of the Bonds so owned, (ii) acknowledge that the interest rate for such Bonds shall be changed on the Fixed Rate Date, (iii) accept the new interest rate or rates, Interest Payment Dates, Record Dates, and method of establishing the interest rate or rates, for such Bonds, (iv) acknowledge that no Liquidity Facility will be in effect after the Fixed Rate Date, which may result in a reduction or withdrawal of the rating of the Bonds that then prevails, (v) acknowledge that such Owner has no right to exercise his optional demand for purchase of such Bonds between the date of such Non-tender Notice and the Fixed Rate Date, and (vi) direct the Tender Agent not to effect the purchase of the Bonds for which such Owner has delivered the Non-tender Notice. Any Non-tender Notice delivered to the Tender Agent as described herein will be irrevocable with respect to the Bonds for which such Non-tender Notice is delivered; but any such Non-tender Notice will have no effect upon any subsequent redemption of Bonds.

In connection with a mandatory tender of Bonds in connection with the expiration of the Liquidity Facility then in effect, any Owner may direct the Tender Agent not to effect the purchase of any Bonds owned by such Owner and required to be purchased by delivering to the Tender Agent on or before the fifteenth day preceding the Mandatory Purchase Date a Non-tender Notice which shall (i) state that such person is the Owner of Bonds and specify the numbers and denominations of the Bonds so owned, (ii) acknowledge that no liquidity support in respect of the Bonds will be in effect following the expiration date of the Liquidity Facility then in effect, which may result in a reduction or withdrawal of the rating of the Bonds from those that then prevail, (iii) acknowledge that such Owner has no right to exercise his optional demand for purchase of such Bonds between the date of the Non-tender Notice and the Mandatory Purchase Date, (iv) acknowledge that from and after the expiration date of the Liquidity Facility then in effect, no optional demand for purchase may be made until such time, if ever, as a Substitute Liquidity Facility is obtained, and (v) direct the Tender Agent not to effect the purchase of the Bonds for which such Owner has delivered the Non-tender Notice. Any Non-tender Notice delivered to the Tender Agent as described above will be irrevocable with respect to the Bonds for which such Non-tender Notice is delivered; but any such Non-tender Notice will have no effect upon any subsequent redemption of Bonds. Owners not providing the Tender Agent with a Non-tender Notice as described above will be deemed to have tendered their Bonds as of the Mandatory Purchase Date to the Tender Agent.

From and after any such Mandatory Purchase Date, all Owners who are not required to tender their Bonds and who either do not have the right to retain such Bonds or have not provided a Non-tender Notice, as applicable, will not be entitled to any payment (including any interest to accrue from and after such date) other than the purchase price for such Bonds calculated as of the Mandatory Purchase Date. Such Bonds shall no longer otherwise be entitled to the benefits of the Trust Agreement.

Optional Redemption of Bonds

Optional Redemption Prior to Fixed Rate Date. So long as the Bonds bear interest at a Weekly Interest Rate, the Bonds are subject to redemption at the option of the Authority, in whole or in part, on any Business Day, from amounts deposited with the Trustee by the City in furtherance of the exercise of the City's option to purchase the Authority's right, title and interest in the Property or a Component of the Property in accordance with the Lease, and from any other funds available therefor, at a redemption price equal to the principal amount of the Bonds called for redemption, plus accrued interest to the date of redemption, without premium.

Optional Redemption After Fixed Rate Date. After the Fixed Rate Date, the Bonds are subject to redemption in whole or in part on any Business Day, at a redemption price equal to the principal amount of the Bonds called for redemption, plus a premium as set forth below, declining by 1% on every second Interest Payment Date after the initial redemption date set forth below until the redemption price equals 100% of the principal amount of the Bonds called for redemption, plus accrued interest to the date of redemption.

Years Remaining to Maturity as of Fixed Rate Date	Initial Redemption Date (Anniversary of Fixed Rate Date)	Initial Redemption Price
Equal to or greater than 15 years	Tenth Anniversary	102%
Equal to or greater than 10 years, but less than 15 years	Seventh Anniversary	102
Equal to or greater than 5 years, but less than 10 years	Third Anniversary	101
Less than 5 years	Non Callable	N/A

Mandatory Redemption of Bonds

Mandatory Sinking Account Redemption. The Bonds are subject to mandatory redemption, in part, from Mandatory Sinking Account Payments on the first Business Day of June each year until maturity, in the principal amounts set forth below (except as such amounts may be reduced by prior optional redemptions in accordance with the Trust Agreement), together with accrued interest, without premium:

Redemption Date (First Business Day of June)	Principal Amount
2009	$ 490,000
2010	510,000
2011	525,000
2012	545,000
2013	570,000
2014	590,000
2015	610,000
2016	635,000
2017	655,000
2018	680,000
2019	705,000
2020	735,000
2021	760,000
2022	790,000
2023	820,000
2024	850,000
2025	880,000
2026	915,000
2027	950,000
2028	985,000
2029	1,020,000
2030	1,060,000
2031	1,100,000
2032	1,140,000
2033	1,180,000
2034	1,225,000
2035	1,270,000
2036 (maturity)	1,320,000

Extraordinary Mandatory Redemption. The Bonds are subject to extraordinary mandatory redemption prior to maturity in whole or in part on any date, at a redemption price equal to the principal amount thereof plus accrued but unpaid interest to the redemption date, without premium, (i) from net insurance proceeds or condemnation awards not used to repair or replace the Property or portions thereof that have been materially damaged, destroyed or taken in eminent domain proceedings, or (ii) from proceeds of title insurance if the title defect giving rise to the payment of such proceeds results in an abatement Base Rental payments under the Lease. See "APPENDIX A – SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS – Lease."

Mandatory Redemption from Excess Project Fund Moneys. The Bonds are subject to mandatory redemption prior to maturity in whole or in part on any date, in integral multiples of $5,000, at a redemption price equal to the principal amount thereof plus accrued but unpaid interest to the redemption date, without premium, from unexpended moneys in the Project Fund transferred to the Debt Service Fund pursuant to the Trust Agreement.

Selection of Bonds for Redemption

Whenever provision is made in the Trust Agreement for the redemption of Bonds (other than sinking account redemption) and less than all of the outstanding Bonds are to be called for redemption, the Trustee will select Bank Bonds first and thereafter the Trustee will select Bonds for redemption in any manner that the Trustee deems fair and appropriate, or as specified by the Authority, such that substantially equal debt service results for the remaining years of the term of the Lease and such that Base Rental to become due in each remaining year of the term of the Lease will be as nearly equal as possible to Base Rental to come due in every other such year.

Notice of Redemption; Effect of Notice

Whenever redemption is authorized or required and, if required under the Trust Agreement, sufficient funds are deposited with the Trustee for such purposes as provided in the Trust Agreement, the Trustee will mail a notice of such redemption to affected Owners not less than 30 days nor more than 60 days prior to the date of such redemption. Neither failure to receive notice nor any defect in notice will affect the sufficiency of the proceedings for the redemption of Bonds. From and after any such redemption date, interest on the Bonds to be redeemed will cease to accrue.

Book-Entry Only System

The following description of DTC and its book-entry system has been provided by DTC and has not been verified for accuracy or completeness by the City or the Authority, and neither the City nor the Authority shall have any liability with respect thereto. Neither the City nor the Authority shall have any responsibility or liability for any aspects of the records maintained by DTC relating to or payments made on account of beneficial ownership, or for maintaining, supervising, or reviewing any records maintained by DTC relating to beneficial ownership, of interests in the Bonds.

DTC currently acts as securities depository for the Bonds. The Bonds were issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate was issued for the Bonds, in the aggregate principal amount of such issue, and was deposited with DTC.

DTC, the world's largest depository, is a limited purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2.2 million issues of U.S. and non-U.S. equity, 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, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, FICC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange, LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, 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 S&P's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the SEC. More information about DTC can be found at www.dtcc.com and www.dtc.org.

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

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners, will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Beneficial Owners of Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the security documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners or in the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.

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

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

Principal and interest payments with respect to the Bonds will be made to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the Trustee, on the 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 Trustee, or the City or Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the 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.

A Beneficial Owner shall give notice to elect to have its Bonds purchased or tendered, through its Participant, to the Tender Agent, and shall effect delivery of such Bonds by causing the Direct Participant to transfer the Participant's interest in the Bonds, on DTC's records, to the Tender Agent. The requirement for physical delivery of Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Bonds to the Tender Agent's DTC account.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the City, the Authority, or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered in accordance with the terms of the Trust Agreement.

The Authority or 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, Bond certificates will be printed and delivered to DTC in accordance with the terms of the Trust Agreement.

THE INFORMATION IN THIS SECTION CONCERNING DTC AND DTC'S BOOK-ENTRY SYSTEM HAS BEEN OBTAINED FROM SOURCES THAT THE CITY AND THE AUTHORITY BELIEVE TO BE RELIABLE, BUT NEITHER THE CITY NOR THE AUTHORITY TAKES ANY RESPONSIBILITY FOR THE ACCURACY THEREOF. NEITHER THE CITY NOR THE AUTHORITY GIVES ANY ASSURANCES THAT DTC WILL DISTRIBUTE PAYMENTS TO DTC PARTICIPANTS OR THAT PARTICIPANTS OR OTHERS WILL DISTRIBUTE PAYMENTS WITH RESPECT TO THE BONDS RECEIVED BY DTC OR ITS NOMINEES AS THE REGISTERED OWNER, ANY REDEMPTION NOTICES, OR OTHER NOTICES TO THE BENEFICIAL OWNERS, OR THAT THEY WILL DO SO ON A TIMELY BASIS, OR THAT DTC WILL SERVE AND ACT IN THE MANNER DESCRIBED IN THIS REOFFERING MEMORANDUM.

SECURITY FOR THE BONDS

Base Rental

The Bonds are payable from Base Rental payments and from amounts on hand from time to time in the funds and accounts established under the Trust Agreement (except for amounts on deposit in the Rebate Fund and the Swap Payments Fund pursuant to the terms of the Trust Agreement). Payment of the principal of and interest on the Bonds is secured by a pledge of Base Rental payments and said amounts. Pursuant to the Trust Agreement, the Authority has assigned to the Trustee, for the benefit of the Owners, certain of its rights, title, and interest in and to the Lease and the Property Lease, including, without limitation, the right to receive Base Rental payments and the right to enforce payment of Base Rental payments when due, but excluding certain rights to payment of expenses, to indemnification, and to receive notices under the Lease. The rights, title, and interest of the Authority assigned under the Trust Agreement shall also be applied and exercised by the Trustee for the benefit of (1) the Liquidity Provider (solely with respect to the City's obligations under the Liquidity Facility), (2) the Credit Provider (solely with respect to the City's obligations under the Credit Facility), (3) the Swap Provider (solely with respect to the City's obligations under the Swap Agreement), and (4) the Bond Insurer (solely with respect to the Authority's obligations under the Surety Bond), all to the extent provided under the Lease, the Property Lease, and the Trust Agreement. Pursuant to the Trust Agreement, the Trustee receives Base Rental payments for the benefit of the Owners. The City is required under the Lease, subject to its abatement rights discussed below, to make quarterly Base Rental payments from legally available funds, which payments are to be calculated to be sufficient to pay the principal of and interest on the Bonds as and when due.

Additional Rental payments due from the City under the Lease include amounts sufficient to pay certain taxes and assessments charged with respect to the Property, amounts necessary to replenish the Reserve Fund to the Reserve Requirement, insurance premiums, any rebate amounts required to be paid to the United States Treasury, all fees, costs, and expenses of the Trustee, the Credit Provider, the Liquidity Provider, the Swap Provider, and the Bond Insurer, and certain other administrative expenses due under the Trust Agreement, the Lease, the Reimbursement Agreement, and the Swap Agreement. The City is also responsible for the repair and maintenance of the Property required as a result of ordinary wear and tear and want of care on the part of the City during the term of the Lease.

Rental payments will be abated in the event of material damage to, material destruction or condemnation of, or a material title defect with respect to, the Property if and to the extent that the fair rental value of the remaining portion of the Property is less than the remaining Base Rental payments.

The City has covenanted in the Lease to take such action as may be necessary to include and maintain all Base Rental and Additional Rental in its annual budget and to make the necessary annual appropriations therefor, as long as a portion of the Property with a fair rental value sufficient to support rental payments under the Lease is available for the City's use.

Should the City default under the Lease, the Lease and the Trust Agreement provide that the Trustee may, with or without terminating the Lease, re-let the Property for the account of the City. In the event the Trustee re-lets the Property without terminating the Lease, the Trustee may hold the City liable for quarterly payments of any cumulative net deficiency in Base Rental payments or Additional Rental under the Lease. In lieu of the foregoing, so long as the Trustee does not terminate the Lease or the City's right to possession of the Property, the Trustee may sue to recover Base Rental payments as they become due. The Trustee may not accelerate the City's obligation to make Base Rental payments.

For a discussion of the terms of the Base Rental and Additional Rental payments and the risks associated therewith, see "RISK FACTORS," "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS – Article XIIIB of California Constitution: Limits on Appropriations" and "APPENDIX A – SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS – Lease."

Reserve Fund

Pursuant to the Trust Agreement, the City is required to maintain amounts on deposit in the Reserve Fund, which is held by the Trustee and pledged to the payment of principal of and interest on the Bonds, in an amount equal to the Reserve Requirement. Amounts in the Reserve Fund are to be used only for the payment of principal of and interest on the Bonds in the event amounts in the Debt Service Fund are insufficient to make such payments. The Reserve Fund will be replenished from amounts received as delinquent Base Rental payments, Additional Rental payments, proceeds of certain insurance and earnings on amounts held in such fund. The Reserve Requirement is equal to, as of any date of calculation, the least of (i) 10% of the aggregate principal amount of the Bonds originally issued, (ii) maximum annual Base Rental payments coming due and payable, or (iii) 125% of the average annual Base Rental Payments coming due and payable, calculating the annual Base Rental payments at an assumed interest rate of 3.50%, or, after the Fixed Rate Date, calculating the annual Base Rental payments at the Fixed Rate.

The Authority, upon the written direction of the City and with the prior written consent of the Bond Insurer and the provision of notice to S&P, reserves the right to substitute, at any time and from time to time, one or more letters of credit, surety bonds, bond insurance policies, or other form of guarantee from a financial institution, the long-term unsecured obligations of which are rated not less than "Aaa" by Moody's or "AAA" by S&P, in substitution for or in place of all or any portion of the Reserve Requirement, under the terms of which the Trustee is unconditionally entitled to draw amounts when required for the purposes of the Trust Agreement. See "APPENDIX A – SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS – Trust Agreement."

Surety Bond

In connection with the original issuance and delivery of the Bonds, the Authority obtained the Surety Bond from the Bond Insurer for the purpose of funding the Reserve Fund. The premium on the Surety Bond was fully paid at the time of the original issuance and delivery of the Bonds. The Surety Bond provides that upon the later of (i) one day after receipt by the Bond Insurer of a demand for payment executed by the Trustee certifying that provision for the payment of principal of or interest on the Bonds when due has not been made or (ii) the interest payment date specified in such demand for payment submitted to the Bond Insurer, the Bond Insurer will promptly deposit funds with the Trustee sufficient to enable the Trustee to make such payments due on the Bonds, but in no event exceeding the Surety Bond Coverage (as defined in the Surety Bond).

Pursuant to the terms of the Surety Bond, the Surety Bond Coverage is automatically reduced to the extent of each payment made by the Bond Insurer under the terms of the Surety Bond and the Authority, as obligor under the Surety Bond, is required to reimburse the Bond Insurer for any draws under the Surety Bond with interest at a market rate. Upon such reimbursement, the Surety Bond is reinstated to the extent of each principal reimbursement up to but not exceeding the Surety Bond Coverage. The reimbursement obligation of the Authority, as obligor under the Surety Bond, is subordinate to the Authority's obligations with respect to the Bonds.

In the event the amount on deposit in, or credited to, the Reserve Fund exceeds the amount of the Surety Bond, any draw on the Surety Bond shall be made only after all the funds in the Reserve Fund have been expended. In the event that the amount on deposit in, or credited to, the Reserve Fund, in addition to the amount available under the Surety Bond, includes amounts available under a letter of credit, insurance policy, surety bond, or other such funding instrument (the "Additional Funding Instrument"), draws on the Surety Bond and the Additional Funding Instrument shall be made on a pro rata basis to fund the insufficiency. The Trust Agreement provides that the Reserve Fund shall be replenished in the following priority: (i) principal and interest on the Surety Bond and on the Additional Funding Instrument, if any, shall be paid from first legally available funds of the City, on a pro rata basis; and (ii) after all such amounts are paid in full, amounts necessary to fund the Reserve Fund to the Reserve Requirement, after taking into account the amounts available under the Surety Bond and the Additional Funding Instrument, if any, shall be deposited from next legally available funds of the City.

The Surety Bond does not insure against nonpayment caused by the insolvency or negligence of the Trustee.

In the event that Bond Insurer were to become insolvent, any claims arising under the Surety Bond would be excluded from coverage by the California Insurance Guaranty Association, established pursuant to the laws of the State of California.

For a discussion of the Bond Insurer, see "BOND INSURANCE POLICY" herein.

Liquidity Facility

Payment of the purchase price of Bonds subject to mandatory or optional tender for purchase by the Owners thereof will be supported by amounts made available under the Letter of Credit, as Liquidity Facility for the Bonds. Under the Letter of Credit, the Liquidity Provider agrees to purchase any Bonds that are subject to mandatory or optional tender for purchase and that are not remarketed on or before the required purchase date. See "THE LETTER OF CREDIT, THE REIMBURSEMENT AGREEMENT, AND UNION BANK" and "APPENDIX E – FORM OF LETTER OF CREDIT."

Substitute Liquidity Facility

The Authority may, with the written approval of the Bond Insurer, provide the Trustee with a Substitute Liquidity Facility in accordance with and subject to certain conditions set forth in the Trust Agreement, upon giving written notice thereof to the Trustee, the Remarketing Agent, the Tender Agent, the Liquidity Provider, the Credit Provider, and the Bond Insurer 45 days prior to the proposed effective date of such Substitute Liquidity Facility.

In the event the Authority provides the Trustee with a Substitute Liquidity Facility, the Bonds will be subject to mandatory tender as described under the section of this Reoffering Memorandum entitled "THE BONDS – Mandatory Tender of Bonds – Substitute Liquidity Facility."

Credit Facility

Payment of the principal of and interest on the Bonds when due will be paid from amounts drawn under the Letter of Credit, as Credit Facility for the Bonds. The Trustee will be permitted to draw an aggregate amount not to exceed the Available Amount (as defined herein), subject to reductions and reinstatements as provided in the Letter of Credit. See "THE LETTER OF CREDIT, THE REIMBURSEMENT AGREEMENT, AND UNION BANK" and "APPENDIX E – FORM OF LETTER OF CREDIT."

Substitute Credit Facility

In the event the Authority provides the Trustee with a Substitute Credit Facility, the Bonds will be subject to mandatory tender as described under the section of this Reoffering Memorandum entitled "THE BONDS – Mandatory Tender of Bonds – Substitute Credit Facility."

Bond Insurance Policy

The Bond Insurance Policy guarantees payment of the principal of and interest on the Bonds when due. In connection with the remarketing of the Bonds, the Bond Insurer will add an endorsement to the Bond Insurance Policy permitting, among other things, Union Bank to make drawings thereunder to reimburse itself for amounts due and owing by the City under the Reimbursement Agreement. See "BOND INSURANCE POLICY" and "APPENDIX F – SPECIMEN BOND INSURANCE POLICY."

Insurance

Pursuant to the Lease, the City is required to secure and maintain (or cause to be secured and maintained) at all times with insurers of recognized responsibility or through a program of self insurance (which may include risk sharing pools), insurance coverage on the Property as specified in the Lease, including (1) "all risk" insurance against loss or damage to the Property (excluding damage caused by earthquake and flood), (2) general liability coverage against claims for damages including death, personal injury, bodily injury or property damage arising from operations involving the Property, with a combined single limit of not less than $2,000,000 per occurrence (or such greater amount as may from time to time be recommended by the City's risk management officer or an independent insurance consultant retained by the City for that purpose); provided, however, that the City's obligations under this clause (2) may be satisfied by self insurance, (3) workers' compensation insurance to cover all persons employed by the City in connection with the Property and to cover liability for compensation under the California Labor Code or any act supplemental thereto or in lieu thereof; provided, however, that the City's obligations under this clause (3) may be satisfied by self insurance, (4) rental interruption insurance to cover loss, total or partial, of the use of any Component of the Property as a result of any of the hazards covered by the "all risk" insurance described above, covering a period of 24 months, in an amount equal to two times the then-applicable Reserve Requirement, and (5) a CLTA policy or policies of title insurance for the Property in an amount not less than the initial aggregate principal amount of the Bonds. Pursuant to the Lease, all policies or certificates issued by the respective insurers for insurance, with the exception of workers' compensation insurance, are required to provide that such policies or certificates shall not be cancelled or materially changed without at least 30 days prior written notice to the Trustee. See "APPENDIX A – SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS – LEASE – Insurance."

Investment of Moneys

Amounts on deposit in any fund or account held pursuant to the Trust Agreement are required to be invested in Permitted Investments, subject to the conditions provided for in the Trust Agreement. All investment earnings on moneys on deposit (i) in the Rebate Fund shall be retained therein, (ii) in the Project Fund shall be retained therein, (iii) in the Swap Payments Fund shall be retained therein, and (iv) in any other fund or account held under the Trust Agreement will be transferred to the Debt Service Fund, subject to the obligation to retain in the Reserve Fund investment earnings on deposit therein in order to maintain the Reserve Fund at the Reserve Requirement and to rebate certain amounts to the United States government as required under the Internal Revenue Code of 1986, as amended. See "APPENDIX A – SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS – Trust Agreement."

THE LETTER OF CREDIT, THE REIMBURSEMENT AGREEMENT, AND UNION BANK

The following is a summary of certain provisions of the Letter of Credit, as Credit Facility and Liquidity Facility for the Bonds, as well as the Reimbursement Agreement and certain organizational and statistical information concerning Union Bank. This summary does not purport to be comprehensive and investors are encouraged to review the Letter of Credit and the Reimbursement Agreement in their entirety. Capitalized terms used in this summary and not otherwise defined in this Reoffering Memorandum shall have the meanings ascribed to them in the Letter of Credit or the Reimbursement Agreement, as applicable.

The Letter of Credit

The principal of and interest on, and the purchase price of, the Bonds (other than Bank Bonds or Bonds owned by the City or the Authority) will be payable from amounts available to be drawn by the Trustee under the Letter of Credit issued by Union Bank. See "Union Bank" below for a description of Union Bank.

Concurrently with the remarketing of the Bonds as described in this Reoffering Memorandum, Union Bank will deliver the Letter of Credit to the Trustee. The Trustee will be permitted to draw an aggregate amount not to exceed the outstanding principal amount of the Bonds, plus interest calculated at an assumed rate of 12% for 111 days (collectively, the "Available Amount"), based upon a 365-day year, subject to reductions and reinstatements as provided in the Letter of Credit.

The Letter of Credit provides that the Trustee may draw upon the Letter of Credit up to the Available Amount (subject to reduction as provided in the Letter of Credit) for any of the following purposes:

(a) "Payment Drawing" in the form of (i) an "Interest Drawing," representing the payment of interest due with respect to the Bonds; (ii) a "Partial Prepayment Drawing," representing the payment of principal plus accrued and unpaid interest upon redemption or prepayment of less than all of the Bonds Outstanding (as defined in the Trust Agreement) and (iii) a "Final Drawing," representing the payment of the unpaid principal of and interest due on the Bonds either at a stated maturity, or as a result of prepayment, redemption, or mandatory tender of the Bonds (other than Bonds presently held of record by the City or the Authority, or by the Trustee for the account of the City or the Authority), which Bonds are not to be remarketed again with the support of the Letter of Credit; and

(b) "Tender Draft" representing the payment of unpaid principal and interest due with respect to all or less than all of the Bonds Outstanding upon tender to the Trustee for purchase pursuant to the Trust Agreement (other than Bonds presently held of record by the City or the Authority, or by the Trustee for the account of the City or the Authority).

The Letter of Credit shall terminate (the "Stated Termination Date") upon the earliest to occur of:

(i) the date on which Union Bank receives written notice from the City that there are no longer any Bonds Outstanding,

(ii) at the end of business on the date on which Union Bank receives written notice from the City that a Substitute Liquidity Facility has been issued,

(iii) the date on which Union Bank honors a Final Draft (as defined in the Letter of Credit, and

(iv) the expiration date of the Letter of Credit.

The Reimbursement Agreement

The Reimbursement Agreement, among other things, sets the terms and conditions whereby City is required to repay to Union Bank any amounts drawn by the Trustee under the Letter of Credit. Union Bank has certain rights and the City has certain obligations under the Reimbursement Agreement. These rights of Union Bank do not extend to the Owners of the Bonds. In addition, the City's or the Authority's compliance with its obligations under the Reimbursement Agreement can be waived only with the approval of Union Bank.

Although certain aspects of the Reimbursement Agreement are summarized below and elsewhere in this Reoffering Memorandum, such summary does not purport to be complete or definitive and is qualified in its entirety by reference to the full terms of the Reimbursement Agreement.

The occurrence of any of the following events shall constitute an "Event of Default" under the Reimbursement Agreement:

(a) The City or the Authority shall fail to pay when due the principal of and interest on the Bonds and any Bank Bonds and the Bond Insurer has defaulted on its obligation to provide payment in respect of such principal and interest required to be paid pursuant to the terms of the Bond Insurance Policy, or the City or the Authority shall fail to pay when due any amount payable under any provision of Article II of the Reimbursement Agreement other than with respect to principal of and interest on Bonds or Bank Bonds; or

(b) Any representation or warranty made, or deemed made, by or on behalf of the City or the Authority (or any of its respective officials) in connection with the Reimbursement Agreement or any of the Related Documents (as defined below) shall prove to have been incorrect in any material respect when made or deemed made; or

(c) The City or the Authority shall fail to perform or observe any term, covenant or agreement contained in the Reimbursement Agreement on its part to be performed or observed; or

(d) The City or the Authority shall fail to perform or observe any other term, covenant, or agreement contained in the Reimbursement Agreement on its part to be performed or observed and any such failure shall remain unremedied for 45 days after written notice thereof shall have been given to the City or the Authority (as the case may be) by Union Bank; or

(e) The City or the Authority shall default in the payment of any Debt (as such term is defined in the Reimbursement Agreement, and other than Debt incurred in connection with the Restricted Revenue Bonds (as defined in the Reimbursement Agreement) arising under the Reimbursement Agreement), whether such Debt now exists or shall hereafter be created, and any period of grace with respect thereto shall have expired, or an event of default as defined in any mortgage, indenture, or instrument under which there may be issued, or by which there may be secured or evidenced, any Debt, whether such Debt now exists or may be hereafter created, shall occur, which default in payment or event of default shall result in such Debt becoming or being declared due and payable prior to the date on which it would otherwise become due and payable; or

(f) An order for relief shall have been entered against the City or the Authority under the Bankruptcy Code of the United States, Title 11 of the United States Code, as amended (the "Bankruptcy Code") or any other similar applicable federal or State law, and such decree or order shall have continued undischarged and unstayed for a period of 90 days; or a decree or order of a court having jurisdiction in the premises for the appointment of a receiver, trustee, liquidator, or custodian of the City or of its property, or for the winding up or liquidation of its affairs, shall have been entered, and such decree or order shall have remained in force undischarged and unstayed for a period of 90 days; or

(g) The City or the Authority shall institute a voluntary case, or shall consent to the institution of an involuntary case against it, or shall file a petition or answer or consent seeking reorganization or arrangement under the Bankruptcy Code or any other similar applicable federal or State law, or shall consent to the filing of any such petition, or shall consent to the appointment of a receiver, trustee, liquidator, or custodian of it or of its property, or shall make an assignment for the benefit of creditors, or shall admit in writing its inability to pay its debts generally as they become due, or corporate action shall be taken by the City or the Authority in furtherance of any of the aforesaid purposes; or

(h) (i) Any provision of the Reimbursement Agreement or any of the Related Documents to which the City or the Authority is a party shall at any time for any reason cease to be valid and binding on the City or the Authority, or shall be declared to be null and void, or the validity or enforceability thereof shall be contested by the City or the Authority, or (ii) the City shall deny that it has any or further liability or obligation under the Reimbursement Agreement or any of the Related Documents; or

(i) Any "Event of Default" under and as defined in the Trust Agreement or any other Related Document shall have occurred and be continuing; or

(j) Any event which materially and adversely affects the City's or the Authority's ability to pay debt service on the Bonds or the ability of the City or the Authority to observe or perform the terms of the Reimbursement Agreement or any other Related Document to which it is a party shall have occurred and be continuing.; or

(k) Any pledge or security interest created by the Trust Agreement to secure the Bonds or created by the Reimbursement Agreement shall fail to be fully enforceable with the priority required under the Trust Agreement or the Reimbursement Agreement (as the case may be) by reason of a final, non-appealable judgment of a court of competent jurisdiction; or

(l) Any funds or accounts established pursuant to the Trust Agreement or any funds or accounts on deposit or otherwise to the credit of, such funds or accounts shall become subject to any stay, writ, judgment, warrant of attachment, execution or similar process by any of the creditors of the City or the Authority and such stay, writ, judgment, warrant of attachment, execution or similar process shall not be released, vacated, or stayed within 30 days after its issue or levy; or

(m) The City or the Authority shall fail to use the proceeds of the Bonds for the purposes set forth in the Trust Agreement.

If any Event of Default under the Reimbursement Agreement shall have occurred and be continuing, Union Bank may (but shall not be obligated to) by notice to the City, the Authority, and the Trustee, declare the obligation of Union Bank to issue the Letter of Credit to be terminated, whereupon the same shall forthwith terminate, or, if the Letter of Credit shall have been issued, (i) direct the City, the Authority, and the Trustee (as the case may be) pursuant to the Reimbursement Agreement, to declare a mandatory tender of all Bonds then-Outstanding pursuant to the Trust Agreement and direct the Trustee to cause a mandatory tender of the Bonds pursuant to the terms of the Trust Agreement, (ii) take such action as may be necessary to cure such Event of Default on behalf and for the account of the City or the Authority (as the case may be), (iii) exercise any and all of the rights available to it under the Trust Agreement or any Related Documents, and (iv) exercise any other rights and remedies available to it at law or in equity or under any Related Document or other agreement; provided, that Union Bank shall in no event accelerate any remaining indebtedness to the City to Union Bank arising under the Reimbursement Agreement.

It is understood that, upon the occurrence of an Event of Default under the Reimbursement Agreement, Union Bank may exercise its rights with respect to remedies available to it under the Trust Agreement or any of the other Related Documents, all without limiting or restricting Union Bank's ability, at a later date, to exercise its rights with respect to any remaining revenues for payment of any remaining indebtedness of the City to Union Bank; provided, that Union Bank shall not take any action with respect to the security interest granted in the Reimbursement Agreement without the prior written consent of the Bond Insurer while the Bond Insurance Policy remains in effect , the Bond Insurer is not in default with respect to its obligations under the Bond Insurance Policy, and the Bond Insurer is not insolvent. It is understood that the Bond Insurer is only obligated under the Bond Insurance Policy to pay regularly scheduled principal and interest on the Bonds and any Bank Bonds, regardless of the occurrence of an Event of Default under the Reimbursement Agreement. Payments by the Bond Insurer shall not extinguish the obligation of the City or the Authority to reimburse the Bond Insurer therefore.

In the Reimbursement Agreement, "Related Document" is defined as, collectively, the Letter of Credit, the Bonds, the Trust Agreement, the Remarketing Agreement, the Custody Agreement (as defined in the Reimbursement Agreement), or any other agreement or instrument relating to the Bonds.

Union Bank

The following information has been provided by Union Bank and has not been independently verified by the City, the Authority, the Trustee, or the Bond Insurer, and none of such entities assumes any responsibility for the accuracy, completeness, or adequacy of such information.

Union Bank is the primary banking subsidiary of UnionBanCal Corporation, a bank holding company based in San Francisco with assets of $60.0 billion as of June 30, 2008. Union Bank is the fourth largest bank in California and among the 25 largest commercial banks in the United States, with 330 full service domestic branches, as well as 2 international facilities.

As of December 2007, UnionBanCal Corporation had loans totaling $41.2 billion and total deposits of $42.7 billion. For the twelve months ending December 31, 2007, net income for UnionBanCal Corporation was $608.1 million, compared to $753.0 million for the same period the previous year. For the first six months of 2008 ending June 30, 2008, net income was $141.3 million compared with $165.4 million for the same period the previous year. Copies of the latest annual report and the most recent quarterly report of UnionBanCal may be obtained at www.uboc.com or at Union Bank's Los Angeles office, located at 445 Figueroa Street, Los Angeles, California 90071.

BOND INSURANCE POLICY

The following information has been supplied by the Bond Insurer for inclusion in this Reoffering Memorandum. No representation is made by the Authority or the City as to the accuracy or completeness of the information. Reference is made to Appendix F for a specimen of the Bond Insurance Policy.

The Bond Insurer accepts no responsibility for the accuracy or completeness of this Reoffering Memorandum or any other information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding the Bond Insurer and its affiliates set forth under this caption. In addition, the Bond Insurer makes no representation regarding the Bonds or the advisability of investing in the Bonds. The term "Obligor," as used in this section, means the Authority.

Payment Pursuant to Bond Insurance Policy

The Bond Insurer has issued the Bond Insurance Policy relating to the Bonds, effective as of the original date of issuance of the Bonds. Under the terms of the Bond Insurance Policy, the Bond Insurer will pay to The Bank of New York, in New York, New York, or any successor thereto (the "Insurance Trustee"), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Obligor (as such terms are defined in the Bond Insurance Policy). The Bond Insurer will make such payments to the Bond Insurance Trustee on the later of the date on which such principal and/or interest becomes Due for Payment or within one business day following the date on which the Bond Insurer shall have received notice of Nonpayment from the Trustee. The insurance extends for the term of the Bonds and, during such term, cannot be canceled by the Bond Insurer.

The Bond Insurance Policy insures payment only on stated maturity dates and on mandatory sinking fund installment dates, in the case of principal, and on stated dates for payment, in the case of interest. If the Bonds become subject to mandatory redemption and insufficient funds are available for redemption of all outstanding Bonds, the Bond Insurer will remain obligated to pay the principal of and interest on outstanding Bonds on the originally scheduled interest and principal payment dates, including mandatory sinking fund redemption dates. In the event of any acceleration of the principal of the Bonds, the insured payments will be made at such times and in such amounts as would have been made had there not been an acceleration, except to the extent that the Bond Insurer elects, in its sole discretion, to pay all or a portion of the accelerated principal and interest accrued thereon to the date of acceleration (to the extent unpaid by the Obligor). Upon payment of all such accelerated principal and interest accrued to the acceleration date, the Bond Insurer's obligations under the Bond Insurance Policy shall be fully discharged.

In the event the Trustee has notice that any payment of principal of or interest on a Bond that has become Due for Payment and that is made to a holder by or on behalf of the Obligor has been deemed a preferential transfer and theretofore recovered from its Owner pursuant to the United States Bankruptcy Code in accordance with a final, non-appealable order of a court of competent jurisdiction, such Owner will be entitled to payment from the Bond Insurer to the extent of such recovery if sufficient funds are not otherwise available.

The Bond Insurance Policy does not insure any risk other than Nonpayment (as set forth in the Bond Insurance Policy). Specifically, the Bond Insurance Policy does not cover:

1. payment on acceleration, as a result of a call for redemption (other than mandatory sinking fund redemption) or as a result of any other advancement of maturity;

2. payment of any redemption, prepayment or acceleration premium; and

3. nonpayment of principal or interest caused by the insolvency or negligence of the Trustee, Paying Agent, or Bond Registrar, if any.

If it becomes necessary to call upon the Bond Insurance Policy, payment of principal requires surrender of the Bonds to the Insurance Trustee together with an appropriate instrument of assignment so as to permit ownership of such Bonds to be registered in the name of the Bond Insurer to the extent of the payment under the Bond Insurance Policy. Payment of interest pursuant to the Bond Insurance Policy requires proof of holder entitlement to interest payments and an appropriate assignment of the holder's right to payment to the Bond Insurer.

Upon payment of the insurance benefits, the Bond Insurer will become the Owner of the Bonds, appurtenant coupons, if any, or right to payment of the principal of or interest on such Bonds and will be fully subrogated to the surrendering holder's rights to payment.

The Bond Insurance Policy does not insure against loss relating to payments of the purchase price of the Bonds upon tender by an Owner thereof or any preferential transfer relating to payments of the purchase price of the Bonds upon tender by a Owner thereof.

In the event that the Bond Insurer were to become insolvent, any claims arising under the Bond Insurance Policy would be excluded from coverage by the California Insurance Guaranty Association, established pursuant to the laws of the State of California.

The Bond Insurer

The Bond Insurer is a Wisconsin-domiciled stock insurance corporation regulated by the Office of the Commissioner of Insurance of the State of Wisconsin, and is licensed to do business in 50 states, the District of Columbia, the Territory of Guam, the Commonwealth of Puerto Rico, and the U.S. Virgin Islands, with admitted assets of approximately $12,438,000,000 (unaudited) and statutory capital of approximately $6,700,000,000 (unaudited) as of June 30, 2008. Statutory capital consists of the Bond Insurer's policyholders' surplus and statutory contingency reserve. The Bond Insurer has been assigned the following financial strength ratings by the following rating agencies: Aa3, with negative outlook, by Moody's and AA, with negative outlook, by S&P.

The Bond Insurer has obtained a ruling from the Internal Revenue Service to the effect that the insuring of an obligation by the Bond Insurer will not affect the treatment for federal income tax purposes of interest on such obligation and that insurance proceeds representing maturing interest paid by the Bond Insurer under policy provisions substantially identical to those contained in the Bond Insurance Policy shall be treated for federal income tax purposes in the same manner as if such payments were made by the Obligor. No representation is made by the Bond Insurer regarding the federal income tax treatment of payments that are made by the Bond Insurer under the terms of the Bond Insurance Policy due to non-appropriation of funds by the City to make the Base Rental Payments under the Lease.

The Bond Insurer makes no representation regarding the Bonds or the advisability of investing in the Bonds and makes no representation regarding, nor has it participated in the preparation of, this Reoffering Memorandum other than the information supplied by the Bond Insurer and presented under the heading "BOND INSURANCE POLICY."

Available Information

The parent company of the Bond Insurer, Ambac Financial Group, Inc. (the "Company"), is subject to the informational requirements of the Securities Exchange Act of 1934, as amended, and in accordance therewith files reports, proxy statements, and other information with the SEC. These reports, proxy statements and other information can be read and copied at the SEC's public reference room at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. The SEC maintains an internet site at http://www.sec.gov that contains reports, proxy and information statements, and other information regarding companies that file electronically with the SEC, including the Company. These reports, proxy statements, and other information can also be read at the Bond Insurer's internet website at www.ambac.com and at the offices of the New York Stock Exchange, Inc., 20 Broad Street, New York, New York 10005.

Copies of the Bond Insurer's financial statements prepared on the basis of accounting practices prescribed or permitted by the State of Wisconsin Office of the Commissioner of Insurance are available without charge from the Bond Insurer. The address of the Bond Insurer's administrative offices is One State Street Plaza, 19th Floor, New York, New York 10004, and its telephone number is (212) 668-0340.

Incorporation of Certain Documents by Reference

The following documents filed by the Company with the SEC (File No. 1-10777) are incorporated by reference in this Reoffering Memorandum:

1. The Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2007, and filed on February 29, 2008;

2. The Company's Current Report on Form 8-K dated and filed on March 7, 2008;

3. The Company's Current Reports on Form 8-K dated and filed on March 12, 2008;

4. The Company's Current Report on Form 8-K dated and filed on April 23, 2008;

5. The Company's Quarterly Report on Form 10-Q for the fiscal quarterly period ended March 31, 2008, and filed on May 12, 2008;

6. The Company's Current Report on Form 8-K dated and filed on May 9, 2008;

7. The Company's Current Report on Form 8-K dated and filed on May 28, 2008;

8. The Company's Current Report on Form 8-K dated and filed on June 4, 2008;

9. The Company's Current Report on Form 8-K dated and filed on June 5, 2008;

10. The Company's Current Report on Form 8-K dated and filed on June 19, 2008;

11. The Company's Current Report on Form 8-K dated and filed on June 20, 2008;

12. The Company's Current Report on Form 8-K dated June 26, 2008, and filed on June 27, 2008;

13. The Company's Current Report on Form 8-K dated July 7, 2008, and filed on July 8, 2008; and

14. The Company's Quarterly Report on Form 10-Q for the fiscal quarterly period ended June 30, 2008, dated and filed on August 11, 2008.

The Bond Insurer's consolidated financial statements and all other information relating to the Bond Insurer and subsidiaries included in the Company's periodic reports filed with the SEC subsequent to the date of this Reoffering Memorandum shall, to the extent filed (rather than furnished pursuant to Item 9 of Form 8-K), be deemed to be incorporated by reference into this Reoffering Memorandum and to be a part hereof from the respective dates of filing of such reports.

Any statement contained in a document incorporated in this Reoffering Memorandum by reference shall be modified or superseded for the purposes of this Reoffering Memorandum to the extent that a statement contained in a subsequently filed document incorporated by reference herein modifies or supersedes such statement. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Reoffering Memorandum.

Copies of all information regarding the Bond Insurer that is incorporated by reference in this Reoffering Memorandum are available for inspection in the same manner as described above in "Available Information."

All documents subsequently filed by the Company pursuant to the requirements of the Exchange Act after the date of this Reoffering Memorandum will be available for inspection in the same manner as described above in "Available Information."

INTEREST RATE SWAP AGREEMENT

The City previously entered into the Swap Agreement with the Swap Provider. The Swap Agreement terminates in accordance with its terms on June 1, 2036. Pursuant to the Swap Agreement, the City pays the Swap Provider a fixed rate of interest specified in the Confirmation on a notional amount specified in the Confirmation, and the Swap Provider pays the City a variable rate of interest equal to a certain percentage of the offered rate for deposits in U.S. dollars for a one-month period in LIBOR, as specified in the Confirmation on such notional amount.

All required payments by the City under the Swap Agreement (other than termination, settlement, or indemnification payments) received by the Trustee are required to be deposited in the Swap Payments Fund established under the Trust Agreement for the account of the Swap Provider. All required payments for the Swap Provider under the Swap Agreement (other than termination, settlement, or indemnification payments) received by the Trustee are required to be deposited in the Swap Payments Fund for the account of the City. Pursuant to the Trust Agreement, upon receipt of each such payment, the Trustee shall (on the same day) apply such moneys in the following order of priority: first, pay to the Swap Provider an amount equal to the amount paid by the City pursuant to the Swap Agreement; second, retain in the Swap Payments Fund the amount remaining up to an amount equal to the amount of the interest due on the Bonds on the next Interest Payment Date; and third, pay to the City any remaining amount in the Swap Payments Fund.

Under certain circumstances, the City or the Swap Provider may terminate their respective obligations under the Swap Agreement, and such termination may result in the payment of a settlement amount by the City or the Swap Provider to the other party. The amount of any termination payment will be determined at the time of termination of the Swap Agreement.

Neither the City's nor the Swap Provider's respective payments under the Swap Agreement constitute security for the Bonds, except to the extent that payments by the Swap Provider are transferred from the Swap Payments Fund to the Debt Service Fund as described above, which transferred amounts shall reduce the Base Rental otherwise payable by the City.

The City's obligations to pay the fixed amounts net of any variable rate amounts payable by the Swap Provider under the Swap Agreement are insured by the Swap Surety Bond issued by the Bond Insurer. Any termination payment due by the City to the Swap Provider are not insured by the Bond Insurer under the Swap Surety Bond.

The Swap Agreement does not affect or alter any of the obligations of the City, as assigned to the Trustee, with respect to the payments of Base Rental. The Owners of the Bonds do not have any rights under the Swap Agreement or against the Swap Provider. Payments by the City under the Swap Agreement constitute Additional Rental under the Lease. Failure of the City to pay Additional Rental payments as they become due and payable constitutes an event of default under the Lease. Any termination payments made under the Swap Agreement will be subordinate to all Base Rental and all other Additional Rental under the Lease.

SWAP PROVIDER

The Swap Provider, Royal Bank of Canada, is a Schedule I bank under the Bank Act (Canada), which constitutes its charter and governs its operations. The Swap Provider's corporate headquarters are located at Royal Bank Plaza, 200 Bay Street, Toronto, Ontario, Canada M5J 2J5, and its head office is located at 1 Place Ville Marie, Montreal, Quebec, Canada H3C 3A9.

The Swap Provider and its subsidiaries operate under the master brand name of RBC. The Swap Provider is Canada's largest bank as measured by assets and market capitalization and is one of North America's leading diversified financial services companies. The Swap Provider provides personal and commercial banking, wealth management services, insurance, corporate and investment banking, and transaction processing services on a global basis. The Swap Provider and its subsidiaries employ more than 70,000 full- and part-time employees who serve more than 15 million personal, business, and public sector and institutional clients through offices in Canada, the U.S., and 36 other countries.

The Swap Provider had, on a consolidated basis, as at April 30, 2008, total assets of C$627 billion (approximately US$623 billion[*]), shareholders' equity of C$26 billion (approximately US$25.8 billion[*]), and total deposits of C$399 billion (approximately US$397 billion[*]). The foregoing

[*] As at April 30, 2008, C$1:00 = US$0.993.

figures were prepared in accordance with Canadian generally accepted accounting principles and have been extracted and derived from, and are qualified by reference to, the Swap Provider's unaudited Interim Consolidated Financial Statements included in the Swap Provider's Report to Shareholders for the period ended April 30, 2008.

The long-term senior unsecured debt of the Swap Provider has been assigned ratings of AA (stable outlook) by S&P, Aaa (stable outlook) by Moody's, and AA (stable outlook) by Fitch Ratings. The Swap Provider's common shares are listed on the Toronto Stock Exchange, the New York Stock Exchange, and the Swiss Exchange under the trading symbol "RY." Its preferred shares are listed on the Toronto Stock Exchange.

Upon written request, and without charge, the Swap Provider will provide a copy of its most recent publicly filed Annual Report on Form 40-F, which includes audited Consolidated Financial Statements, to any person to whom this Reoffering Memorandum is delivered. Written requests should be directed to: Investor Relations, Royal Bank of Canada, 200 Bay Street, 14th Floor, South Tower, Toronto, Ontario, Canada, M5J 2J5.

The delivery of this Reoffering Memorandum shall not create any implication that there has been no change in the affairs of the Swap Provider since the date hereof or that the information contained or referred to herein is correct as at any time subsequent to its date.

RISK FACTORS

Investment in the Bonds involves risks that may not be appropriate for certain investors. The following is a discussion of certain risk factors that should be considered, in addition to other matters set forth herein, in evaluating the Bonds for investment. The information set forth below does not purport to be an exhaustive listing of the risks and other considerations that may be relevant to an investment in the Bonds. In addition, the order in which the following information is presented is not intended to reflect the relative importance of any such risks.

Bonds are Limited Obligations

The Bonds are limited obligations of the Authority payable solely from the Base Rental payments and amounts held in certain funds and accounts established under the Trust Agreement. The Bonds do not constitute an obligation of the Authority for which the Authority is obligated to levy or pledge any form of taxation or for which the Authority has levied or pledged any form of taxation. The obligation of the City to make Base Rental payments under the Lease 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. Neither the Bonds nor the obligation of the City to make Base Rental payments constitutes an indebtedness of the Authority, the City, the County, the State or any political subdivision of the State within the meaning of any constitutional or statutory debt limitation or restriction.

Availability of Moneys for Base Rental Payments

The City's Base Rental payments and other payments due under the Lease (including insurance, payment of costs of improvements, repair and maintenance of the Property, taxes and other governmental charges and assessments levied against the Property) are not secured by any pledge of taxes or other revenues of the City but are payable from any funds lawfully available to the City. Additionally, the City may pledge such revenues to other obligations or purposes in the future, thus making them unavailable as a source of payment of the Bonds. In the event the City's revenue sources are less than its total obligations, the City could choose to fund other municipal services prior to making Base Rental payments. The same result could occur if, because of State Constitutional limits on expenditures, the City is not permitted to appropriate and spend all of its available revenues. The City's appropriations currently do not exceed the limitation on appropriations under Article XIIIB of the California Constitution. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS – Article XIIIB of California Constitution: Limits on Appropriations" and "APPENDIX C – CITY OF OXNARD COMPREHENSIVE ANNUAL FINANCIAL REPORT, FISCAL YEAR ENDED JUNE 30, 2007."

Abatement

Except to the extent of amounts held in the Reserve Fund or otherwise available to the Trustee for payments with respect to the Bonds, the obligation of the City to make Base Rental payments will be abated proportionately during any period that by reason of any damage or destruction or taking by eminent domain or by condemnation there is substantial interference with the City's right to use and occupy the Property, such that the resulting payments of Base Rental represent fair rental value for the right of use and possession of the item or portion of the Property not damaged, destroyed or taken. Such abatement would continue for the period commencing with such damage, destruction, or taking and ending with the substantial completion of the replacement, repair, or reconstruction permitting use and occupancy by the City. In the event of any such damage, destruction or taking, the Lease will continue in full force and effect and the City has waived any right to terminate the Lease by virtue of any such damage or destruction or taking. The Trustee cannot terminate the Lease in the event of such damage, destruction or taking.

In the event the Property is not repaired or replaced during the period that proceeds of the City's rental interruption insurance are available in lieu of related Base Rental payments (the City has covenanted to maintain rental interruption insurance covering a period of 24 months, in an amount equal to two times the then-applicable Reserve Requirement, except no such insurance must be maintained for damage or destruction due to or caused by flood or earthquake) plus the period for which funds are available from the Reserve Fund, or in the event that casualty insurance proceeds or condemnation award proceeds are insufficient to provide for complete repair of the Property, as the case may be, there could be insufficient funds to cover payments to Owners in full. See "APPENDIX A – SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS – Lease."

Limited Recourse on Default

If the City defaults on its obligations to make Base Rental payments with respect to the Property, the Trustee has the right to re-enter and re-let the Property. In the event such re-letting occurs, the City would be liable for any deficiency in Base Rental payments that results therefrom. See "APPENDIX A – SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS – Lease."

No assurance can be given, however, that the Trustee will be able to re-let the Property so as to provide rental income sufficient to pay principal of and interest on the Bonds in a timely manner. In addition, the Lease provides that in no event shall the Trustee re-let the Property or any Component thereof to any lessee that is not itself a governmental entity without first obtaining an opinion of Independent Counsel that such re-letting will not adversely affect the exclusion of interest on the Bonds from gross income for federal income tax purposes. Thus, the number of permissible lessees may be limited. The Trustee is not empowered to sell a fee simple interest in the Property for the benefit of the Owners. It is not certain whether a court would permit the exercise of the remedies of repossession and re-letting with respect thereto. Any suit for money damages would be subject to limitations on legal remedies against cities in California, including a limitation on enforcement of judgments against funds needed to serve the public welfare and interest.

Seismic Activity; Flood Plain; Limited Insurance

Although the Lease does not require the City to maintain actuarially determined reserves to cover payments of claims pursuant to casualty and liability insurance deductibles and for claims not covered by the liability and casualty insurance, the City currently maintains such reserves. No assurance can be given, however, that the City will continue to maintain such reserves. The casualty and liability insurance required under the Lease will not cover losses due to earthquake or flood and the rental interruption insurance required under the Lease will not cover interruption of Base Rental payments due to earthquake or flood. See "SECURITY FOR THE BONDS – Insurance."

The City, along with much of the State of California, shares a history of seismic activity and is thus listed as a "Zone 4" earthquake area in the Uniform Building Code. A Zone 4 designation has the most restrictive design requirements for new construction. The City standards for development, to which the Components of the Property were subject, have been designed to reduce the risk to the public and adequately mitigate seismic hazards.

There are no known major earthquake faults within the City; however, there are several active faults located within a radius of approximately 50 miles from the City, including the San Andreas Fault and the San Gabriel Fault. Activity along these faults could potentially result in damage to the buildings, roads, bridges, and property within the City in the event of a major earthquake.

If a major earthquake were to occur, it may substantially damage or destroy all or a portion of the Property, which could result in abatement of the Base Rental payments and, in turn, a default in the payment of principal and interest on the Bonds. The chance that the occurrence of severe seismic activity in the area of the Property could result in substantial damage and interference with the City's right to use all or a portion of the Property, and thereby result in an abatement of the Base Rental payments and a default in the payment of the Bonds, is mitigated by the development standards discussed above.

The Property is located in a flood insurance rate zone designated by the Federal Emergency Management Agency ("FEMA") as "Zone C." According to FEMA, Zones B, C, and X refer to flood insurance rate zones that are not within the 100-year floodplain and are therefore not considered to pose a flood hazard. Consequently, no flood insurance has been or will be obtained by the City with respect to the Property. The term "100-year flood" refers to the flood elevation that has a one percent chance of being equaled or exceeded in any given year. A base flood may also be referred to as a "100-year storm" and the area inundated during the base flood is sometimes called the "100-year floodplain." The 100-year flood, which is the standard used by most federal and state agencies, is used by the National Flood Insurance Program as the standard for floodplain management and to determine the need for flood insurance.

No Acceleration Upon Default

In the event of a default in the payment of the Base Rental or the Bonds, there is no available remedy of acceleration of the Bonds or of the total Base Rental payments due over the term of the Lease. The City will only be liable for Base Rental payments on an annual basis and the Trustee would be required to seek a separate judgment in each Fiscal Year for that Fiscal Year's Base Rental payments. The Bonds are, however, subject to mandatory tender in the event of a default under certain circumstances described above. See "THE BONDS – Mandatory Tender."

Substitution of Property

The Lease provides that, upon satisfaction of certain conditions and with the consent of the Bond Insurer, the City may substitute other real property for one or more Components of the Property. See

"THE PROPERTY" and "APPENDIX A – SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS – Lease." Although the Lease requires that the substitute property have an annual fair rental value at least equal to the annual fair rental value of the Component being substituted, the Lease does not require that the substituted property be of any particular type. Consequently, upon the occurrence of an event of default under the Lease, a substituted Component could be more difficult to re-let than the original Component.

Absence of Market for the Bonds

There can be no assurance that there will continue to 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 and the financial condition or market position of firms who may make the secondary market.

Constitutional Limitations on Taxes and Appropriations

California law imposes various taxing, revenue and appropriations limitations on public agencies, such as the City. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS" below for a discussion of these limitations.

Loss of Tax Exemption

As discussed herein under "TAX MATTERS," interest with respect to the Bonds could become includable in gross income for purposes of federal income taxation retroactive to the date such Bonds were originally issued as a result of acts or omissions of the Authority or the City in violation of its covenants in the Trust Agreement and the Tax Certificate. Should such a violation occur and result in a loss of tax exemption with respect to the Bonds, the Bonds are not subject to a special redemption and will remain outstanding until maturity or until redeemed under the provisions contained in the Trust Agreement.

Bankruptcy

In addition to the limitation on remedies contained in the Trust Agreement, the rights and remedies provided in the Trust Agreement and Lease may be limited by and are subject to the provisions of federal bankruptcy laws, as now or hereafter enacted, and to other laws or equitable principles that may affect the enforcement of creditors' rights.

Under Chapter 9 of the Bankruptcy Code (Title 11, United States Code), which governs the bankruptcy proceedings for public agencies such as the City, there are no involuntary petitions in bankruptcy. If the City were to file a petition under Chapter 9 of the Bankruptcy Code, the Owners, the Trustee and the Authority could be prohibited from taking any steps to enforce their rights under the Lease, and from taking any steps to collect amounts due from the City under the Lease.

Economic, Political, Social and Environmental Conditions

Prospective investors are encouraged to evaluate current and prospective economic, political, social, and environmental conditions as part of an informed investment decision. Changes in economic, political, social, or environmental conditions on a local, state, federal, or international level may adversely affect investment risk generally. Such conditional changes may include (but are not limited to) the reduction or elimination of previously available State or federal revenues, fluctuations in business production, consumer prices, or financial markets, unemployment rates, technological advancements, shortages or surpluses in natural resources or energy supplies, changes in law, social unrest, fluctuations in the crime rate, political conflict, acts of war or terrorism, environmental damage and natural disasters.

CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS

Article XIIIA of the California Constitution

Section 1(a) of Article XIIIA of the California Constitution ("Article XIIIA") limits the maximum *ad valorem* tax on real property to 1% of full cash value (as defined in Section 2 of Article XIIIA), to be collected by each county and apportioned among the county and other public agencies and funds according to law. Section 1(b) of Article XIIIA provides that the 1% limitation does not apply to *ad valorem* taxes to pay interest or redemption charges on (a) indebtedness approved by the voters prior to July 1, 1978, (b) any 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, or (c) bonded indebtedness incurred by a school district or a community college district for the construction, reconstruction, rehabilitation, or replacement of school facilities or the acquisition or lease of real property for school facilities, approved by 55% of the voters of the district, but only if certain accountability measures are included in the proposition. Section 2 of Article XIIIA defines "full cash value" to mean "the County Assessor's valuation of real property as shown on the 1975/76 tax bill under full cash value or, thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment." The full cash value may be adjusted annually to reflect inflation at a rate not to exceed 2% per year or to reflect a reduction in the consumer price index or comparable data for the area under the taxing jurisdiction, or reduced in the event of declining property values caused by substantial damage, destruction, or other factors.

Legislation enacted by the State Legislature to implement Article XIIIA provides that notwithstanding any other law, local agencies may not levy any *ad valorem* property tax that exceeds the 1% limitation imposed by Article XIIIA except to pay debt service on indebtedness approved by the voters as described above. In addition, legislation enacted by the California Legislature to implement Article XIIIA provides that all taxable property is shown at full assessed value as described above. Prior to fiscal year 1981-82, assessed valuations were reported at 25% of the full value of the property. In conformity with this procedure, all taxable property value included in this Reoffering Memorandum (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.

In the June 1990 election, the voters of the State approved amendments to Article XIIIA permitting the State Legislature to extend the replacement dwelling provisions applicable to persons over 55 to severely disabled homeowners for a replacement dwelling purchased or newly constructed on or after June 5, 1990, and to exclude from the definition of "new construction" triggering reassessment improvements to certain dwellings for the purpose of making the dwelling more accessible to severely disabled persons. In the November 1990 election, the voters of the State approved an amendment of Article XIIIA to permit the State Legislature to exclude from the definition of "new construction" seismic retrofitting improvements or improvements utilizing earthquake hazard mitigation technologies constructed or installed in existing buildings after November 6, 1990. Since 1990, the voters have approved several other minor exemptions from the reassessment provisions of Article XIIIA.

Future assessed valuation growth allowed under Article XIIIA (new construction, change of ownership, 2% annual value growth) will be allocated among the jurisdictions that serve the tax rate area within which the growth occurs. Local agencies and school districts will share the growth of revenue from the tax rate area. Each year's growth allocation becomes part of each agency's allocation the following year. Article XIIIA effectively prohibits the levying of any other *ad valorem* property tax above the 1% limit except for taxes to support indebtedness approved by the voters as described above.

Article XIIIB of the California Constitution

On November 6, 1979, California voters approved Proposition 4, the so-called Gann Initiative, which added Article XIIIB to the California Constitution ("Article XIIIB"). In June 1990, Article XIIIB was amended by the voters through their approval of Proposition 111. Article XIIIB limits the annual appropriations of the State and of any city, county, school district, authority, or other political subdivision of the State to the level of appropriations for the prior fiscal year, as adjusted annually for changes in the cost of living, population, and cost of 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 (i) if financial responsibility for providing services is transferred to the governmental entity, or (ii) 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 of an entity of local government 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 capital 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 (i) regulatory licenses, user charges, and user fees to the extent such proceeds exceed the cost of providing the service or regulation, (ii) the investment of tax revenues, and (iii) certain State subventions received by local governments. Article XIIIB includes a requirement that if an entity's revenues in any year exceed the amount permitted to be spent, the excess must be returned by revising tax rates or fee schedules over the subsequent two fiscal years.

Proposition 111

In June 1990, the voters of the State approved Proposition 111, which amended the method of calculating State and local appropriations limits. As amended in June 1990, the appropriations limit for an entity of local government 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," with respect to an entity of local government other than a school district or a community college district is, at such entity of local government's option, either (A) the change in the California per capita personal income ("CPCPI") from the preceding year, or (B) the change in the local assessment roll from the preceding year for the jurisdiction due to the addition of local nonresidential new construction, as selected annually by such entity of local government by a recorded vote of such entity's governing body. Previously, the lower of the CPCPI or the United States Consumer Price Index was used. The "change in population" for a local agency for a calendar year for each city and county, means the change in population between January 1 of the next calendar year and January 1 of the calendar year in question, as estimated by the State Department of Finance pursuant to Section 2227 of the California Revenue and Taxation Code, for either (A) within its own jurisdiction, or (B) for a city only, within the county in which the city is located. Previously, a city only could use the change of population within its own jurisdiction. Each city shall select its change in population annually by a recorded vote of the governing body of the City.

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.

Proposition 111 also recomputed the appropriations limit for the fiscal year by adjusting the fiscal year 1986-87 limit by the CPCPI for the three subsequent years. Proposition 111 also excluded appropriation for "all qualified capital outlay Expansion Projects, as defined by the Legislature" from the definition of "appropriations subject to limitation."

Article XIIIB allows voters to approve a temporary waiver of a government's Article XIIIB limit. Such a waiver is often referred to as a "Gann limit waiver." The length of any such waiver is limited to four years. The Gann limit waiver does not provide any additional revenues to the City or allow the City to finance additional services.

Base Rental and Additional Rental payments are subject to the Article XIIIB appropriations limitations. According to the City's audited financial statements for Fiscal Year 2006-07, the City's auditor calculated the City's appropriations limit for Fiscal Year 2006-07 at $155,966,709. For Fiscal Year 2007-08, the City has budgeted its appropriations limit for Fiscal Year 2007-08 at $180,467,433. The City's appropriations have never exceeded the limitation on appropriations under Article XIIIB of the California Constitution. The impact of the appropriations limit on the City's financial needs in the future is unknown.

Articles XIIIC and XIIID of the California Constitution

On November 5, 1996, the voters of the State approved Proposition 218, known as the "Right to Vote on Taxes Act." Proposition 218 added Article XIIIC ("Article XIIIC") and Article XIIID ("Article XIIID") to the California Constitution, which contain a number of provisions affecting the ability of the City to levy and collect both existing and future taxes, assessments, fees, and charges. The interpretation and application of certain provisions of Proposition 218 will ultimately be determined by the courts with respect to some of the matters discussed below. It is not possible at this time to predict with certainty the future impact of such interpretations. The provisions of Proposition 218, as so interpreted and applied, may affect the City's ability to meet certain obligations.

Article XIIIC requires that all new local taxes be submitted to the electorate before they become effective. Taxes for general governmental purposes require a majority vote and taxes for specific purposes, even if deposited in a general fund such as the City's General Fund, require a two-thirds vote. Article XIIIC further provides that any general purpose tax imposed, extended, or increased, without voter approval, after December 31, 1994, may continue to be imposed only if approved by a majority vote in an election which must be held within two years of November 5, 1996. The City has not so imposed, extended, or increased any such taxes which are currently in effect.

Article XIIIC also 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, and charges were imposed. Article XIIIC expands the initiative power to include reducing or repealing assessments, fees, and charges, which 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, and absent other legal authority could result in the retroactive reduction in any existing taxes, assessments, fees, or charges. No assurance can be given that the voters of the City will not, in the future, approve initiatives which reduce or repeal, or prohibit the future imposition or increase of, 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.

The City does not levy any property related "fees" or "charges" that it considers subject to challenge under Article XIIIC.

The voter approval requirements of Proposition 218 reduce the flexibility of the City to raise revenues for the General Fund, and no assurance can be given that the City will be able to impose, extend or increase such taxes in the future to meet increased expenditure needs.

Article XIIID also added several new provisions relating to how local agencies may levy and maintain "assessments" for municipal services and programs. These provisions include, among other things, (i) a prohibition against assessments which exceed the reasonable cost of the proportional special benefit conferred on a parcel, (ii) a requirement that the assessment must confer a "special benefit," as defined in Article XIIID, over and above any general benefits conferred, and (iii) a majority protest procedure which involves the mailing of a notice and a ballot to the record owner of each affected parcel, a public hearing and the tabulation of ballots weighted according to the proportional financial obligation of the affected party. "Assessment" in Article XIIID is defined to mean any levy or charge upon real property for a special benefit conferred upon the real property and applies to landscape and maintenance assessments for open space areas, street medians, street lights, and parks. The City has followed all of the requirements of Article XIIID in connection with the formation of all of its existing landscape and lighting districts through which it has financed open space areas, street medians, street lights, and parks, and intends to continue such compliance.

In addition, Article XIIID added several provisions affecting "fees" and "charges," defined for purposes of Article XIIID to mean "any levy other than an *ad valorem* tax, a special tax, or an assessment, imposed by [a local government] upon a parcel or upon a person as an incident of property ownership, including a user fee or charge for a property related service." All new and existing property related fees and charges must conform to requirements prohibiting, among other things, fees and charges which (i) generate revenues exceeding the funds required to provide the property related service, (ii) are used for any purpose other than those for which the fees and charges are imposed, (iii) are for a service not actually used by, or immediately available to, the owner of the property in question, or (iv) are used for general governmental services, including police, fire, ambulance, or library services, where the service is available to the public at large in substantially the same manner as it is to property owners. 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. Further, before any property related fee or charge may be imposed or increased, written notice must be given to the record owner of each parcel of land affected by such fee or charge. The City must then hold a hearing upon the proposed imposition or increase, and if written protests against the proposal are presented by a majority of the owners of the identified parcels, the City may not impose or increase the fee or charge. Moreover, except for fees or charges for wastewater, water, and refuse collection services, or fees for electrical and gas service, which are not treated as "property related" for purposes of Article XIIID, no property related fee or charge may be imposed or increased without majority approval by the property owners subject to the fee or charge or, at the option of the local agency, two-thirds voter approval by the electorate residing in the affected area.

Proposition 62

A statutory initiative ("Proposition 62") was adopted by the voters of the State at the November 4, 1986 general election which (a) requires that any tax for general governmental purposes imposed by local governmental entities be approved by resolution or ordinance adopted by two-thirds vote of the governmental agency's legislative body and by a majority of the electorate of the governmental entity, (b) requires that any special tax (defined as taxes levied for other than general governmental purposes) imposed by a local governmental entity be approved by a two-thirds vote of the voters within the jurisdiction, (c) restricts the use of revenues from a special tax to the purposes or for the service for which the special tax is imposed, (d) prohibits the imposition of *ad valorem* taxes on real property by local governmental entities except as permitted by Article XIIIA, (e) prohibits the imposition of transaction taxes and sales taxes on the sale of real property by local governmental entities, and (f) requires that any tax imposed by a local governmental entity on or after August 1, 1985 be ratified by a majority vote of the electorate within two years of the adoption of the initiative or be terminated by November 15, 1988. The requirements imposed by Proposition 62 were generally upheld by the California Supreme Court in Santa Clara County Local Transportation Authority v. Guardino, 11 Ca1.4th 220; 45 Ca1.Rptr.2d 207 (1995).

Proposition 62 applies to the imposition of any taxes or the effecting of any tax increases after its enactment in 1986, but the requirements of Proposition 62 are subsumed by the requirements of Proposition 218 for the imposition of any taxes or the effecting of any tax increases after November 5, 1996. See "– Articles XIIIC and XIIID of the California Constitution" above.

The City has not imposed any taxes or effected any tax increases after the enactment of Proposition 62 in 1986 and prior to the effective date of Proposition 218 on November 5, 1996, other than special taxes that were approved by a vote of two-thirds of the applicable electorate.

Future Initiatives

Article XIIIA, Article XIIIB, Article XIIIC, and Article XIIID, and Propositions 62, 111, and 218, were each 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.

THE AUTHORITY

The Authority is a joint exercise of powers entity duly organized and existing under and by virtue of the laws of the State of California pursuant to a Joint Exercise of Powers Agreement, dated as of October 8, 1991 (the "JPA"), by and among the City, the Oxnard Community Development Commission (as successor to the Redevelopment Agency of the City of Oxnard), and the Housing Authority of the City of Oxnard. The Authority was created on October 8, 1991, to finance the cost of any capital improvement, working capital, or liability and other insurance needs, or projects wherever there are significant public benefits, as determined by the City.

The Authority is governed by a five-member Governing Board. The current members of the Board, who are the members of the City Council, are listed below:

Name	Office
Dr. Thomas E. Holden	Chairman
Dean Maulhardt	Vice Chairman
Andres Herrera	Board Member
John C. Zaragoza	Board Member
Timothy B. Flynn	Board Member

The Authority is also served by the officers listed below who, in the case of the Controller and General Counsel, serve in these capacities by virtue of their duties as Chief Financial Officer and City

Attorney, respectively or, in the case of the Secretary, is appointed by the Board and serves at the pleasure of the Board. The officers are:

Name	Position
James Cameron	Controller
Alan Holmberg	Acting General Counsel
Daniel Martinez	Secretary

Neither the Authority nor its Board members have any obligations or liability to the Owners of the Bonds with respect to the payment of Base Rental by the City under the Lease, or with respect to the performance of the City of other covenants made by it in the Lease.

THE PROPERTY

The Property, which the City is leasing pursuant to the Lease, consists of (i) a four-level parking structure located in downtown Oxnard at the southwest corner of Third Street and B Street, which covers approximately 181,665 square feet on approximately 1.31 acres of land and encompasses approximately 595 parking spaces (the "Parking Structure"), and (ii) office and evidence storage facilities used by the City's Police Department, located on approximately 2.86 acres of land at 3001 Sturgis Road, Oxnard, California, consisting of an approximately 59,184 square foot industrial building, including approximately 8,000 square feet of office space (the "Police Facilities"). The Parking Structure and the Police Facilities are each defined herein as a "Component" and collectively defined herein as the "Property."

The Lease provides that, if no default or event of default has occurred and is continuing thereunder, and upon compliance with the conditions specified therein, the City may, with the prior written consent of the Bond Insurer, acquire any Component from the Authority, free and clear of the Authority's rights under the Lease, upon substituting another component therefor; provided, however, that such substitute component must have an annual fair rental value at least equal to 100% of the maximum amount of Base Rental payments attributable to the Component being replaced becoming due in the then-current Lease Year or in any subsequent Lease Year. See "APPENDIX A – SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS – Lease."

THE PROJECT

A portion of the proceeds from the sale of the Bonds was used to finance the reconstruction of a former library building located at 214 South "C" Street in the City into a municipal building that houses a one-stop development permit center and administration offices for the City's Fire Department (the "Project").

TAX MATTERS

Bond Counsel Opinion

On December 14, 2006, Goodwin Procter LLP, Los Angeles, California, as bond counsel ("Bond Counsel"), delivered an opinion that, based upon an analysis of existing laws, regulations, rulings, and judicial decisions, interest on the Bonds is excludable from gross income for federal income tax purposes and is exempt from State of California personal income taxes. Bond Counsel was further of the opinion that interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes. However, Bond Counsel observed that such interest is included in adjusted current earnings in calculating corporate alternative minimum taxable income. A copy of the form of opinion of Bond Counsel is set forth in Appendix D hereto and will accompany the Bonds.

The Internal Revenue Code of 1986, as amended (the "Code"), imposes various restrictions, conditions, and requirements relating to the exclusion from gross income for federal income tax purposes of interest received by persons such as the Owners of the Bonds. The City and the Authority have covenanted to comply with certain restrictions designed to ensure that interest on the Bonds will not be included in gross income for federal income tax purposes. Failure to comply with those covenants may result in interest on the Bonds being included in gross income for federal income tax purposes, possibly from the date of issuance of the Bonds. The opinion of Bond Counsel assumed compliance with those covenants. Bond Counsel did not undertake to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Bonds may affect the tax status of interest on the Bonds.

Certain requirements and procedures contained or referred to in the Trust Agreement, the Lease, the Property Lease, and other relevant documents may be changed and certain actions (including, without limitation, defeasance of the Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents, upon the advice or with the approving opinion of nationally recognized bond counsel. Bond Counsel expressed no opinion as to any Bond or the interest thereon if any such change occurs or action is taken upon the advice or approval of bond counsel other than Bond Counsel.

Bond Counsel did not undertake to advise in the future whether any events after the date of issuance of the Bonds may affect the federal or state tax status of interest on the Bonds or the tax consequences of ownership of the Bonds. No assurance can be given that future legislation, including amendments to the Code or interpretations thereof, if enacted into law, will not contain provisions, which could directly or indirectly reduce the benefit of the excludability of the interest on the Bonds from gross income for federal income tax purposes.

Although Bond Counsel rendered an opinion that interest on the Bonds is excluded from gross income for federal gross income and California State personal income tax purposes, a Owner's federal and State tax liability may otherwise be affected by the ownership or disposition of the Bonds. The nature and extent of these other tax consequences will depend upon the Owner's other items of income or deduction. Without limiting the generality of the foregoing, prospective purchasers of the Bonds should be aware that: (i) Section 265 of the Code denies a deduction for interest on indebtedness incurred or continued to purchase or carry the Bonds, or in the case of a financial institution, that portion of a holder's interest expense allocated to interest on the Bonds; (ii) with respect to insurance companies subject to the tax imposed by Section 831 of the Code, Section 832(b)(5)(B)(i) reduces the deduction for loss reserves by 15% of the sum of certain items, including interest on the Bonds; (iii) with respect to life insurance companies, life insurance company taxable income subject to the tax imposed by Section 801 of the Code is determined by permitting deductions for certain dividends received but not to the extent such dividend is from a non-insurance corporation and is out of tax-exempt interest, including interest on the Bonds; (iv) interest on the Bonds earned by certain foreign corporations doing business in the United States could be subject to a branch profits tax imposed by Section 884 of the Code; (v) passive investment income, including interest on the Bonds, may be subject to federal income taxation under Section 1375 of the Code for Subchapter S corporations that have Subchapter C earnings and profits at the close of the taxable year if greater than 25% of the gross receipts of such Subchapter S corporation is passive investment income; (vi) Section 86 of the Code requires recipients of certain Social Security and certain Railroad Retirement benefits to take into account, in determining the taxability of such benefits, receipts or accruals of interest on the Bonds; and (vii) under Section 32(i) of the Code, receipt of investment income, including interest on the Bonds, may disqualify the recipient thereof from obtaining the earned income credit. Bond Counsel expressed no opinion regarding any such other tax consequences. Accordingly, before purchasing any of the Bonds, all potential purchasers should consult their tax advisors concerning collateral tax consequences with respect to the Bonds.

Risk of Audit by Internal Revenue Service

The Internal Revenue Service (the "Service") has an ongoing program of auditing tax-exempt obligations to determine whether, in the view of the Service, interest on such tax-exempt obligations is includable in the gross income of the Owners thereof for federal income tax purposes. No assurances can be given as to whether or not the Service will commence an audit of the Bonds. If an audit is commenced, under current procedures the Service is likely to treat the Authority as the taxpayer and the Owners of the Bonds may have no right to participate in such procedure.

Bond Counsel's opinion represented its legal judgment based upon its review of existing law, regulations, rulings, judicial decisions, and other authorities, and upon the covenants and representations of the parties and such other facts as it has deemed relevant to render such opinion, and is not a guarantee of a result. Neither the Underwriter nor Bond Counsel is obligated to defend the tax-exempt status of the Bonds. Neither the Authority nor Bond Counsel is responsible to pay or reimburse the costs of any Owner with respect to any audit or litigation relating to the Bonds.

Original Issue Discount/Premium

To the extent the issue price of any maturity of the Bonds is less than the amount to be paid at maturity of such Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Bonds), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each Owner thereof, is treated as interest on the Bonds that is excluded from gross income for federal income tax purposes. For this purpose, the issue price of a particular maturity of the Bonds is the first price at which a substantial amount of such maturity of the Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Bonds accrues daily over the term to maturity of such Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Bonds. Owners of the Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Bonds with original issue discount, including the treatment of purchasers who do not purchase such Bonds in the original offering to the public at the first price at which a substantial amount of such Bonds is sold to the public.

Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) ("Premium Bonds") will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of bonds, like Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a purchaser's basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such purchaser. Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

No New or Updated Review or Opinions

EXCEPT AS DESCRIBED ABOVE, NO PERSON OR LAW FIRM HAS REVIEWED OR PASSED UPON THE BONDS, THE PROPERTY, OR ANY OTHER FACTS OR CIRCUMSTANCES CONCERNING THE BONDS SINCE THE ORIGINAL ISSUANCE OF THE BONDS. IN ADDITION, NO DETERMINATION HAS BEEN MADE SINCE THAT TIME WHETHER THE AUTHORITY, THE CITY, OR THE PROPERTY HAVE COMPLIED WITH THE REQUIREMENTS OF THE CODE FOR THE PURPOSE OF DETERMINING WHETHER INTEREST PAYABLE WITH RESPECT TO

THE BONDS REMAINS EXCLUDABLE FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES. MOREOVER, EXCEPT FOR THE OPINION OF GOODWIN PROCTER LLP DESCRIBED ABOVE, NO REPRESENTATIONS ARE BEING MADE AND NO LEGAL OPINIONS ARE BEING RENDERED BY ANY PARTY OR LAW FIRM IN CONNECTION WITH THE REMARKETING OF THE BONDS PURSUANT TO THIS REOFFERING MEMORANDUM AS TO THE PRIOR, CURRENT, AND CONTINUED EXCLUDABILITY OF INTEREST PAY ABLE WITH RESPECT TO THE BONDS FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES, THE EXEMPTION OF SUCH INTEREST FROM STATE OF CALIFORNIA PERSONAL INCOME TAXES, OR OTHER TAX CONSEQUENCES RELATED TO THE OWNERSHIP OR DISPOSITION OF THE BONDS.

RATINGS

It is expected that, upon the remarketing of the Bonds, S&P will assign its municipal bond ratings of "AAA/A-1" to the Bonds based upon the issuance of the Letter of Credit by Union Bank. There is no assurance that any such ratings will be in effect for any given period of time or that either of them will not be revised downward or withdrawn entirely by the applicable rating agency if, in the judgment of such agency, circumstances so warrant. Any such downward revision or withdrawal may have an adverse effect on the market price of the Bonds. Such ratings reflect only the views of the applicable rating agency and an explanation of the significance of any rating may be obtained only from the rating agency furnishing the same.

NO CONTINUING DISCLOSURE

So long as the Bonds bear interest at the Weekly Interest Rate and are in denominations of $100,000 or more, the Authority is not required to provide continuing disclosure under Rule 15c2-12. If and when the Authority elects to convert the interest on the Bonds to a Fixed Rate, the Authority will provide the continuing disclosure required under Rule 15c2-12, as it may from time to time hereafter be amended or supplemented.

NO LITIGATION

The City and the Authority will certify that there is no action, suit, or proceeding known to the City or the Authority to be pending or threatened, restraining or enjoining the remarketing of the Bonds or in any way contesting or affecting the validity of the foregoing or any proceeding of the City or the Authority taken with respect to any of the foregoing or that will materially affect the City's ability to pay Base Rental payments when due.

CERTAIN LEGAL MATTERS

Certain legal matters relating to the remarketing of the Bonds will be passed upon for the Authority and the City by the City Attorney and Goodwin Procter LLP, Los Angeles, California, as Bond Counsel or as Disclosure Counsel, and for Union Bank by Nixon Peabody LLP, San Francisco, California.

MISCELLANEOUS

The purpose of this Reoffering Memorandum is to supply information to prospective buyers of the Bonds. Quotations from and summaries and explanations of the Bonds and of statutes and other documents contained in this Reoffering Memorandum do not purport to be complete and reference is made to such statutes and documents for full and complete statements of their provisions.

The preparation and distribution of this Reoffering Memorandum have been duly authorized and approved by the City and the Authority.

CITY OF OXNARD FINANCING AUTHORITY

By: /s/ James Cameron
Controller

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APPENDIX A

SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS

The following is a brief summary of certain provisions of the Trust Agreement, the Lease, and the Property Lease. This summary does not purport to be complete and is qualified in its entirety by reference to said documents.

SELECTED DEFINITIONS

"Additional Rental" means the amounts specified as such in the Lease.

"Authority Representative" means the Chairman, Vice Chairman, the Secretary, or the Controller of the Authority, by any other officer of the Authority duly authorized by the Authority to act on behalf of the Authority under or with respect to the Trust Agreement and all other agreements related thereto.

"Authorized Denomination" means (i) $100,000 or any integral multiple of $5,000 in excess thereof during any period in which the Bonds bear interest at a Weekly Interest Rate and (ii) $5,000 or any integral multiple thereof on and after the Fixed Rate Date.

"Bank," when used in the Lease or the Property Lease, means the Liquidity Provider and, if applicable, the Credit Provider.

"Bank Bonds" has the meaning ascribed thereto in the Liquidity Facility.

"Base Rental" means the amounts specified as such in the Lease, as such amounts may be adjusted from time to time in accordance with the terms of the Lease, but does not include Additional Rental.

"Bond Insurance Policy" means the financial guaranty insurance policy issued by the Bond Insurer insuring the payment when due of the principal of and interest on the Bonds as provided therein.

"Bond Insurer" means Ambac Assurance Corporation, a Wisconsin-domiciled stock insurance company, or any successor thereto.

"Bond Register" means the registration books referred to in the Trust Agreement.

"Bond Year" means the period of twelve consecutive months commencing on June 2 and ending on June 1 in any year during which Bonds are or will be Outstanding; provided, however, the first Bond Year will commence on the Closing Date and end on June 1, 2007, and that the final Bond Year will end on the date on which the Bonds are fully paid or redeemed.

"Business Day" means any day other than (1) a Saturday, a Sunday, or a day on which banking institutions in the State or in the city in which the principal office of the Credit Provider or the Liquidity Provider is located are authorized or obligated by law or executive order to be closed, (2) a day on which the New York Stock Exchange is authorized or obligated by law or executive order to be closed, or (3) a day on which commercial banks are authorized or obligated by law or executive order to be closed in the city in which the principal office of the Remarketing Agent, the Bond Insurer, the Liquidity Provider, the Credit Provider, the Swap Provider, or the Trustee is located.

"Certificate of the Authority" means an instrument in writing signed by an Authority Representative.

"Certificate of the City" means an instrument in writing signed by a City Representative.

"City Representative" means the City Manager (or his or her designee) or the Chief Financial Officer (or his or her designee) of the City, or by any other official of the City duly authorized by the City to act on behalf of the City under or with respect to the Trust Agreement and all other agreements related thereto.

"Closing Date" means December 14, 2006, the date of delivery of the Bonds to the initial purchasers thereof.

"Code" means the Internal Revenue Code of 1986, as amended.

"Component" means each Component of the Property, the legal description of which Component is described in Exhibit A of the Lease, or any property substituted therefor pursuant to the Lease.

"Computation Year" means with respect to the Bonds the period beginning on the Closing Date and ending on June 1, 2007, and thereafter each successive twelve month period commencing on each June 2 and ending on the following June 1.

"Costs of Issuance" mean all the costs of issuing and delivering the Bonds, including, but not limited to, all printing and document preparation expenses in connection with the Trust Agreement, the Lease, the Property Lease, the Liquidity Facility, the Swap Agreement, the Bonds, and the preliminary, if any, and final official statements pertaining to the Bonds; rating agency fees; the Bond Insurance Policy premium; the Surety Bond premium, CUSIP Service Bureau charges; consultant fees; market study fees; any computer and other expenses incurred in connection with the issuance of the Bonds; the initial fees and expenses of the Trustee and any paying agent (including, without limitation, origination fees and first annual fees payable in advance); any initial fees or expenses (including legal fees) payable to the Liquidity Provider or the Swap Provider or their respective counsel; and other fees and expenses incurred in connection with the issuance, execution, and delivery of the Bonds, including the initial rental interruption insurance premium, to the extent such fees and expenses are approved by the City.

"Costs of Issuance Fund" means the fund of that name established pursuant to the Trust Agreement.

"Credit Facility" means any letter of credit, committed line of credit, bond purchase agreement, surety bond, bond insurance policy or other instrument, or any combination thereof (including any Substitute Credit Facility but excluding, in all cases, the Bond Insurance Policy), under the terms of which the Trustee is authorized to receive payment of an amount sufficient to pay when and as due under the Trust Agreement the principal of and the interest on the Bonds. The initial Credit Facility shall be the Letter of Credit issued pursuant to the Reimbursement Agreement.

"Credit Facility Fund" means the account by that name established under Trust Agreement.

"Credit Provider" means, initially, Union Bank of California, N.A., acting as the provider of the Credit Facility pursuant to the Reimbursement Agreement, or any successor thereto, or the issuer of a Substitute Credit Facility, if such Substitute Credit Facility has been issued as provided in accordance with the Trust Agreement.

"Debt Service Fund" means the fund of that name established pursuant to the Trust Agreement.

"Depository" means DTC and its successors and assigns or, if (a) the then Depository resigns from its functions as securities depository of the Bonds, or (b) the City discontinues use of the Depository pursuant to the Trust Agreement, any other securities depository that agrees to follow procedures required to be followed by a securities depository in connection with the Bonds and that is selected by the City with the consent of the Trustee.

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

"Expiration Date" means, as applicable, (i) the date of expiration, if any, of the Liquidity Facility or the date that the Liquidity Facility otherwise terminates or (ii) the date of expiration, if any, of the Credit Facility or the date that the Credit Facility otherwise terminates.

"Fixed Rate" means an annual rate of interest payable with respect to the Bonds from and after the Fixed Rate Date upon conversion to a Fixed Rate, established by the Remarketing Agent pursuant to the Trust Agreement.

"Fixed Rate Date" means the date upon which the Bonds commence to bear interest payable at a Fixed Rate.

"Independent Counsel" means an attorney or firm of attorneys of recognized national standing in the field of municipal finance selected by the City.

"Information Services" means Financial Information, Inc.'s "Financial Daily Called Bond Service," 30 Montgomery Street, 10th Floor, Jersey City, New Jersey 07302, Attention: Editor; Kenny Information Services' "Called Bond Service," 55 Broad Street, 28th Floor, New York, New York 10004; Moody's Investors Service "Municipal and Government," 77 Center Drive, Suite 150, Charlotte, North Carolina 28217, Attention: Called Bond Department; and Standard ^&Poor's "Called Bond Record," 25 Broadway, 3rd Floor, New York, New York 10004; or, in accordance with then-current guidelines of the Securities and Exchange Commission, such other addressees providing information with respect to called bonds as the Authority may designate in writing to the Trustee.

"Insurance Proceeds Fund" means the fund of that name established pursuant to the Trust Agreement.

"Interest Payment Date" means the first Business Day of each March, June, September, and December, commencing March 1, 2007, during the period that the Bonds bear interest at a Weekly Interest Rate, and, after the Fixed Rate Date, semiannually on each June 1 and December 1, except, in the case of Bank Bonds, "Interest Payment Date" shall mean the date on which any interest with respect to Bank Bonds is due under the Liquidity Facility.

"Investment Earnings" means interest received in respect of the investment of money on deposit in any fund or account maintained under the Trust Agreement.

"Lease Term" means the term of the Lease as provided therein.

"Lease Year" means the period from the date of issuance of the Bonds through June 1, 2007, and thereafter the period from each June 2 to and including the following June 1, during the Lease Term.

"Liquidity Facility" means any letter of credit, committed line of credit, bond purchase agreement, surety bond, bond insurance policy or other instrument, or any combination thereof (including any Substitute Liquidity Facility but excluding, in all cases, the Bond Insurance Policy), under the terms of which the Trustee is authorized to receive payment of an amount sufficient to pay when and as due under the Trust Agreement the purchase price of the Bonds upon the optional or mandatory tender thereof, including the principal amount and accrued interest thereon to the Purchase Date or Mandatory Purchase Date, as applicable, to the extent required to be paid thereunder. The initial Liquidity Facility shall be the Letter of Credit issued pursuant to the Reimbursement Agreement.

"Liquidity Provider" means, initially, Union Bank of California, N.A., acting as the provider of the Liquidity Facility, or any successor thereto, or the issuer of a Substitute Liquidity Facility, if such Substitute Liquidity Facility has been issued as provided in accordance with the Trust Agreement.

"Mandatory Purchase Date" means any date upon which Bonds have been called for mandatory tender for purchase in accordance with the Trust Agreement.

"Mandatory Sinking Account Payment" means the principal amount of Bonds required to be paid on the first Business Day of each June pursuant to the Trust Agreement.

"Mandatory Sinking Account Payment Date" means the first Business Day of each June of each year commencing in 2007 and terminating in 2036, as the same may be converted to a Serial Maturity Date in accordance with the Trust Agreement.

"Maximum Interest Rate" means, subject to applicable law, during the period in which the Liquidity Facility is effective and with respect to Bonds other than Bank Bonds, 12% per annum, and, with respect to Bank Bonds, the "Maximum Bank Rate" as such term is defined in the Liquidity Facility.

"Moody's" means Moody's Investors Service, Inc., and its successors and assigns.

"Non-tender Notice" means any written notice given by an Owner to the Tender Agent directing the Tender Agent not to effect the purchase of such Owner's Bond on a Mandatory Purchase Date, as provided in the Trust Agreement.

"Nominee" means, initially, Cede & Co., as nominee of the Depository, as determined from time to time pursuant to the Trust Agreement.

"Outstanding," when used as of any particular time with reference to Bonds, means (subject to the provisions of the Trust Agreement) all Bonds except:

(1) Bonds previously cancelled by the Trustee or delivered to the Trustee for cancellation;

(2) Bonds no longer entitled to the benefits of the Trust Agreement;

(3) Bonds paid or deemed to have been paid within the meaning of the Trust Agreement; and

(4) Bonds in lieu of or in substitution for which other Bonds shall have been executed and delivered by the Trustee pursuant to the Trust Agreement.

Notwithstanding anything in the Trust Agreement to the contrary, in the event that the principal and/or interest due with respect to the Bonds shall be paid by the Bond Insurer pursuant to the Bond Insurance Policy, the Bonds shall remain Outstanding for all purposes, not be defeased or otherwise satisfied, and not be considered paid by the Authority.

"Owner" means the registered owner, as indicated in the Bond Register, of any Bond.

"Participant" means a member of, or participant in, the Depository.

"Permitted Investments" means any of the following investments, provided at the time of investment the investment is a legal investment under the laws of the State for the moneys proposed to be invested therein:

(1) Direct obligations of the United States of America and securities fully and unconditionally guaranteed as to the timely payment of principal and interest by the United States of America ("U.S. Government Securities").

(2) Direct obligations[1] of the following federal agencies which are fully guaranteed by the full faith and credit of the United States of America:

(a) Export-Import Bank of the United States - Direct obligations and fully guaranteed certificates of beneficial interest

(b) Federal Housing Administration - debentures

(c) General Services Administration - participation certificates

(d) Government National Mortgage Association ("GNMAs") - guaranteed mortgage-backed securities and guaranteed participation certificates

(e) Small Business Administration - guaranteed participation certificates and guaranteed pool certificates

(f) U.S. Department of Housing & Urban Development - local authority bonds

(g) U.S. Maritime Administration - guaranteed Title XI financings

(h) Washington Metropolitan Area Transit Authority - guaranteed transit bonds

(3) Direct obligations [1] of the following federal agencies which are not fully guaranteed by the faith and credit of the United States of America:

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[1] The following are explicitly excluded from the securities enumerated in clauses (2) and (3):

(a) All derivative obligations, including without limitation inverse floaters, residuals, interest-only, principal-only and range notes;

(b) Obligations that have a possibility of returning a zero or negative yield if held to maturity;

(c) Obligations that do not have a fixed par value or those whose terms do not promise a fixed dollar amount at maturity or call date; and

(d) Collateralized Mortgage-Backed Obligations ("CMOs").

(a) Federal National Mortgage Association ("FNMAs") - senior debt obligations rated "Aaa" by Moody's and "AAA" by S&P

(b) Federal Home Loan Mortgage Corporation ("FHLMCs") - participation certificates and senior debt obligations rated "Aaa" by Moody's and "AAA" by S&P

(c) Federal Home Loan Banks - consolidated debt obligations

(d) Student Loan Marketing Association - debt obligations

(e) Resolution Funding Corporation - debt obligations

(4) Direct, general obligations of any state of the United States of America or any subdivision or agency thereof whose uninsured and unguaranteed general obligation debt is rated, at the time of purchase, A2 or better by Moody's and A or better by S&P, or any obligation fully and unconditionally guaranteed by any state, subdivision, or agency whose uninsured and unguaranteed general obligation debt is rated, at the time of purchase, A2 or better by Moody's and A or better by S&P.

(5) Commercial paper (having original maturities of not more than 270 days) rated, at the time of purchase, "P-1" by Moody's and "A-1" or better by S&P.

(6) Certificates of deposit, savings accounts, deposit accounts, or money market deposits in amounts that are continuously and fully insured by the Federal Deposit Insurance Corporation ("FDIC"), including the Bank Insurance Fund and the Savings Association Insurance Fund.

(7) Certificates of deposit, deposit accounts, federal funds, or bankers' acceptances (in each case having maturities of not more than 365 days following the date of purchase) of any domestic commercial bank or United States branch office of a foreign bank, provided that such bank's short-term certificates of deposit are rated "P-1" by Moody's and "A-1" or better by S&P (not considering holding company ratings).

(8) Investments in money-market funds rated "AAAm" or "AAAm-G" by S&P. Such money market funds may include funds for which the Trustee or its affiliates or subsidiaries provide investment advisory or other management services.

(9) State-sponsored investment pools rated "AA-" or better by S&P.

(10) Repurchase agreements that meet the following criteria:

(a) A master repurchase agreement or specific written repurchase agreement, substantially similar in form and substance to the Public Securities Association or Bond Market Association master repurchase agreement, governs the transaction.

(b) Acceptable providers shall consist of (i) registered broker/dealers subject to Securities Investors' Protection Corporation ("SIPC") jurisdiction or commercial banks insured by the FDIC, if such broker/dealer or bank has an uninsured, unsecured, and unguaranteed rating of "A3/P-1" or better by Moody's and "A-/A-1" or better by S&P, or (ii) domestic structured investment companies approved by the Bond Insurer and rated, or domestic structured investment companies with a guarantor rated, "Aaa" by Moody's and "AAA" by S&P.

(c) The repurchase agreement shall require termination thereof if the counterparty's ratings are suspended, withdrawn, or fall below "A3" or "P-1" from Moody's, or "A-" or "A-1" from S&P. Within 10 days, the counterparty shall repay the principal amount plus any accrued and unpaid interest on the investments.

(d) The repurchase agreement shall limit acceptable securities to U.S. Government Securities and to the obligations of GNMA, FNMA or FHLMC described in clauses 2(d), 3(a) and 3(b) above. The fair market value of the securities in relation to the amount of the repurchase obligation, including principal and accrued interest, is equal to a collateral level of at least 104% for U.S. Government Securities and 105% for GNMAs, FNMAs, or FHLMCs. The repurchase agreement shall require (i) the Trustee or an independent third party acting solely as agent for the Trustee (the "Agent") to value the collateral securities no less frequently than weekly, (ii) the delivery of additional securities if the fair market value of the securities is below the required level on any valuation date, and (iii) liquidation of the repurchase securities if any deficiency in the required percentage is not restored within two Business Days of such valuation.

(e) The repurchase securities shall be delivered free and clear of any lien to the Trustee or the Agent, and such Agent is (i) a Federal Reserve Bank or (ii) a bank which is a member of the FDIC and which has combined capital, surplus, and undivided profits or, if appropriate, a net worth, of not less than $50 million, and the Trustee shall have received written confirmation from such third party that such third party holds such securities, free and clear of any lien, as agent for the Trustee.

(f) A perfected first security interest in the repurchase securities shall be created for the benefit of the Trustee, and the Authority and the Trustee shall receive an opinion of counsel as to the perfection of the security interest in such repurchase securities and any proceeds thereof.

(g) The repurchase agreement shall have a term of one year or less, or shall be due on demand.

(h) The repurchase agreement shall establish the following as events of default, the occurrence of any of which shall require the immediate liquidation of the repurchase securities, unless the Bond Insurer directs otherwise:

i. insolvency of the broker/dealer or commercial bank serving as the counterparty under the repurchase agreement;

ii. failure by the counterparty to remedy any deficiency in the required collateral level or to satisfy the margin maintenance call under clause 10(d) above; or

iii. failure by the counterparty to repurchase the repurchase securities on the specified date for repurchase.

(11) Investment agreements (also referred to as guaranteed investment contracts) that meet the following criteria:

(a) A master agreement or specific written investment agreement governs the transaction.

(b) Acceptable providers of uncollateralized investment agreements shall consist of (i) domestic FDIC-insured commercial banks, or U.S. branches of foreign banks, rated at least "Aa2" by Moody's and "AA" by S&P; (ii) domestic insurance companies rated "Aaa" by Moody's and "AAA" by S&P; and (iii) domestic structured investment companies approved by the Bond Insurer and rated, or domestic structured investment companies with a guarantor rated, "Aaa" by Moody's and "AAA" by S&P.

(c) Acceptable providers of collateralized investment agreements shall consist of (i) registered broker/dealers subject to SIPC jurisdiction, if such broker/dealer has an uninsured, unsecured, and unguaranteed rating of "Al" or better by Moody's and "A+" or better by S&P; (ii) domestic FDIC-insured commercial banks, or U.S. branches of foreign banks, rated at least "Al" by Moody's and "A+" by S&P; (iii) domestic insurance companies rated at least "Al" by Moody's and "A+" by S&P; and (iv) domestic structured investment companies approved by the Bond Insurer and rated, or domestic structured investment companies with a guarantor rated, "Aaa" by Moody's and "AAA" by S&P. Required collateral levels shall be as set forth in clause 11(f) below.

(d) The investment agreement shall provide that, if the provider's ratings fall below "Aa3" by Moody's or "AA-" by S&P, the provider shall within 10 days either (i) repay the principal amount plus any accrued and interest on the investment; or (ii) deliver Permitted Collateral as provided below.

(e) The investment agreement must provide for termination thereof if the provider's ratings are suspended, withdrawn, or fall below "A3" from Moody's or "A-" from S&P. Within 10 days, the provider shall repay the principal amount plus any accrued interest on the agreement, without penalty.

(f) The investment agreement shall provide for the delivery of collateral described in clause i or ii below ("Permitted Collateral") which shall be maintained at the following collateralization levels at each valuation date:

i. U.S. Government Securities at 104% of principal plus accrued interest; or

ii. Obligations of GNMA, FNMA, or FHLMC (described in clauses 2(d), 3(a), and 3(b) above) at 105% of principal and accrued interest.

(g) The investment agreement shall require the Trustee or the Agent to determine the market value of the Permitted Collateral not less than weekly and notify the investment agreement provider on the valuation day of any deficiency. Permitted Collateral may be released by the Trustee to the provider only to the extent that there are excess amounts over the required levels. Market value, with respect to collateral, may be determined by any of the following methods:

i. the last quoted "bid" price as shown in Bloomberg, Interactive Data Systems, Inc., The Wall Street Journal, or Reuters;

ii. valuation as performed by a nationally recognized pricing service, whereby the valuation method is based on a composite average of various bid prices; or

iii. the lower of two bid prices by nationally recognized dealers. Such dealers or their parent holding companies shall be rated investment grade and shall be market makers in the securities being valued.

(h) Securities held as Permitted Collateral shall be free and clear of all liens and claims of third parties, held in a separate custodial account, and registered in the name of the Trustee or the Agent.

(i) The provider shall grant the Trustee or the Agent a perfected first security interest in any collateral delivered under an investment agreement. For investment agreements collateralized initially and in connection with the delivery of Permitted Collateral under clause 11(f) above, the Trustee and the Bond Insurer shall receive an opinion of counsel as to the perfection of the security interest in the collateral.

(j) The investment agreement shall provide that moneys invested under the agreement must be payable and putable at par to the Trustee without condition, breakage fee, or other penalty, upon not more than two Business Days notice, or immediately on demand for any reason for which the funds invested may be withdrawn from the applicable fund or account established under the authorizing document, as well as the following:

i. In the event of a deficiency in the debt service account;

ii. Upon acceleration after an event of default;

iii. Upon refunding of the Bonds in whole or in part;

iv. Reduction of the Reserve Requirement for the Bonds; or

v. If a determination is later made by a nationally recognized bond counsel that investments must be yield-restricted.

Notwithstanding the foregoing, the agreement may provide for a breakage fee or other penalty that is payable in arrears and not as a condition of a draw by the Trustee if the Authority's obligation to pay such fee or penalty is subordinate to its obligation to pay debt service on the Bonds and to make deposits to the Reserve Fund.

(k) The investment agreement shall establish the following as events of default, the occurrence of any of which shall require the immediate liquidation of the investment securities, unless:

i. Failure of the provider or the guarantor (if any) to make a payment when due or to deliver Permitted Collateral of the character, at the times, or in the amounts described above;

ii. Insolvency of the provider or the guarantor (if any) under the investment agreement;

iii. Failure by the provider to remedy any deficiency with respect to required Permitted Collateral;

iv. Failure by the provider to make a payment or observe any covenant under the agreement;

v. The guaranty (if any) is terminated, repudiated, or challenged; or

vi. Any representation of warranty furnished to the Trustee or the Authority in connection with the agreement is false or misleading.

(l) The investment agreement must incorporate the following general criteria:

i. "Cure periods" for payment default shall not exceed two Business Days;

ii. The agreement shall provide that the provider shall remain liable for any deficiency after application of the proceeds of the sale of any collateral, including costs and expenses incurred by the Trustee or the Bond Insurer;

iii. Neither the agreement or guaranty agreement, if applicable, may be assigned (except to a provider that would otherwise be acceptable under these guidelines) or amended without the prior consent of the Bond Insurer;

iv. If the investment agreement is for the Reserve Fund, reinvestments of funds shall be required to bear interest at a rate at least equal to the original contract rate;

v. The provider shall be required to immediately notify the Bond Insurer and the Trustee of any event of default or any suspension, withdrawal, or downgrade of the provider's ratings;

vi. The agreement shall be unconditional and shall expressly disclaim any right of set-off or counterclaim; and

vii. The agreement shall require the provider to submit information reasonably requested by the Bond Insurer, including balance invested with the provider, type and market value of collateral, and other pertinent information.

(12) Forward delivery agreements in which the securities delivered mature on or before each interest payment date (for debt service or debt service reserve funds) or draw down date (construction funds) that meet the following criteria:

(a) A specific written investment agreement governs the transaction.

(b) Acceptable providers shall be limited to (i) any registered broker/dealer subject to the SIPC jurisdiction, if such broker/dealer or bank has an uninsured, unsecured, and unguaranteed obligation rated "A3/P-1" or better by Moody's and "A-/A-1" or better by S&P; (ii) any commercial bank insured by the FDIC, if such bank has an uninsured, unsecured, and unguaranteed obligation rated "A3/P-1" or better by Moody's and "A-/A-1" or better by S&P; and (iii) domestic structured investment companies approved by the Bond Insurer and rated, or domestic structured investment companies with a guarantor rated, "Aaa" by Moody's and "AAA" by S&P.

(c) The forward delivery agreement shall provide for termination or assignment (to a qualified provider hereunder) of the agreement if the provider's ratings are suspended, withdrawn, or fall below "A3" or "P-1" from Moody's or "A-" or "A-1" from S&P. Within 10 days, the provider shall fulfill any obligations it may have with respect to shortfalls in market value. There shall be no breakage fee payable to the provider in such event.

(d) Permitted securities shall include the investments listed in clauses 1, 2, and 3 above.

(e) The forward delivery agreement shall include the following provisions:

i. The permitted securities must mature at least one Business Day before a debt service payment date or scheduled draw. The maturity amount of the permitted securities must equal or exceed the amount required to be in the applicable fund on the applicable valuation date.

ii. The agreement shall include market standard termination provisions, including the right to terminate for the provider's failure to deliver qualifying securities or otherwise to perform under the agreement. There shall be no breakage fee or penalty payable to the provider in such event.

iii. Any breakage fees shall be payable only on Interest Payment Dates and shall be subordinated to the payment of Debt Service Fund and Reserve Fund replenishments.

iv. The provider must submit at closing a bankruptcy opinion to the effect that upon any bankruptcy, insolvency, or receivership of the provider, the securities will not be considered to be a part of the provider's estate, and shall otherwise be acceptable to the Bond Insurer.

v. The agreement may not be assigned (except to a provider that would otherwise be acceptable under these guidelines) or amended without the prior written consent of the Bond Insurer.

(13) Forward delivery agreements in which the securities delivered mature after the funds may be required but provide for the right of the issuer or the Trustee to put the securities back to the provider under a put, guaranty, or other hedging arrangement, only with the prior written consent of the Bond Insurer.

(14) Pre-refunded Municipal Obligations defined as follows: Any bonds or other obligations of the State of California or of any agency, instrumentality, or local governmental unit of the State of California which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice and which are rated, based on an irrevocable escrow account or fund, in the highest rating category of S&P and Moody's, or as otherwise permitted by the Bond Insurer.

(15) Shares in any money market mutual fund registered under the Investment Company Act of 1940 whose investment portfolio consists solely of direct obligations of the United States Government, provided that any such fund has been rated in the highest category by a nationally recognized rating agency and, provided further, that such mutual funds may include funds for which the Trustee or its affiliates or subsidiaries provide investment advisory or other management services.

(16) The Local Agency Investment Fund ("LAIF").

(17) Other forms of investments approved in writing by the Bond Insurer with notice by the Authority to S&P.

(18) Maturity of investments shall be governed by the following:

(a) Investments of monies (other than reserve funds) shall be in securities and obligations maturing not later than the dates on which such monies will be needed to make payments.

(b) Investments shall be considered as maturing on the first date on which they are redeemable without penalty at the option of the holder or the date on which the Trustee may require their repurchase pursuant to repurchase agreements.

(c) Investments of monies in reserve funds not payable upon demand shall be restricted to maturities of five years or less.

"Pledged Assets" means the Lease, the Property Lease, the Base Rental payments, the amounts on deposit from time to time in the funds and accounts established under the Trust Agreement (except for amounts on deposit in the Rebate Fund, the Purchase Fund, and the Swap Payments Fund), and, as applicable, amounts drawn under the Credit Facility, which amounts are pledged and assigned to the timely payment of the principal of and interest on the Bonds, and, in addition, amounts drawn under the Liquidity Facility and the amounts on deposit in the Purchase Fund, which amounts are pledged and assigned to the timely payment of the purchase price of Bonds tendered for purchase on each Purchase Date or Mandatory Purchase Date.

"Principal Office of the Trustee" means the principal corporate trust office of the Trustee located in Los Angeles, California, or such other office as the Trustee may designate.

"Principal Payment Date" means, prior to the Fixed Rate Date, June 1, 2036, and, after the Fixed Rate Date, shall include Serial Maturity Dates, if any.

"Project Costs" means the contract price paid or to be paid for the acquisition, construction, or installation of any portion of the Project and related facilities in accordance with any acquisition, construction, or installation contract or contracts therefor, or any such additional projects as may be added by the City from time to time. Project Costs include any other administrative, engineering, legal, financial, and other costs incurred by the City in connection with the acquisition, construction, or installation of the Project or such additional projects.

"Project Fund" means the fund of that name established pursuant to the Trust Agreement.

"Property" means, collectively, all Components, including all buildings and improvements thereon and equipment, as described in the Lease, or any property substituted therefor pursuant to the Lease, but excluding such Component of the Property for which a new Component has been substituted in accordance with the Lease.

"Purchase Date" means the Business Day specified in a Tender Notice as the date on which a Bond or portion thereof in an Authorized Denomination or any integral multiple thereof is to be purchased pursuant to the Trust Agreement.

"Purchase Fund" means the fund by that name established in accordance with the Trust Agreement.

"Rating Agency" means an agency that is providing a credit rating on the Bonds. As of the Closing Date, only S&P has provided such credit rating.

"Rebate Fund" means the fund of that name established pursuant to the Trust Agreement.

"Record Date" means (i) the close of business on the Business Day immediately preceding any Interest Payment Date so long as the Bonds bear interest at a Weekly Interest Rate and (ii) the close of business on the fifteenth day of the month immediately preceding any Interest Payment Date after the Fixed Rate Date, whether or not such day is a Business Day.

"Redemption Notice" means the notice required to be given by the Trustee under the Trust Agreement when redemption of the Bonds is authorized or required pursuant thereto.

"Reimbursement Agreement" means the Letter of Credit and Reimbursement Agreement, dated as of August 1, 2008, by and among the City, the Authority, and the Credit Provider, providing for the issuance of the Letter of Credit, as such agreement is originally executed or as it may from time to time be supplemented, modified, or amended in accordance with its terms. "Reimbursement Agreement" shall also mean and include, to the extent required by context in the Trust Agreement, any agreement providing for the issuance of a Substitute Credit Facility or a Substitute Liquidity Facility, as applicable.

"Remarketing Agent" means E. J. De La Rosa & Co., Inc., or any successor remarketing agent appointed by the Authority in accordance with the terms of the Remarketing Agreement.

"Remarketing Agreement" means the Remarketing Agent Agreement, dated as of December 1, 2006, by and between the Remarketing Agent and the Authority and acknowledged by the Trustee and the Tender Agent, including any amendments or supplements thereto made or entered into in accordance with the terms thereof.

"Reserve Fund" means the fund of that name established pursuant to the Trust Agreement.

"Reserve Requirement" means, as of any date of calculation, an amount equal to the least of (i) 10% of the aggregate principal amount of the Bonds originally issued, (ii) maximum annual Base Rental payments coming due and payable, or (iii) 125% of the average annual Base Rental Payments coming due and payable, calculating the annual Base Rental payments at an assumed interest rate of 3.50%, or, after the Fixed Rate Date, calculating the annual Base Rental payments at the Fixed Rate. As of the Closing Date, the Reserve Requirement was $1,366,200.

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

"S&P" means Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., and its successors and assigns.

"Securities Depositories" means the following registered securities depositories: The Depository Trust Company, 711 Stewart Avenue, Garden City, New York 11530, Fax (516) 227-4039 or 4190; or, in accordance with then-current guidelines of the Securities and Exchange Commission, such other securities depositories, or no such depositories, as the Authority may indicate in a Certificate of the Authority delivered to the Trustee.

"Serial Bonds" means the Bonds maturing on the Serial Maturity Dates, as determined pursuant to the Trust Agreement.

"Serial Maturity Dates" means the dates on which the Serial Bonds mature, as determined pursuant to the Trust Agreement.

"Special Fund" means the fund of that name established pursuant to the Trust Agreement.

"State" means the State of California.

"Substitute Credit Facility" means any letter of credit, committed line of credit, bond purchase agreement, surety bond, bond insurance policy or other instrument, or any combination thereof (excluding, in all cases, the Bond Insurance Policy), under the terms of which the Trustee is authorized to receive payment of an amount sufficient to pay when and as due under the Trust Agreement the principal of and the interest on the Bonds, substituted for the Credit Facility in accordance with the provisions of the Trust Agreement.

"Substitute Liquidity Facility" means any letter of credit, committed line of credit, bond purchase agreement, surety bond, bond insurance policy or other instrument, or any combination thereof (excluding, in all cases, the Bond Insurance Policy), under the terms of which the Trustee is authorized to receive payment of an amount sufficient to pay when and as due under the Trust Agreement the purchase price of the Bonds upon the optional or mandatory tender thereof, including the principal amount and accrued interest thereon to the Purchase Date or Mandatory Purchase Date, as applicable, to the extent required to be paid under the Trust Agreement, substituted for the Liquidity Facility in accordance with the provisions of the Trust Agreement.

"Swap Agreement" means an interest rate exchange agreement, consisting of an ISDA (International Swap Dealers Association, Inc.) Master Agreement, dated as of December 1, 2006, including the related Schedule, Credit Support Annex, and Confirmation pertaining thereto, by and between the City and the Swap Provider.

"Swap Payments Fund" means the fund of that name established pursuant to the Trust Agreement.

"Swap Provider" means the Royal Bank of Canada, or any successor thereto.

"Tax Certificate" means the Tax Certificate delivered by the Authority and the City on the Closing Date, as the same may be amended or supplemented in accordance with its terms.

"Tender Agent" means Wells Fargo Bank, National Association, a national banking association existing under the laws of the United States of America, or any successor tender agent appointed by the Authority pursuant to the terms of the Trust Agreement; provided, however, that during all times that any of the Bonds remain Outstanding under the Trust Agreement, the Tender Agent shall also be the Trustee.

"Tender Notice" means a notice in substantially the form set forth in the Trust Agreement and delivered to the Tender Agent in connection with any optional tender for purchase of Bonds pursuant to the Trust Agreement.

"Weekly Interest Rate" means a rate of interest payable with respect to the Bonds determined by the Remarketing Agent on a weekly basis in accordance with the Trust Agreement.

"Written Request of the Authority" means an instrument in writing signed by an Authority Representative.

"Written Request of the City" means an instrument in writing signed by a City Representative.

TRUST AGREEMENT

Assignment. Pursuant to the Trust Agreement, the Authority does sell, assign, and transfer to the Trustee, for the benefit of the Owners, all of the Authority's rights, title, and interest in and to the Lease and the Property Lease (excluding the Authority's right to payment of its expenses under the Lease, its right to indemnification pursuant to the Lease, and its right to receive certain notices under the Lease and the Property Lease). The rights, title, and interest of the Authority assigned under the Trust Agreement shall be applied and exercised by the Trustee as provided in the Trust Agreement.

The rights, title, and interest of the Authority assigned under the Trust Agreement shall also be applied and exercised by the Trustee for the benefit of (1) the Liquidity Provider (solely with respect to the City's obligations under the Liquidity Facility and the Bank Bonds), (2) the Credit Provider (solely with respect to the City's obligations under the Credit Facility), (3) the Swap Provider (solely with respect to the City's obligations under the Swap Agreement), and (4) the Bond Insurer (solely with respect to the Authority's obligations under the Surety Bond), all to the extent provided under the Lease, the Property Lease, and the Trust Agreement.

Funds and Accounts. Under the Trust Agreement, the Trustee will establish and hold the Costs of Issuance Fund, the Project Fund, the Debt Service Fund, the Reserve Fund, and the Rebate Fund and will invest, transfer, and disburse moneys on deposit therein. Subject to the terms of the Trust Agreement, the Authority has pledged all amounts deposited from time to time in the funds established pursuant to the Trust Agreement (except for amounts on deposit in the Rebate Fund, the Purchase Fund, and the Swap Payments Fund) to be held in trust for the benefit of the Owners of the Bonds.

Costs of Issuance Fund. Pursuant to the Trust Agreement, there is established in trust a special fund designated the "Costs of Issuance Fund," which shall be held by the Trustee and which shall be kept separate and apart from all other funds and moneys held by the Trustee. There shall be deposited in the Costs of Issuance Fund that portion of the proceeds of the Bonds required to be deposited therein pursuant to the Trust Agreement and such other amounts as specified by the Authority. The Trustee shall disburse money from the Costs of Issuance Fund on such dates and in such amounts as are necessary to pay Costs of Issuance, in each case, promptly after receipt of, and in accordance with, a written request of an Authority Representative in the form attached to the Trust Agreement, together with invoices therefor. Any amounts remaining in the Costs of Issuance Fund on the earlier of (i) six months after the Closing Date (unless such date is extended pursuant to an opinion of Independent Counsel delivered to the Trustee), or (ii) the date on which the Authority has notified the Trustee in writing that all Costs of Issuance have been paid, shall be transferred to the Debt Service Fund for the payment of interest on the Bonds.

Project Fund. Pursuant to the Trust Agreement, there is established in trust a special fund designated the "Project Fund," which shall be held by the Trustee and which shall be kept separate and apart from all other funds and moneys held by the Trustee. There shall be deposited in the Project Fund that portion of the proceeds of the Bonds required to be deposited therein pursuant to the Trust Agreement and such other amounts as specified by the City. The Trustee shall disburse money from the Project Fund on such dates and in such amounts as are necessary to pay Project Costs, in each case, promptly after receipt of, and in accordance with, a written request of a City Representative in the form attached to the Trust Agreement, together with invoices therefor. Any amounts remaining in the Project Fund (exclusive of amounts certified by the City as necessary to pay future Project Costs) on the earlier of (i) three years after the Closing Date (unless such date is extended pursuant to an opinion of Independent Counsel delivered to the Trustee), or (ii) the date on which the City has notified the Trustee in writing that all Project Costs have been paid, shall, at the Written Request of the City, be transferred by the Trustee to the Debt Service Fund for the payment of principal of and interest on the Bonds in accordance with the Trust Agreement.

Debt Service Fund. Pursuant to the Trust Agreement, there is established in trust a special fund designated as the "Debt Service Fund," which shall be held by the Trustee and which shall be kept separate and apart from all other funds and moneys held by the Trustee. The Debt Service Fund shall be maintained by the Trustee until all required Base Rental is paid in full pursuant to the terms of the Lease and the Trust Agreement is discharged in accordance with the Trust Agreement.

Except as otherwise provided in the Trust Agreement, Base Rental, proceeds of rental interruption insurance with respect to the Property, if any, received by the Trustee, and any amounts transferred from the Swap Payments Fund pursuant to the Trust Agreement shall be deposited in the Debt Service Fund. Any delinquent Base Rental payments and any proceeds of rental interruption insurance with respect to the Property deposited in the Debt Service Fund shall be applied first to the immediate payment of interest payments past due and then to the immediate payment of principal payments past due according to the tenor of any Bond, and then to the Reserve Fund to the extent necessary to make the amount on deposit therein equal to the Reserve Requirement; provided, however, that, so long as a Credit Facility is in effect and the Credit Provider is not in default thereunder, any delinquent Base Rental payments and any proceeds of rental interruption insurance with respect to the Property deposited in the Debt Service Fund shall be applied first to reimburse the Credit Provider for any unreimbursed drawings on the Credit Facility to pay principal of or interest on the Bonds pursuant to the Trust Agreement. Any remaining money representing delinquent Base Rental payments and any proceeds of insurance shall remain on deposit in the Debt Service Fund to be applied in the manner provided in the Trust Agreement.

If no Credit Facility is in effect, or if a Credit Facility is in effect but the Credit Provider is in default thereunder, the Trustee shall pay from the Debt Service Fund on each Interest Payment Date and on each Mandatory Sinking Account Payment Date an amount that, together with monies on deposit therein, equals the interest then due and the principal then due or required to be redeemed on such Interest Payment Date or Mandatory Sinking Account Payment Date with respect to the Bonds, for payment of the Bonds in accordance with the terms of the Trust Agreement. Notwithstanding the preceding sentence, so long as a Credit Facility is in effect and the Credit Provider is not in default thereunder, the Trustee shall pay from the Debt Service Fund on each Interest Payment Date and on each Mandatory Sinking Account Payment Date an amount sufficient to reimburse the Credit Provider for any drawings under the Credit Facility used to pay interest on, the principal of, or Mandatory Sinking Account Payment on the Bonds pursuant to the Trust Agreement, which reimbursement shall be made after receipt by the Trustee of funds from a drawing under the Credit Facility. Any amounts remaining in the Debt Service Fund on the day following an Interest Payment Date or a Mandatory Sinking Account Payment Date if the payments of interest or interest and principal have been paid shall be deposited into the Reserve Fund to the extent that the amount therein is less than the Reserve Requirement and the balance shall be retained in the Debt Service Fund.

Any proceeds of insurance (other than rental interruption or workers' compensation insurance) or awards in respect of a taking under the power of eminent domain not required pursuant to the Lease to be used for repair, reconstruction, or replacement, and any other amounts provided for the redemption of Bonds in accordance with the Trust Agreement, shall be deposited by the Trustee in the Debt Service Fund. The Trustee shall, on the scheduled redemption date, withdraw from the Debt Service Fund and pay to the Owners entitled thereto an amount equal to the redemption price of the Bonds to be redeemed on such date for the payment of such redemption price in accordance with the terms of the Trust Agreement.

Reserve Fund. Pursuant to the Trust Agreement, there is established in trust a special fund designated as the "Reserve Fund," which shall be held by the Trustee and which shall be kept separate and apart from all other funds and moneys held by the Trustee. The Reserve Fund shall be maintained by the Trustee until the Base Rental is paid in full pursuant to the Lease and the Trust Agreement is discharged in accordance with its terms. There shall be deposited in the Reserve Fund all amounts required to be deposited therein pursuant to the Trust Agreement. So long as the amount deposited in the Reserve Fund satisfies the Reserve Requirement, no deposit need be made in the Reserve Fund. All Investment Earnings received by the Trustee on investment of moneys in the Reserve Fund shall be retained therein to the extent necessary to increase the amount on deposit in the Reserve Fund to the Reserve Requirement. Any balance shall be transferred as follows: (1) prior to completion of the Project, to the Project Fund; and (2) thereafter, to the Debt Service Fund for (i) the payment of principal of and interest on the Bonds on the next Interest Payment Date, or (ii) for so long as a Credit Facility is in effect and the Credit Provider is not in default thereunder, the reimbursement to the Credit Provider for drawings under the Credit Facility. Subject to the foregoing, all Investment Earnings on amounts in the Reserve Fund shall be transferred as provided in the Trust Agreement. The Trustee shall promptly notify the Authority and the City if the amount on deposit in the Reserve Fund is less than the Reserve Requirement. In such event, the City is required, pursuant to the Lease, to deposit with the Trustee amounts sufficient to maintain the Reserve Fund at the Reserve Requirement. Any amount deposited in the Reserve Fund in excess of the Reserve Requirement shall be transferred and deposited in the Debt Service Fund.

If, on any Interest Payment Date or Mandatory Sinking Account Payment Date, the amounts in the Debt Service Fund are less than the principal and interest payments due with respect to the Bonds on such date, respectively, the Trustee shall transfer from the Reserve Fund for credit to the Debt Service Fund amounts sufficient to make up such deficiencies. Notwithstanding the foregoing, so long as a Credit Facility is in effect and the Credit Provider is not in default thereunder, to the extent that the principal or redemption price of, and interest on, the Bonds have been paid in full when due and all payments required to be made under the Credit Facility have been made, if sufficient funds are not available in the Debt Service Fund to reimburse the Credit Provider for drawings under the Credit Facility, the Trustee shall transfer all required moneys, if any, available in the Reserve Fund for credit into the Debt Service Fund to reimburse the Credit Provider for such draw in accordance with the Trust Agreement. In the event of any of the foregoing transfers, the Trustee shall, within five days thereafter, provide written notice to the Authority, the Bond Insurer, the Credit Provider, if applicable, and the City of the amount and the date of such transfer.

The Authority, upon the written direction of the City, upon prior written consent of the Bond Insurer and the Credit Provider, and upon notice to S&P, reserves the right to substitute, at any time and from time to time, one or more letters of credit, surety bonds, bond insurance policies, or other form of guarantee from a financial institution, the long-term unsecured obligations of which are rated not less than "Aaa" by Moody's or "AAA" by S&P in substitution for or in place of all or any portion of the Reserve Requirement, under the terms of which the Trustee is unconditionally entitled to draw amounts when required for the purposes of the Trust Agreement. Upon deposit by the Authority, upon the written direction of the City, with the prior consent of the Bond Insurer and the Credit Provider, with the Trustee of any such letter of credit, surety bond, bond insurance policy, or other form of guarantee, the Trustee shall transfer to the City from the Reserve Fund an amount equal to the principal amount of such letter of credit, surety bond, bond insurance policy, or other form of guarantee for deposit in a special fund to be established by the City (the "Special Fund"). The City shall use amounts on deposit in the Special Fund, (i) to purchase Bonds in the secondary market or (ii) for other capital projects of the City that Independent Counsel has determined will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds.

As long as the Surety Bond shall be in full force and effect, the Authority and the Trustee, as appropriate, shall comply with the following provisions:

> (i) In the event and to the extent that moneys on deposit in the Reserve Fund, plus all amounts on deposit in and credited to the Reserve Fund in excess of the amount of the Surety Bond, are insufficient to pay the amount of principal and interest coming due, then, upon the later of: (a) one day after receipt by the General Counsel of the Bond Insurer of a demand for payment in the form attached to the Surety Bond (the "Demand for Payment"), duly executed by the Trustee certifying that payment due under the Trust Agreement has not been made to the Trustee; or (b) the payment date of the Bonds as specified in the Demand for Payment presented by the Trustee to the General Counsel of the Bond Insurer, the Bond Insurer shall make a deposit of funds in an account with the Trustee or its successor, in New York, New York, sufficient for the payment to the Trustee of amounts that are then due to the Trustee under the Trust Agreement (as specified in the Demand for Payment) up to but not in excess of the Surety Bond Coverage, as defined in the Surety Bond; provided, however, that in the event that the amount on deposit in, or

credited to, the Reserve Fund, in addition to the amount available under the Surety Bond, includes amounts available under a letter of credit, insurance policy, surety bond, or other such funding instrument (the "Additional Funding Instrument"), draws on the Surety Bond and the Additional Funding Instrument shall be made on a pro rata basis to fund the insufficiency.

(ii) the Trustee shall, after submitting to the Bond Insurer the Demand for Payment as provided in clause (i) above, make available to the Bond Insurer all records relating to the funds and accounts maintained under the Trust Agreement.

(iii) the Trustee shall, upon receipt of moneys received from the draw on the Surety Bond, as specified in the Demand for Payment, credit the Reserve Fund to the extent of moneys received pursuant to such Demand for Payment.

(iv) the Reserve Fund shall be replenished in the following priority: (1) principal and interest on the Surety Bond and on the Additional Funding Instrument, if any, shall be paid from first legally available funds of the City, on a pro rata basis; and (2) after all such amounts are paid in full, amounts necessary to fund the Reserve Fund to the Reserve Requirement, after taking into account the amounts available under the Surety Bond and the Additional Funding Instrument, if any, shall be deposited from next legally available funds of the City.

Rebate Fund. Pursuant to the Trust Agreement, a special fund is created and designated the "Rebate Fund" to be held by the Trustee. The Authority shall comply with the requirements in the Trust Agreement and in the Tax Certificate. All money at any time deposited in the Rebate Fund shall be held by the Trustee in trust, for payment to the United States Treasury. All amounts on deposit in the Rebate Fund shall be governed by the Trust Agreement and the Tax Certificate, unless the Authority obtains an opinion of Independent Counsel that the exclusion from gross income of interest on the Bonds will not be adversely affected for federal income tax purposes if such requirements are not satisfied.

Swap Payments Fund. Pursuant to the Trust Agreement, a special fund is created and designated the "Swap Payments Fund," which shall be held by the Trustee and which shall be kept separate and apart from all other funds and moneys held by the Trustee. The Swap Payments Fund shall be maintained by the Trustee while the Swap Agreement is in effect and until all required payments by the City and the Swap Provider under the Swap Agreement have been paid in full pursuant to the terms thereof.

All required payments by the City under the Swap Agreement (other than termination, settlement, or indemnification payments) received by the Trustee shall be deposited in the Swap Payments Fund for the account of the Swap Provider. All required payments by the Swap Provider under the Swap Agreement (other than termination, settlement, or indemnification payments) received by the Trustee shall be deposited in the Swap Payments Fund for the account of the City. Upon receipt of each such payment, accompanied by written notice from the provider of such payment that such payment has been made, the Trustee shall (on the same day) apply such moneys in the following order of priority: first, pay to the Swap Provider an amount equal to the amount paid by the City pursuant to the Swap Agreement; second, retain in the Swap Payments Fund the amount remaining up to an amount equal to the amount of the interest due on the Bonds in the next Interest Payment Date; and third, pay to the City any remaining amount in the Swap Payments Fund.

Upon the agreement of the City and the Swap Provider or if required by the Swap Agreement, there shall be paid to the Trustee by the City and the Swap Provider for deposit into the Swap Payments Fund only the net amount required to be paid under the Swap Agreement. If such net amount is required to be paid by the City, such net amount shall be applied on the same day received by the Trustee in accordance with clause first in the preceding paragraph. If such net amount is required to be paid by the

Swap Provider, such net amount shall be retained in the Swap Payments Fund and applied in accordance with clauses second and third in the preceding paragraph, as further described in the following paragraph.

One Business Day prior to each Interest Payment Date occurring while the Swap Agreement is in effect, the Trustee shall transfer all amounts received from the City as payments pursuant to the Swap Agreement that are on deposit in the Swap Payments Fund to the Debt Service Fund; provided that such amounts transferred shall not exceed the amount of interest due on the Bonds on such next Interest Payment Date, taking into account amounts already on deposit in the Debt Service Fund and available for such payment of interest. Such transferred amounts shall be applied to pay the interest due and owing on the Bonds on such Interest Payment Date, and such transferred amounts shall be credited against the City's obligation to pay Base Rental pertaining to such Interest Payment Date in accordance with the Lease. All amounts, if any, remaining in the Swap Payments Fund after the foregoing transfer has been made shall be immediately transferred to the City.

Draws Under Credit Facility; Credit Facility Fund. Notwithstanding anything in the Trust Agreement to the contrary, so long as a Credit Facility is in effect with respect to the Bonds, prior to the Expiration Date or earlier termination of the Credit Facility pursuant to its terms, the Trustee shall draw on the Credit Facility in such amounts and at such times (as such times shall be set forth in the Credit Facility) as shall be required to pay in full when due, from such drawing, the principal of and interest on the Bonds (excluding any Bank Bonds) on each Interest Payment Date, on each Mandatory Sinking Account Payment Date, and on all redemption dates, if any.

So long as a Credit Facility is in effect with respect to the Bonds, prior to the Expiration Date or earlier termination of the Credit Facility pursuant to its terms, the Trustee shall pay the principal of and interest on the Bonds (excluding any Bank Bonds) when due and payable solely from moneys drawn under the Credit Facility. Pending application as aforesaid, moneys drawn under the Credit Facility shall be deposited in a special fund held by the Trustee and designated the "Credit Facility Fund." The Credit Facility Fund shall be established and maintained by the Trustee and held in trust apart from all other moneys and securities held under the Trust Agreement or otherwise, and the Trustee shall have the exclusive and sole right of withdrawal from the Credit Facility Fund for the exclusive benefit of the Owners of the Bonds (excluding any Bank Bonds) with respect to which such drawing was made. Moneys in the Credit Facility Fund shall be used only to pay debt service on the Bonds (excluding any Bank Bonds). Moneys in the Credit Facility Fund shall be held in cash and shall not be invested. Any amounts remaining on deposit in the Credit Facility Fund and not required for the purpose for which drawn shall be promptly repaid to the Credit Provider.

If the principal or redemption price of, and interest on, the Bonds have been paid in full when due and all payments required to be made under the Credit Facility have been made, the Trustee shall reimburse the Credit Provider for such draw from the following sources, in the following order of priority: (i) from available amounts, if any, in the Debt Service Fund, (ii) from available amounts, if any, in the Reserve Fund, and (iii) from amounts payable under the Bond Insurance Policy.

Credit Facility. So long as a Credit Facility is in effect with respect to the Bonds, the Trustee shall hold and maintain such Credit Facility for the benefit of the Owners until the Credit Facility terminates in accordance with its terms. The Trustee shall, subject to the provisions of the Trust Agreement, enforce all terms, covenants, and conditions of the Credit Facility, including payment when due of any draws on the Credit Facility, and will not consent to, agree to, or permit any amendment or modification thereof that would materially adversely affect the rights or security of the Owners of the Bonds. The Trustee may rely on an opinion of Independent Counsel in determining whether any such modification or amendment materially adversely affects the rights or security of the Owners of the Bonds. If at any time during the term of the Credit Facility any successor Trustee shall be appointed and qualified under the Trust Agreement, the resigning or removed Trustee shall request that the Credit Provider transfer the Credit Facility to the successor Trustee. If the resigning or removed Trustee fails to make this request, the successor Trustee shall do so before accepting appointment. Upon the occurrence of one of the following events, the Trustee shall immediately surrender the Credit Facility to the Credit Provider for cancellation: (i) the Expiration Date, (ii) the date that there are no longer any Bonds Outstanding under the Trust Agreement, (iii) the date of issuance of a Substitute Credit Facility (unless the Credit Facility is to remain in effect with respect to any Bonds), or (iv) the date that all of the Bonds are defeased and the Trust Agreement is discharged in accordance with its terms.

Surplus. After (a) payment or redemption or provision for payment or redemption of all amounts due with respect to the Bonds as provided in the Trust Agreement, and payment of all fees, reimbursement amounts, and expenses of the Trustee, the Liquidity Provider, the Credit Provider, and the Bond Insurer, and (b) the transfer of any additional amounts required to be deposited into the Rebate Fund pursuant to the written instructions from an Authority Representative or a City Representative in accordance with the Trust Agreement and the Tax Certificate, any amounts remaining in any of the funds or accounts established under the Trust Agreement (other than in the Rebate Fund and the Swap Payments Fund) and not required for such purposes shall after payment of any amounts due to the Trustee, the Liquidity Provider, the Credit Provider, and the Bond Insurer be remitted to the Authority and used for any lawful purpose; provided, however, in the event of defeasance, amounts shall not be remitted to the Authority until the Authority has delivered or caused to be delivered to the Trustee an opinion of Independent Counsel to the effect that remission of such amounts to the Authority shall not affect the exclusion from gross income for federal income tax purposes the interest with respect to the Bonds.

Repair or Replacement; Application of Insurance Proceeds and Condemnation Awards. If any portion of the Property shall be damaged or destroyed, or shall be taken by eminent domain proceedings, the City shall, as expeditiously as possible, continuously and diligently prosecute or cause to be prosecuted the repair or replacement thereof, unless the City, with the prior written consent or at the direction of the Bond Insurer, so long as the Bond Insurer is not in default in its payment obligations under the Bond Insurance Policy, or the Credit Provider (solely to the extent that there remain any unreimbursed drawings under the Credit Facility and the Bond Insurer is in default under the Bond Insurance Policy), elects not to repair or replace the Property in accordance with the provisions of the Trust Agreement.

The proceeds of any insurance (other than any rental interruption or workers' compensation insurance), including the proceeds of any self-insurance fund and of any condemnation award, received on account of any damage, destruction, or taking of the Property or portion thereof shall as soon as possible be deposited with the Trustee and be held by the Trustee in an Insurance Proceeds Fund (the "Insurance Proceeds Fund") to be then established for and, to the extent necessary, shall be applied to the cost of repair or replacement of the Property or affected portion thereof upon receipt of a Written Request of the City. Pending such application, such proceeds shall be invested by the Trustee solely at the written direction of a City Representative in Permitted Investments that mature not later than such times moneys are expected to be needed to pay such costs of repair or replacement.

Notwithstanding the foregoing, a City Representative shall, within 90 days of the occurrence of the event of damage, destruction, or taking, notify the Trustee in writing of whether the City, with the prior written consent or at the direction of the Bond Insurer, so long as the Bond Insurer is not in default in its payment obligations under the Bond Insurance Policy, or the Credit Provider (solely to the extent that there remain any unreimbursed drawings under the Credit Facility and the Bond Insurer is in default under the Bond Insurance Policy), intends to replace or repair the Property or the portions of the Property that were damaged or destroyed. If the City, with the prior written consent or at the direction of the Bond Insurer, so long as the Bond Insurer is not in default in its payment obligations under the Bond Insurance

Policy, or the Credit Provider (solely to the extent that there remain any unreimbursed drawings under the Credit Facility and the Bond Insurer is in default under the Bond Insurance Policy), elects to replace or repair the Property or portions thereof, the City shall deposit with the Trustee the full amount of any insurance deductible to be credited to the Insurance Proceeds Fund.

If the damage, destruction, or taking was such that there resulted a substantial interference with the City's right to the use or possession of the Property or any portion thereof and an abatement of rental payments will result from such damage or destruction pursuant to the Lease, then the City, with the prior written consent or at the direction of the Bond Insurer, so long as the Bond Insurer is not in default in its payment obligations under the Bond Insurance Policy, or the Credit Provider (solely to the extent that there remain any unreimbursed drawings under the Credit Facility and the Bond Insurer is in default under the Bond Insurance Policy), shall be required either to (i) apply sufficient funds from the insurance proceeds, condemnation award, and other legally available funds to the replacement or repair of the Property or portions thereof that have been damaged, destroyed, or taken so that such Property or any portion thereof will be restored to its former condition and fair rental value, or (ii) transfer to the Debt Service Fund and apply sufficient funds from the insurance proceeds, condemnation award, and other legally available funds to the redemption, as set forth in the Trust Agreement, in full of all the Outstanding Bonds or all of those Outstanding Bonds that would have been payable from that portion of the Base Rental payments that are abated as a result of the damage, destruction, or taking, such that the Base Rental payable on the remaining portions of the Property is sufficient to pay all principal and interest due with respect to the Bonds to remain Outstanding after such redemption. Any amounts received by the Trustee as described above in excess of the amount needed to either repair or replace a damaged, destroyed, or taken portion of the Property or to redeem Bonds shall be transferred to the Reserve Fund to the extent necessary to make the amount on deposit therein equal to the Reserve Requirement and thereafter any excess shall be deposited in the Debt Service Fund.

Title Insurance. Proceeds of any policy of title insurance received by the Trustee in respect of the Property shall be applied and disbursed by the Trustee as follows:

(a) If the Authority and the City, with the prior written consent or at the direction of the Bond Insurer, so long as the Bond Insurer is not in default in its payment obligations under the Bond Insurance Policy, or the Credit Provider (solely to the extent that there remain any unreimbursed drawings under the Credit Facility and the Bond Insurer is in default under the Bond Insurance Policy), (i) determine that the title defect giving rise to such proceeds has not materially affected the use and possession of the Property and will not result in an abatement of Base Rental payable by the City under the Lease, and (ii) has provided the Trustee with written evidence of such determination, such proceeds shall be deposited into the Reserve Fund to the extent necessary to make the amount on deposit therein equal to the Reserve Requirement. Amounts not required to be so deposited, with the prior written consent or at the direction of the Bond Insurer, so long as the Bond Insurer is not in default in its payment obligations under the Bond Insurance Policy, or the Credit Provider (solely to the extent that there remain any unreimbursed drawings under the Credit Facility and the Bond Insurer is in default under the Bond Insurance Policy), shall be remitted to the City.

(b) If the Authority and the City, with the prior written consent or at the direction of the Bond Insurer, so long as the Bond Insurer is not in default in its payment obligations under the Bond Insurance Policy, or the Credit Provider (solely to the extent that there remain any unreimbursed drawings under the Credit Facility and the Bond Insurer is in default under the Bond Insurance Policy), determine that such title defect will result in an abatement of Base Rental payable by the City under the Lease, then the Trustee shall immediately deposit such proceeds in the Debt Service Fund and such proceeds and any other legally available funds, if any, shall be applied to the redemption of Bonds in the manner specified in the Trust Agreement.

Application of Amounts After Default by City. All damages or other payments received by the Trustee from the enforcement of any rights and powers of the Trustee under the Lease, after a default by the City thereunder or under the Trust Agreement, shall be deposited into the Debt Service Fund and applied in the manner specified in the Trust Agreement.

Investments Authorized. Money held by the Trustee in any fund or account under the Trust Agreement shall be invested by the Trustee in Permitted Investments pending application as provided in the Trust Agreement, solely at the written direction of a City Representative, shall be registered in the name of the Trustee, as Trustee, and shall be held by the Trustee. The City shall direct the Trustee prior to 12:00 p.m. Los Angeles time on the last Business Day before the date on which a Permitted Investment matures or is redeemed as to the reinvestment of the proceeds thereof. In the absence of such direction, the Trustee shall invest in Permitted Investments described in clause (15) of the definition thereof. Money held in any fund or account under the Trust Agreement may be commingled for purposes of investment only. The obligations in which moneys in the said funds are invested shall mature on or prior to the date on which such moneys are estimated to be required to be paid out under the Trust Agreement. The obligations in which moneys in the Reserve Fund are so invested shall be invested in obligations maturing no later than five years after the date of investment; provided no such investment shall mature later than the final maturity date of the Bonds; provided further, if such investments may be redeemed at par so as to be available on each Interest Payment Date, any amount of the Reserve Fund may be invested in such redeemable investments of any maturity on or prior to the final maturity date of the Bonds.

All Investment Earnings with respect to amounts in the Rebate Fund shall be retained therein. All Investment Earnings with respect to amounts in the Project Fund shall be retained therein. All Investment Earnings with respect to amounts in the Swap Payments Fund shall be retained therein. The Trustee shall transfer all Investment Earnings on deposit in all other funds and accounts established under the Trust Agreement (except, to the extent required therein, in the Reserve Fund) to the Debt Service Fund. For purposes of determining the amount of deposit in any fund held under the Trust Agreement, all Permitted Investments credited to such fund shall be valued at the cost thereof.

The Trustee may purchase or sell to itself or any affiliate, as principal or agent, investments authorized by the Trust Agreement, provided that the Trustee has given prior notice to the City of its intent to do so. The Trustee may act as principal or agent in the making or disposing of any investment. The Trustee may commingle moneys in funds and accounts for purposes of investment.

For the purpose of determining the amount in any fund or account under the Trust Agreement, all Permitted Investments shall be valued at the end of each month calculated in the manner as provided in the definition of Permitted Investments. The Trustee may sell at the best price obtainable, or present for redemption, any Permitted Investment purchased by the Trustee whenever it shall be necessary in order to provide money to meet any required payment, transfer, withdrawal, or disbursement from any fund or account under the Trust Agreement, and the Trustee shall not be liable or responsible for any loss resulting from such investment or sale, except any loss resulting from its own negligence or willful misconduct.

Reports. The Trustee shall furnish monthly to the Authority a report, which may be its customary account statements, of all investments made by the Trustee and of all amounts on deposit in each fund and account maintained under the Trust Agreement.

The Trustee. The Authority shall, from time to time, on demand, pay to the Trustee reasonable compensation for its services and shall reimburse the Trustee for all its reasonable advances and expenditures, including but not limited to advances to and fees and expenses of independent appraisers, accountants, consultants, counsel, agents, and attorneys-at-law or other experts employed by it in the exercise and performance of its powers and duties under the Trust Agreement. To the extent permitted by law, compensation and reimbursement to the Trustee shall not be limited by any statutory provisions that limit compensation to trustees of express trusts.

The City, with the prior written consent of the Bond Insurer, so long as the Bond Insurer is not in default in its payment obligations under the Bond Insurance Policy, and the Credit Provider, so long as the Credit Provider is not in default in its payment obligations under the Credit Facility, may at any time, provided no event of default has occurred and is continuing, or the Owners of a majority in aggregate principal amount of all Bonds then Outstanding, at any time, may by written request, for any reason, remove the Trustee and any successor thereto, and shall thereupon appoint a successor or successors thereto, but, in all cases, the Trustee and any such successor shall be a bank or trust company in good standing located in or incorporated under the laws of the State, duly authorized to exercise trust powers and which is acting in its fiduciary capacity, having (or be a member of a bank holding company system with a bank holding company that has) a combined capital (exclusive of borrowed capital) and surplus of at least $75,000,000, shall be subject to supervision or examination by federal or state banking authority, shall be subject to regulations regarding fiduciary funds on deposit, and shall otherwise be acceptable to the Bond Insurer and the Liquidity Provider; provided that, the Bond Insurer, so long as the Bond Insurer is not in default in its payment obligations under the Bond Insurance Policy, and the Credit Provider, so long as the Credit Provider is not in default in its payment obligations under the Credit Facility, may remove the Trustee. If such bank or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then, for the purposes of the Trust Agreement, the combined capital and surplus of such bank or trust company shall be deemed to be its combined capital and surplus set forth in its most recent report of condition so published. Any removal of the Trustee shall become effective upon acceptance of appointment by the successor Trustee.

The Trustee or any successor may at any time resign by giving not less than 60 days prior written notice to the Authority, the City, the Liquidity Provider, the Credit Provider, the Swap Provider, and the Bond Insurer and by giving mailed notice to the Owners of its intention to resign and of the proposed date of resignation.

Upon receiving such notice of resignation, the City, with the prior written approval of the Bond Insurer, so long as the Bond Insurer is not in default in its payment obligations under the Bond Insurance Policy, the Credit Provider, so long as the Credit Provider is not in default in its payment obligations under the Credit Facility, and the Liquidity Provider, so long as the Liquidity Provider is not in default under the Liquidity Facility, shall promptly appoint a successor Trustee by an instrument in writing; provided, however, that in the event the City fails to appoint a successor Trustee within 60 days following receipt of such written notice of resignation, the resigning Trustee may petition the appropriate court having jurisdiction to appoint a successor. Any resignation of the Trustee shall become effective upon acceptance of appointment by the successor Trustee.

Any successor Trustee approved by the City, the Bond Insurer, the Liquidity Provider, the Credit Provider, or any court shall satisfy the qualifications set forth above.

Any company into which the Trustee may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion, or consolidation to which it shall be a party or any company to which the Trustee may sell or transfer all or substantially all of its corporate trust business (provided such company is eligible under the Trust Agreement), shall be the successor to the Trustee without the execution or filing of any paper or further act, anything in the Trust Agreement to the contrary notwithstanding.

The Trust Agreement further describes the duties of the Trustee. It also provides provisions that protect the Trustee and limit the liability of the Trustee.

Paying Agents. Pursuant to the Trust Agreement, the Trustee is appointed as paying agent for the Bonds. The Trustee, upon written consent of the Authority, the Bond Insurer, so long as the Bond Insurer is not in default in its payment obligations under the Bond Insurance Policy, the Credit Provider, so long as the Credit Provider is not in default in its payment obligations under the Credit Facility, and the Liquidity Provider, so long as the Liquidity Provider is not in default in its payment obligations under the Liquidity Facility, may appoint such other paying agents with respect to the Bonds as it may deem advisable. Any paying agent appointed shall be a bank or trust company, having a combined capital (exclusive of borrowed capital) and surplus of at least $75,000,000 and shall be subject to supervision by federal or state banking authorities.

Appointment of Co-Trustee or Agent. It is the purpose of the Trust Agreement that there shall be no violation of any law of any jurisdiction (including particularly the law of the State) denying or restricting the right of banking corporations or associations to transact business as Trustee in such jurisdiction. It is recognized that in the case of litigation under the Trust Agreement, and in particular in case of the enforcement of the rights of the Trustee on default, or in the case the Trustee deems that by reason of any present or future law of any jurisdiction it may not exercise any of the powers, rights, or remedies granted in the Trust Agreement to the Trustee or hold title to the properties, in trust, as granted in the Trust Agreement, or take any other action that may be desirable or necessary in connection therewith, it may be necessary that the Trustee appoint an additional individual or institution as a separate co-trustee. The Trust Agreement includes provisions related to these ends.

Amendments to Trust Agreement. Except as set forth therein, the Trust Agreement may be amended only in writing by agreement among the City, the Authority, and the Trustee, with the prior written consent of the Bond Insurer, so long as the Bond Insurer is not in default in its payment obligations under the Bond Insurance Policy, the Credit Provider, so long as the Credit Provider is not in default in its payment obligations under the Credit Facility, the Liquidity Provider, so long as the Liquidity Provider is not in default under the Liquidity Facility, and the Swap Provider (to the extent that any such amendment could in any way materially adversely affect the Swap Provider), and the approval in writing by the Owners of a majority in aggregate principal amount of Bonds then Outstanding. In addition, no such modification or amendment shall (i) extend the maturity of or reduce the interest rate on any Bond or otherwise alter or impair the obligation of the Authority to pay the principal, interest, or redemption premium (if any) at the time and place and at the rate and in the currency provided therein of any Bond without the express written consent of the Owner of such Bond, (ii) reduce the percentage of Bonds required for the written consent to any such amendment or modification, or (iii) without the written consent the affected party, modify any of the rights or obligations of the Trustee or the Remarketing Agent.

Notwithstanding the foregoing paragraph, the Trust Agreement and the rights and obligations provided thereby may also be modified or amended at any time without the consent of any Owners upon the written agreement of the City, the Authority, and the Trustee, with the consent of the Bond Insurer, so long as the Bond Insurer is not in default in its payment obligations under the Bond Insurance Policy, the Credit Provider, so long as the Credit Provider is not in default in its payment obligations under the Credit Facility, the Liquidity Provider, so long as the Liquidity Provider is not in default under the Liquidity Facility, and the Swap Provider (to the extent that any such amendment could in any way materially adversely affect the Swap Provider), but only (i) for the purpose of curing any ambiguity or omission relating thereto, or of curing, correcting, or supplementing any defective provision contained in the Trust Agreement, (ii) in regard to questions arising under the Trust Agreement that the City, the Authority, and the Trustee may deem necessary or desirable and not inconsistent with the Trust Agreement and that shall not adversely affect the interests of the Owners of the Bonds then Outstanding, (iii) to qualify the Trust Agreement under the Trust Indenture Act of 1939, as amended, or corresponding provisions of federal laws from time to time in effect, or (iv) for any other reason, provided such modification or amendment does not adversely affect the interests of the Owners of the Bonds then Outstanding; provided that the City, the Authority, and the Trustee may rely in entering into any such amendment or modification thereof upon the opinion of Independent Counsel stating that the requirements of this sentence have been met with respect to such amendment or modification. No amendment shall impair the right of any Owner to receive principal and interest in accordance with the terms of such Owner's Bond.

The Bond Insurer reserves the right to charge the Authority or the City a fee for any consent or amendment to the Trust Agreement while the Bond Insurance Policy or the Surety Bond is outstanding, so long as the Bond Insurer is not in default in its payment obligations under the Bond Insurance Policy or the Surety Bond.

Amendments to Lease or Property Lease. The Lease or the Property Lease may be amended in writing by agreement between the Authority and the City, with the prior written consent of the Bond Insurer, so long as the Bond Insurer is not in default in its payment obligations under the Bond Insurance Policy, the Credit Provider, so long as the Credit Provider is not in default in its payment obligations under the Credit Facility, the Trustee, the Liquidity Provider, so long as the Liquidity Provider is not in default under the Liquidity Facility, and the Swap Provider (to the extent that any such amendment could in any way materially adversely affect the Swap Provider), but no such amendment shall become effective as to the Owners unless and until approved in writing by the Owners of a majority in aggregate principal amount of Bonds then Outstanding. Notwithstanding the foregoing, the Lease or the Property Lease and the rights and obligations provided thereby may also be modified or amended at any time with the consent of the Bond Insurer, so long as the Bond Insurer is not in default in its payment obligations under the Bond Insurance Policy, the Credit Provider, so long as the Credit Provider is not in default in its payment obligations under the Credit Facility, the Liquidity Provider, so long as the Liquidity Provider is not in default under the Liquidity Facility, and the Swap Provider (to the extent that any such amendment could in any way materially adversely affect the Swap Provider), but without the consent of any Owners, upon the written agreement of the City and the Authority, but only (1) for the purpose of curing any ambiguity or omission relating thereto, or of curing, correcting, or supplementing any defective provision contained in the Lease or the Property Lease, (2) in regard to questions arising under the Lease or the Property Lease that the City and the Authority may deem necessary or desirable and not inconsistent with the Lease or the Property Lease, as applicable, and that shall not adversely affect the interests of the Owners of the Bonds then Outstanding, (3) to effect any substitution of the Property or any portion thereof in accordance with the Lease or the Property Lease, or (4) for any other reason, provided such modification or amendment does not adversely affect the interests of the Owners of the Bonds then Outstanding; provided that the City and the Authority may rely in entering into any such amendment or modification thereof, upon the opinion of Independent Counsel stating that the requirements of this sentence have been met with respect to such amendment or modification. No such amendment shall (i) reduce the percentage of Bonds required for the written consent to any such amendment or modification, (ii) without its written consent thereto, modify any of the rights or obligations of the Trustee, or (iii) impair the right of any Owner to receive principal and interest in accordance with the terms of such Owner's Bond.

Covenants. The Authority and the City have covenanted in the Trust Agreement as set forth below:

Authority and City to Perform Pursuant to Property Lease and Lease. The Authority and the City covenant and agree with the Owners to perform all obligations and duties imposed under the Lease and the Property Lease.

Extension of Payment of Bonds. The Authority shall not directly or indirectly extend the dates upon which the Base Rental payments are required to be paid or redeemed, or the time of payment of interest with respect thereto. Nothing in the Trust Agreement shall be deemed to limit the right of the Authority or the City to issue any securities for the purpose of providing funds for the redemption of the Bonds and such issuance shall not be deemed to constitute an extension of the maturity of the Bonds.

Offices for Servicing Bonds. The Authority (itself or via one or more agents) shall at all times maintain one or more offices or agencies in Los Angeles, California, where Bonds may be presented for payment, and shall at all times maintain one or more agencies where Bonds may be presented for registration of transfer or exchange, and where notices, demands, and other documents may be served upon the Authority in respect of the Bonds. Pursuant to the Trust Agreement, the Authority appoints the Trustee as its agent in Los Angeles, California, for purposes of this provision.

Access to Books and Records. The Trustee shall, at all reasonable times and upon reasonable notice, have access to those books and records of the Authority that may be reasonably required by the Trustee to fulfill its duties and obligations under the Trust Agreement.

General. The Authority and the City shall do and perform or cause to be done and performed all respective acts and things required to be done or performed by or on behalf of the Authority or the City, respectively, under the provisions of the Trust Agreement.

The Authority and the City certify that upon the date of execution and delivery of any of the Bonds, all things, conditions, and acts required by the Constitution and laws of the State and the Trust Agreement to exist, to have happened, and to have been performed precedent to and in the execution and the delivery of such Bonds do exist, have happened, and have been performed in due time, form, and manner, as required by law.

Tax Matters. The Authority and the City shall contest by court action or otherwise any assertion by the United States of America or any department or agency thereof that the interest received by the Owners is includable in gross income of such recipients under federal income tax laws. Notwithstanding any other provision of the Trust Agreement, absent an opinion of Independent Counsel that the exclusion from gross income of interest on the Bonds will not be adversely affected for federal income tax purposes, each of the Authority and the City covenants to comply with all applicable requirements of the Code necessary to preserve such exclusion from gross income and specifically covenants, without limiting the generality of the foregoing, as follows:

(a) Private Activity. Neither the Authority nor the City shall take any action or refrain from taking any action or make any use of the proceeds of the Bonds or of any other moneys or property that would cause the Bonds to be "private activity bonds" within the meaning of Section 141 of the Code.

(b) Arbitrage. Neither the Authority nor the City shall make any use of the proceeds of the Bonds or of any other amounts or property, regardless of the source, or take any action or refrain from taking any action that will cause the Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code.

(c) Federal Guaranty. Neither the Authority nor the City shall make any use of the proceeds of the Bonds or take or omit to take any action that would cause the Bonds to be "federally guaranteed" within the meaning of Section 149(b) of the Code.

(d) Information Reporting. The Authority and the City shall take or cause to be taken all necessary action to comply with the informational reporting requirement of Section 149(e) of the Code.

(e) Hedge Bonds. Neither the Authority nor the City shall make any use of the proceeds of the Bonds or any other amounts or property, regardless of the source, or take any action or refrain from taking any action that would cause the Bonds to be considered "hedge bonds" within the meaning of Section 149(g) of the Code unless the Authority or the City, as applicable, takes all necessary action to assure compliance with the requirements of Section 149(g) of the Code to maintain the exclusion from gross income of interest on the Bonds for federal income tax purposes.

(f) Miscellaneous. Neither the Authority nor the City shall take any action or refrain from taking any action inconsistent with its expectations stated in the Tax Certificate executed by the Authority and the City in connection with the issuance of the Bonds and each shall comply with the covenants and requirements stated therein and incorporated by reference in the Trust Agreement.

(g) Taxable Bonds. This provision and the covenants set forth below shall not be applicable to, and nothing contained in the Trust Agreement shall be deemed to prevent the Authority or the City from issuing bonds, the interest on which has been determined by the Authority or the City, as applicable, to be subject to federal income taxation.

Performance. The Authority shall faithfully observe all covenants and other provisions contained in the Trust Agreement, in each Bond issued and delivered thereunder, and in the Lease and the Property Lease. Except as provided in the Trust Agreement and the Lease, the Authority shall not agree to any amendment to the Lease that would either lengthen the term thereof or reduce the amount of Base Rental or Additional Rental payable thereunder, or change the time or times of payment of such Base Rental or Additional Rental, or agree to any other amendment detrimental to the rights of the Owners, the Credit Provider, the Liquidity Provider, or the Bond Insurer.

Prosecution and Defense of Suits. The Authority and the City shall promptly take such action as may be necessary to cure any defect in the title to the Property or any part thereof, whether now existing or hereafter occurring, and shall prosecute and defend all such suits, actions, and all other proceedings as may be appropriate for such purpose.

Further Assurances. The Authority will make, execute, and deliver any and all such further resolutions, instruments, and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of the Trust Agreement, and for the better assuring and confirming to the Owners, the Bond Insurer, the Credit Provider, the Liquidity Provider, and the Swap Provider the rights and benefits provided therein.

Street Access. So long as Bonds are Outstanding, the Authority will take or cause to be taken all necessary action to assure adequate street access to and from all Components of the Property.

Continuing Disclosure. The Authority, the City, and the Trustee covenant and agree in the Trust Agreement that, on and after the Fixed Rate Date and at any other time that the Rule requires that continuing disclosure and notices of significant events be provided to the applicable municipal securities information repositories, they shall each comply with and carry out their respective obligations under all applicable provisions of the Rule, including, if necessary, executing and delivering a continuing disclosure agreement. Notwithstanding the foregoing, the Authority, the City, and the Trustee acknowledge and agree that, while the Bonds bear interest at a Weekly Interest Rate, provision of continuing disclosure and notices of significant events requirements with respect to the Bonds is not required under the Rule.

Observance of Laws and Regulations. The Authority and the Trustee will faithfully comply with, keep, observe, and perform all valid and lawful obligations or regulations now or hereafter imposed on them by contract, or prescribed by any law of the United States of America or of the State of California, or by any officer, board, or commission having jurisdiction or control, as a condition of the continued enjoyment of each and every franchise, right, or privilege now owned or hereafter acquired by them, including their right to exist and carry on their respective businesses, to the end that such franchises, rights, and privileges shall be maintained and preserved and shall not become abandoned, forfeited, or in any manner impaired.

Other Liens. So long as any Bonds are Outstanding, none of the Trustee, the Authority, or the City shall create or suffer to be created any pledge of or lien on the amounts on deposit in any of the funds or accounts created under the Trust Agreement, other than the pledge and lien thereof. The City, the Authority, and the Trustee shall not encumber the Property other than in accordance with the Property Lease, the Lease, and the Trust Agreement.

Recordation. The City will record, or cause to be recorded, with the appropriate county recorder, the Lease and the Property Lease, or memoranda thereof.

Events of Default. Each of the following shall be an "event of default" under the Trust Agreement and the terms "event of default" and "default" shall mean, whenever they are used in the Trust Agreement, any one or more of the following events:

(a) An event of default shall have occurred under the Lease; provided, however, no effect shall be given to payments made under the Bond Insurance Policy in determining whether an event of default exists under the Trust Agreement.

(b) Failure to pay to any Owner any amount due pursuant to the Trust Agreement for a period of two Business Days after such amount has become due and payable.

(c) Failure by the Authority to observe and perform any covenant, condition, or agreement on its part to be observed or performed under the Trust Agreement or the Lease, other than such failure as may constitute an event of default under clause (a) above, for a period of 30 days after written notice specifying such failure and requesting that it be remedied has been given to the Authority by the Trustee or, the Bond Insurer, or the Credit Provider, or to the Authority and the Trustee by the Bond Insurer, so long as the Bond Insurer is not in default in its payment obligations under the Bond Insurance Policy, the Credit Provider (solely to the extent that there remain any unreimbursed drawings under the Credit Facility and the Bond Insurer is in default under the Bond Insurance Policy), or the Owners of not less than a majority in aggregate principal amount of Bonds then Outstanding, or if the failure stated in the notice cannot be corrected within such 30-day period, then the grace period described in this paragraph shall not extend for more than 60 days without the prior written consent of the Bond Insurer, so long as the Bond Insurer is not in default in its payment obligations under the Bond Insurance Policy, or the Credit Provider (solely to the extent that there remain any unreimbursed drawings under the Credit Facility and the Bond Insurer is in default under the Bond Insurance Policy).

Notice of Events of Default. In the event that an event of default has occurred and is continuing under the Trust Agreement, the Trustee shall give notice of such default to the Owners. Such notice shall state that an event of default has occurred and is continuing under the Trust Agreement and shall provide a brief description of such default. The Trustee in its discretion may withhold notice if it deems it in the best interests of the Owners. Such notice shall be given by first-class mail, postage prepaid, to the Owners within 30 days of such occurrence of default.

Remedies on Default. (a) Upon the occurrence and continuance of any event of default specified under the Trust Agreement, the Trustee may, upon the written consent of the Bond Insurer, so long as the Bond Insurer is not in default in its payment obligations under the Bond Insurance Policy, or the Credit Provider (solely to the extent that there remain any unreimbursed drawings under the Credit Facility and the Bond Insurer is in default under the Bond Insurance Policy), and shall, at the direction of the Bond Insurer, so long as the Bond Insurer is not in default in its payment obligations under the Bond Insurance Policy, or the Credit Provider (solely to the extent that there remain any unreimbursed drawings under the Credit Facility and the Bond Insurer is in default under the Bond Insurance Policy), proceed to exercise the remedies set forth in the Lease or available to the Trustee under the Trust Agreement. Upon the occurrence and continuance of an event of default under the Trust Agreement that would require the Bond Insurer to make payments under the Bond Insurance Policy to pay debt service on the Bonds or to reimburse the Credit Provider for draws under the Credit Facility, as applicable, the Bond Insurer and its designated agent shall be provided with access to inspect and copy the Bond Register held by the Trustee. Notwithstanding the foregoing, if there remain any unreimbursed drawings under the Credit Facility and the Bond Insurer is in default under the Bond Insurance Policy, the Credit Provider and its designated agent shall instead be provided with access to inspect and copy the Bond Register held by the Trustee.

(b) In addition to the remedies set forth in the foregoing paragraph and upon the occurrence and continuance of any event of default specified in the Trust Agreement, the Trustee may, upon the written consent of the Bond Insurer, so long as the Bond Insurer is not in default in its payment obligations under the Bond Insurance Policy, or the Credit Provider (solely to the extent that there remain any unreimbursed drawings under the Credit Facility and the Bond Insurer is in default under the Bond Insurance Policy) and shall, at the direction of the Bond Insurer, so long as the Bond Insurer is not in default in its payment obligations under the Bond Insurance Policy, or the Credit Provider (solely to the extent that there remain any unreimbursed drawings under the Credit Facility and the Bond Insurer is in default under the Bond Insurance Policy), proceed to protect and enforce the rights vested in Owners by the Trust Agreement by appropriate judicial proceedings or proceedings as the Trustee, with the consent or at the direction of the Bond Insurer, so long as the Bond Insurer is not in default in its payment obligations under the Bond Insurance Policy, or the Credit Provider (solely to the extent that there remain any unreimbursed drawings under the Credit Facility and the Bond Insurer is in default under the Bond Insurance Policy), deems most effectual. The provisions of the Trust Agreement and all resolutions or orders in the proceedings for the issuance of the Bonds shall constitute a contract with the Owners of the Bonds, and such contract, with the consent of the Bond Insurer, so long as the Bond Insurer is not in default in its payment obligations under the Bond Insurance Policy, or the Credit Provider (solely to the extent that there remain any unreimbursed drawings under the Credit Facility and the Bond Insurer is in default under the Bond Insurance Policy), may be enforced by any Owner by mandamus, injunction, or other applicable legal action, suit, proceeding, or other remedy.

(c) Upon an event of default and prior to the curing thereof, the Trustee shall exercise the rights and remedies vested in it by the Trust Agreement with the same degree of care and skill as a prudent person would exercise or use under the circumstances in the conduct of his own affairs.

(d) Owners' directions or institution of remedies upon default under the Trust Agreement shall be subject to the prior written consent of the Bond Insurer, so long as the Bond Insurer is not in default in its payment obligations under the Bond Insurance Policy, or the Credit Provider (solely to the extent that there remain any unreimbursed drawings under the Credit Facility and the Bond Insurer is in default under the Bond Insurance Policy). The Bond Insurer, so long as the Bond Insurer is not in default in its payment obligations under the Bond Insurance Policy, or the Credit Provider (solely to the extent that there remain any unreimbursed drawings under the Credit Facility and the Bond Insurer is in default under the Bond Insurance Policy), shall have the right to direct all remedies upon an event of default. Further, no waiver of an event of default shall be granted without obtaining the prior written consent of the Bond Insurer, so long as the Bond Insurer is not in default in its payment obligations under the Bond Insurance Policy, or the Credit Provider (solely to the extent that there remain any unreimbursed drawings under the Credit Facility and the Bond Insurer is in default under the Bond Insurance Policy).

Action by Owners. In the event the Trustee fails to take any action to eliminate an event of default under the Lease or the Trust Agreement, subject to the provisions of the Trust Agreement, the Owners of a majority in aggregate principal amount of Bonds then Outstanding may institute any suit, action, mandamus, or other proceeding in equity or at law for the protection or enforcement of any right under the Lease and the Trust Agreement, but only if such Owners shall have first made written request of the Trustee after the right to exercise such powers or right of action shall have arisen, and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers granted therein or otherwise granted by law or to institute such action, suit, or proceeding in its name, and unless, also, the Trustee shall have been offered reasonable security and indemnity against the costs, expenses, and liabilities to be incurred therein or thereby, and the Trustee shall have refused or neglected to comply with such request within a reasonable time.

Application of Moneys. Any moneys received by the Trustee pursuant to the Trust Agreement, together with any moneys that upon the occurrence of an event of default thereunder are held by the Trustee in any of the funds thereunder (other than the Rebate Fund and the Swap Payments Fund and other than moneys held for Bonds not presented for payment), shall, after payment of reasonable fees and expenses of the Trustee and the reasonable fees and expenses of its counsel, be applied to the payment of the whole amount then owing and unpaid on the Outstanding Bonds for principal, premium, if any, and interest, and in case such moneys shall be insufficient to pay in full the whole amount so owing and unpaid on the Bonds, to the payment of the principal, premium, if any, and interest then due and unpaid upon the Outstanding Bonds without preference or priority of any of principal, premium, or interest over the others or of any installment of interest, or of any Outstanding Bond over any other Outstanding Bond, ratably, according to the amounts due respectively for principal, premium, and interest, to the persons entitled thereto without any discrimination or preference except as to any difference in the respective amounts of interest specified in the Outstanding Bonds.

Whenever moneys are to be applied pursuant to the provisions of the Trust Agreement, such moneys shall be applied at such times, and from time to time, as the Trustee, with the consent or at the direction of the Bond Insurer, so long as the Bond Insurer is not in default in its payment obligations under the Bond Insurance Policy, or the Credit Provider (solely to the extent that there remain any unreimbursed drawings under the Credit Facility and the Bond Insurer is in default under the Bond Insurance Policy), shall determine, having due regard to the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. The Trustee shall give, by mailing by first class mail as it may deem appropriate, such notice of the deposit with it of any such moneys.

Defeasance. If the Authority shall pay or cause to be paid or there shall otherwise be paid to the Owners of any Outstanding Bonds the interest thereon and the principal thereof and the redemption premiums, if any, thereon at the times and in the manner stipulated therein and in the Trust Agreement, then the Owners of such Bonds shall cease to be entitled to the pledge of the Pledged Assets as provided in the Trust Agreement, and all agreements, covenants, and other obligations of the Authority to the Owners of such Bonds hereunder shall thereupon cease, terminate, and become void and be discharged and satisfied. In such event, the Trustee shall execute and deliver to the Authority all such instruments as may be necessary or desirable to evidence such discharge and satisfaction, and the Trustee shall pay over or deliver to the Authority all money or securities held by it pursuant to the Trust Agreement that are not required for the payment of the interest on and principal of and redemption premiums, if any, on such Bonds.

Subject to the provisions of the above paragraph, when any of the Bonds shall have been paid and if, at the time of such payment, the Authority shall have kept, performed, and observed all the covenants and promises in such Bonds and in the Trust Agreement required or contemplated to be kept, performed, and observed by the Authority or on its part on or prior to that time, then the Trust Agreement shall be considered to have been discharged in respect of such Bonds and such Bonds shall cease to be entitled to the lien of the Trust Agreement and such lien and all covenants, agreements, and other obligations of the Authority thereunder shall cease, terminate, become void, and be completely discharged as to such Bonds.

Notwithstanding the satisfaction and discharge of the Trust Agreement or the discharge of the Trust Agreement in respect of any Bonds, those provisions of the Trust Agreement relating to the maturity of the Bonds, interest payments and dates thereof, exchange and transfer of Bonds, replacement of mutilated, destroyed, lost, or stolen Bonds, the safekeeping and cancellation of Bonds, nonpresentment of Bonds, and the duties of the Trustee in connection with all of the foregoing, remain in effect and shall be binding upon the Trustee and the Owners of the Bonds and the Trustee shall continue to be obligated to hold in trust any moneys or investments then held by the Trustee for the payment of the principal of, redemption premium, if any, and interest on the Bonds, to pay to the Owners of Bonds the funds so held by the Trustee as and when such payment becomes due. Notwithstanding the satisfaction and discharge of the Trust Agreement or the discharge of the Trust Agreement in respect of any Bonds, those provisions of the Trust Agreement relating to the compensation of the Trustee shall remain in effect and shall be binding upon the Trustee and the Authority. Notwithstanding anything in the Trust Agreement to the contrary, the Trust Agreement shall not be discharged and shall remain in effect for so long as amounts are payable to the Credit Provider under the Credit Facility or to the Liquidity Provider under the Liquidity Facility.

Any Outstanding Bonds shall prior to the maturity date or redemption date thereof be deemed to have been paid within the meaning of and with the effect expressed above if (1) in case any of such Bonds are to be redeemed on any date prior to their maturity date, the Authority shall have given to the Trustee in form satisfactory to it irrevocable instructions to mail, on a date in accordance with the provisions of the Trust Agreement, a Redemption Notice for such Bonds on said redemption date, such Redemption Notice to be given in accordance with the Trust Agreement, (2) there shall have been deposited with the Trustee either (A) money in an amount that shall be sufficient or (B) direct non-callable obligations of the United States of America and securities fully and unconditionally guaranteed as to the timely payment of principal and interest by the United States of America, to which direct obligations or guaranteed securities the full faith and credit of the United States of America has been pledged, Refcorp interest strips, CATS, TIGRS, STRPS, or defeased municipal bonds rated AAA by S&P or Aaa by Moody's (or any combination thereof) (or any such other obligations or securities as shall be approved in writing by the Bond Insurer) the interest on and principal of which when paid will provide money that, together with the money, if any, deposited with the Trustee at the same time, shall, as verified by an independent certified public accountant, be sufficient to pay when due the interest to become due on such Bonds on and prior to the maturity date or redemption date thereof, as the case may be, and the principal of and redemption premiums, if any, on such Bonds, (3) in the event such Bonds are not by their terms subject to redemption within the next succeeding 60 days, the Authority shall have given the Trustee in form satisfactory to it irrevocable instructions to mail as soon as practicable, a notice to the Owners of such Bonds and the Bond Insurer that the deposit required by clause (2) above has been made with the Trustee and that such Bonds are deemed to have been paid in accordance with the Trust Agreement and stating the maturity date or redemption date upon which money is to be available for the payment of the principal of and redemption premiums, if any, on such Bonds, and (4) in the case of Bonds subject to the book-entry system, the Trustee shall give notice to the Depository of the redemption of all or part of such Bonds on the date proceeds or other funds are deposited in escrow with respect to Bonds. Notwithstanding the foregoing, while the Bonds bear interest at a Weekly Interest Rate, Bonds so paid may not be remarketed after such irrevocable instructions are given. Further notwithstanding the foregoing, so long as a Credit Facility is in place and the Credit Provider is not in default in its payment obligations under the Credit Facility, the deposits with the Trustee under clause (2) above shall consist solely of either (A) drawings under the Credit Facility in amounts that shall be sufficient, or (B) direct non-callable obligations of the United States of America and securities fully and unconditionally guaranteed as to the timely payment of principal and interest by the United States of America, to which direct obligations or guaranteed securities the full faith and credit of the United States of America has been pledged, or defeased municipal bonds rated AAA by S&P (or any combination of the foregoing), the interest on and principal of which when paid will provide money that shall, as verified by an independent certified public accountant, be sufficient to pay when due the interest to become due on such Bonds on and prior to the maturity date or redemption date thereof, as the case may be, and the principal of and redemption premiums, if any, on such Bonds. Further notwithstanding the foregoing, while the Bonds bear interest at a Weekly Interest Rate, in connection with the making of any deposits with the Trustee under clause (2) above, either (i) interest on the Bonds shall be deemed to accrue at the Maximum Interest Rate or (ii) such deposits shall not be made unless S&P has provided written confirmation that the then-current rating on the Bonds shall not be lowered or withdrawn in connection therewith.

After the payment of (i) all the interest of and principal on all Outstanding Bonds as provided in the Trust Agreement and (ii) all other amounts then due under the Trust Agreement and under or with respect to the Credit Facility, the Liquidity Facility, the Swap Agreement, and the Surety Bond, as applicable, the Trustee shall execute and deliver to the City and the Authority all such instruments as may be necessary or desirable to evidence the discharge and satisfaction of the Trust Agreement, and the Trustee shall pay over or deliver to the Authority all moneys or securities held by it pursuant to the Trust Agreement that are not required for the payment of the interest and principal represented by such Bonds or any amounts due under or with respect to the Credit Facility, the Liquidity Facility, the Swap Agreement, or the Surety Bond, as applicable. Notwithstanding the discharge and satisfaction of the Trust Agreement, Owners of Bonds shall thereafter be entitled to payments due under the Bonds pursuant to the Lease, but only from amounts deposited pursuant to the Trust Agreement and from no other source.

Notwithstanding anything in the Trust Agreement to the contrary, in the event that the principal or interest due with respect to the Bonds shall be paid, whether directly or as reimbursement to the Credit Provider for draws under the Credit Facility, by the Bond Insurer pursuant to the Bond Insurance Policy, the Bonds shall remain Outstanding for all purposes, not be defeased or otherwise satisfied, and not be considered paid by the Authority, and the assignment and pledge of the Pledged Assets and all covenants, agreements, and other obligations of the Authority to the Owners shall continue to exist and shall run to the benefit of the Bond Insurer, and the Bond Insurer shall be subrogated to the rights of such Owners.

Provisions Relating to the Bond Insurer and the Bond Insurance Policy.

Payment Procedure Pursuant to the Bond Insurance Policy. (a) As long as the Bond Insurance Policy shall be in full force and effect and no Credit Facility is in effect, or if a Credit Facility is in effect but the Credit Provider is in default thereunder, the Authority and the Trustee shall comply with the following provisions:

(1) At least one day prior to each Interest Payment Date the Trustee shall determine whether there will be sufficient funds in the funds and accounts established under the Trust Agreement to pay the principal of or interest on the Bonds on such Interest Payment Date. If the Trustee determines that there

will be insufficient funds in such funds or accounts, the Trustee shall so notify the Bond Insurer. Such notice shall specify the amount of the anticipated deficiency, the Bonds to which such deficiency is applicable, and whether such Bonds will be deficient as to principal or interest, or both. If the Trustee has not so notified the Bond Insurer at least one day prior to an Interest Payment Date, the Bond Insurer will make payments of principal or interest due on the Bonds on or before the first day next following the date on which the Bond Insurer shall have received notice of nonpayment from the Trustee.

(2) The Trustee shall, after giving notice to the Bond Insurer as provided in paragraph (1) above, make available to the Bond Insurer and, at the Bond Insurer's direction, to The Bank of New York, in New York, New York, as insurance trustee for the Bond Insurer, or any successor insurance trustee (the "Insurance Trustee"), the Bond Register maintained by the Trustee and all records relating to the funds and accounts maintained under the Trust Agreement.

(3) The Trustee shall provide the Bond Insurer and the Insurance Trustee with a list of Owners of Bonds entitled to receive principal or interest payments from the Bond Insurer under the terms of the Bond Insurance Policy, and shall make arrangements with the Insurance Trustee (i) to mail checks or drafts to the Owners of Bonds entitled to receive full or partial interest payments from the Bond Insurer and (ii) to pay principal upon Bonds surrendered to the Insurance Trustee by the Owners of Bonds entitled to receive full or partial principal payments from the Bond Insurer.

(4) The Trustee shall, at the time it provides notice to the Bond Insurer pursuant to paragraph (1) above, notify the Owners of Bonds entitled to receive the payment of principal thereof or interest thereon from the Bond Insurer (i) as to the fact of such entitlement, (ii) that the Bond Insurer will remit to them all or a part of the interest payments next coming due upon proof of Owner entitlement to interest payments and delivery to the Insurance Trustee, in form satisfactory to the Insurance Trustee, of an appropriate assignment of the Owner's right to payment, (iii) that should they be entitled to receive full payment of principal from the Bond Insurer, they must surrender their Bonds (along with an appropriate instrument of assignment in form satisfactory to the Insurance Trustee to permit ownership of such Bonds to be registered in the name of the Bond Insurer) for payment to the Insurance Trustee, and not the Trustee, and (iv) that should they be entitled to receive partial payment of principal from the Bond Insurer, they must surrender their Bonds for payment thereon first to the Trustee, who shall note on such Bonds the portion of the principal paid by the Trustee and then, along with an appropriate instrument of assignment in form satisfactory to the Insurance Trustee, to the Insurance Trustee, which will then pay the unpaid portion of principal.

(5) In the event that the Trustee has notice that any payment of principal of or interest on a Bond that has become Due for Payment (as such term is defined in the Bond Insurance Policy) and that is made to an Owner by or on behalf of the Authority has been deemed a preferential transfer and theretofore recovered from its Owner pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with the final, nonappealable order of a court having competent jurisdiction, the Trustee shall, at the time the Bond Insurer is notified pursuant to (1) above, notify all Owners that in the event that any Owner's payment is so recovered, such Owner will be entitled to payment from the Bond Insurer to the extent of such recovery if sufficient funds are not otherwise available, and the Trustee shall furnish to the Bond Insurer its records evidencing the payments of principal of and interest on the Bonds that have been made by the Trustee and subsequently recovered from Owners and the dates on which such payments were made.

(6) In addition to those rights granted the Bond Insurer under the Trust Agreement, the Bond Insurer shall, to the extent it makes payment of principal of or interest on Bonds, become subrogated to the rights of the recipients of such payments in accordance with the terms of the Bond Insurance Policy, and to evidence such subrogation (i) in the case of subrogation as to claims for past due interest, the Trustee shall

note the Bond Insurer's rights as subrogee on the Bond Register maintained by the Trustee upon receipt from the Bond Insurer of proof of the payment of interest thereon to the Owners of the Bonds, and (ii) in the case of subrogation as to claims for past due principal, the Trustee shall note the Bond Insurer's rights as subrogee on the Bond Register maintained by the Trustee upon surrender of the Bonds by the Owners thereof together with proof of the payment of principal thereof.

(b) Pursuant to the Trust Agreement, the Authority covenants and agrees that it shall reimburse the Bond Insurer for any amounts paid under the Bond Insurance Policy and all costs of collection thereof and enforcement of the Trust Agreement and any other documents executed in connection with the Trust Agreement, together with interest thereon, from the date paid or incurred by the Bond Insurer until payment thereof in full by the Authority, payable at the Insurer Payment Rate (as hereinafter defined), including without limitation (to the extent permitted by applicable law) interest on claims paid by the Bond Insurer in respect of interest on the Bonds. Such payment obligation shall be payable on demand and on a parity with, and from the same sources and secured by the same security as, regularly scheduled principal and interest payments in respect of the Bonds. For purposes of the foregoing, "Insurer Payment Rate" shall mean the lesser of (i) the maximum rate permissible under applicable usury or similar laws limiting interest rates and (ii) the greater of (A) the then applicable highest rate of interest on the Bonds and (B) the per annum rate of interest, publicly announced from time to time by JPMorgan Chase Bank, N.A. ("Chase") at its principal office in the City of New York, as its prime or base lending rate ("Prime Rate") (any change in such Prime Rate to be effective on the date such change is announced by Chase) plus three percent. The Insurer Payment Rate shall be computed on the basis of the actual number of days elapsed over a year of 360 days. In the event that Chase ceases to announce its Prime Rate publicly, Prime Rate shall be publicly announced prime or base lending rate of such national bank as the Bond Insurer shall specify.

Notwithstanding the foregoing, so as long as the Bond Insurance Policy shall be in full force and effect and a Credit Facility is in effect and the Credit Provider is not in default thereunder, if the Trustee receives written notice from the Credit Provider to the effect that the Credit Provider has not been reimbursed by the City for any drawing under the Credit Facility to pay principal of or interest on the Bonds in accordance with the terms of the Credit Facility, the Trustee shall act at the written direction of the Credit Provider, with the written consent of the Bond Insurer, to make drawings under the Bond Insurance Policy necessary to reimburse the Credit Provider for such unreimbursed draws under the Credit Facility, all as contemplated by, and in accordance, with the terms of the Credit Facility and the Bond Insurance Policy. The Trustee shall, upon receipt of such written direction, promptly deliver copies of such direction to the City and the Authority.

<u>Bond Insurer as Third-Party Beneficiary</u>. To the extent that the Trust Agreement confers upon or gives or grants to the Bond Insurer any right, remedy, or claim under or by reason of the Trust Agreement, the Bond Insurer is explicitly recognized as being a third-party beneficiary under the Trust Agreement and may enforce any such right remedy or claim conferred, given, or granted under the Trust Agreement.

<u>Consent of Bond Insurer in the Event of Insolvency</u>. Any reorganization or liquidation plan with respect to the Authority or the City must be acceptable to the Bond Insurer. In the event of any reorganization or liquidation, the Bond Insurer shall have the right to vote on behalf of all Owners who hold the Bond Insurer-insured Bonds absent a default by the Bond Insurer under the Bond Insurance Policy insuring such Bonds.

Notices/Information to be Given to Bond Insurer.

(a) While the Bond Insurance Policy is in effect, the Authority, the City, or the Trustee, as appropriate, shall furnish to the Bond Insurer, to the attention of the Surveillance Department, at the Authority's or the City's expense, the following:

(i) upon request, a copy of any financial statement, audit, and/or annual report of the City or the Authority;

(ii) a copy of any notice to be given to the Owners of the Bonds, including, without limitation, notice of any redemption of or defeasance of Bonds, and any certificate rendered pursuant to the Trust Agreement relating to the security for the Bonds;

(iii) to the extent the Authority has entered into a continuing disclosure agreement with respect to the Bonds, the Bond Insurer shall be included as a party to be notified; and

(iv) such additional information the Bond Insurer may reasonably request.

(b) While the Bond Insurance Policy is in effect, the Authority, the City, or the Trustee, as appropriate, shall furnish to the Bond Insurer, to the attention of the General Counsel Office, at the Authority's or the City's expense, the following:

(i) The Trustee, the City, or the Authority, as appropriate, shall notify the Bond Insurer of any failure of the Authority or the City to provide relevant notices, certificates, etc.; and

(ii) Notwithstanding any other provision of the Trust Agreement, the Trustee, the Authority, or the City, as appropriate, shall immediately notify the Bond Insurer if at any time there are insufficient moneys to make any payments of principal and/or interest on the Bonds as required and immediately upon the occurrence of any Event of Default under the Trust Agreement.

(c) Notice of all interest rate determinations shall be promptly delivered to the Bond Insurer.

(d) The Authority and the City shall permit the Bond Insurer to discuss the affairs, finances, and accounts of the Authority and the City or any information the Bond Insurer may reasonably request regarding the security for the Bonds with appropriate officers of the Authority or the City. The Trustee, the City, or the Authority, as appropriate, shall permit the Bond Insurer to have access to the Project and have access to and to make copies of all books and records relating to the Bonds at any reasonable time.

(e) The Bond Insurer shall have the right to direct an accounting at the Authority's expense, and the Authority's failure to comply with such direction within 30 days after receipt of written notice of the direction from the Bond Insurer shall be deemed a default under the Trust Agreement; provided, however, that if compliance cannot occur within such period, then such period will be extended so long as compliance is begun within such period and diligently pursued, but only if such extension would not materially adversely affect the interests of any Owner of the Bonds.

(f) The Trustee, the City, or the Authority, as appropriate, shall annually certify to the Bond Insurer that the insurance policies required by the Lease are in full force and effect, and shall provide the Bond Insurer with copies of such policies upon request.

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Lease Term; Transfer of Title to City. Pursuant to the Lease, the Authority subleases all Components of the Property to the City, and the City subleases all Components of the Property from the Authority, and the City agrees to pay the Base Rental and the Additional Rental as provided in the Lease for the right to the use and possession of the Property, all on the terms and conditions set forth in the Lease.

The term of the Lease shall begin on the Closing Date and end on the earliest of (a) June 1, 2036; provided that in the event the principal of and interest on the Bonds and all other amounts payable under the Lease and the Trust Agreement shall not be fully paid, or if the Base Rental or Additional Rental due under the Lease shall have been abated at any time as permitted by the terms of the Lease, then the term of the Lease shall be extended, except that the term shall in no event be extended beyond June 1, 2046, or (b) at such date as the Trust Agreement shall have been discharged in accordance thereto, or (c) the date of termination of the Lease due to condemnation in accordance with the terms of the Lease, or (d) the date on which (i) the City has exercised its right to purchase all the Components of the Property pursuant to the Lease and (ii) the Trust Agreement shall have been discharged in accordance thereto.

Pursuant to the exercise of the option to purchase the Property, or a Component thereof pursuant to the Lease, and upon defeasance of the allocable portion of the Bonds related to such Component or Components of the Property in accordance with the Trust Agreement, title to the Component or Components of the Property that is purchased, and any improvements thereon or additions thereto, shall be transferred directly to the City or, at the option of the City, to any assignee or nominee of the City, in accordance with the provisions of the Lease, free and clear of any interest of the Authority.

The City covenants that, on the Closing Date, the City shall be in possession of the Property.

Rental Payments. Pursuant to the Lease, the City agrees, subject to the terms of the Lease, to pay to the Authority, on a parity basis, the Base Rental and Additional Rental in an amount no greater than the aggregate fair rental value of all the Components of the Property in each Lease Year. For purposes of the Lease, the term "fair rental value" shall refer to the maximum amount of rental payments payable with respect to each Component that may be supported by the fair market value of such Component, as estimated by the City, initially, and thereafter as provided in the Lease. On the Closing Date, the City shall deliver a certificate to the Authority, the Trustee, the Bank, and the Bond Insurer that shall set forth the fair rental value of each Component of the Property. The parties to the Lease have agreed and determined that the maximum Base Rental payable under the Lease, assuming an interest component calculated at 12% per annum, does not exceed the fair rental value, in the aggregate, of all Components of the Property. In satisfaction of its obligations under the Lease, subject to the fair rental value limitation set forth in the previous sentence, the City shall pay the Base Rental and Additional Rental in the amounts, at the times, and in the manner set forth in the Lease , such amounts constituting in the aggregate the rent payable under the Lease.

<u>Base Rental</u>. The City agrees to pay, from legally available funds, aggregate Base Rental in the amounts set forth in the Lease, a portion of which Base Rental constitutes principal payable with respect to the Bonds and a portion of which constitutes interest payable with respect to the Bonds, as determined in accordance with the terms of the Lease. While the Bonds bear interest at a Weekly Rate, the Base Rental payable by the City shall be due one Business Day prior to each Interest Payment Date during the

Lease Term. At such time, if any, that the Bonds bear interest at a Fixed Rate, the Base Rental payable by the City shall be due five Business Days prior to each Interest Payment Date during the Lease Term. Base Rental payable with respect to Bank Bonds shall be due on the dates and in the amounts of principal and interest due with respect to Bank Bonds in accordance with the Trust Agreement.

To secure the performance of its obligation to pay Base Rental, the City shall deposit the Base Rental with the Trustee on or before the date on which such Base Rental is due, for application by the Trustee in accordance with the terms of the Trust Agreement. In the event any such date of deposit is not a Business Day, such deposit shall be made on the next succeeding Business Day. In no event shall the amount of Base Rental payable on any date exceed the aggregate amount of principal and interest required to be paid or prepaid on such date with respect to the Outstanding Bonds, according to their tenor.

The obligation of the City to pay Base Rental shall commence on the Closing Date subject to any reductions or credits described in the Lease.

Additional Rental. In addition to the Base Rental set forth in the Lease, the City agrees in the Lease to pay as Additional Rental all of the following:

(i) All taxes and assessments of any nature whatsoever, including but not limited to excise taxes, ad valorem taxes, ad valorem and specific lien special assessments, and gross receipts taxes, if any, levied upon the Property or upon any interest of the Authority, the Trustee, or the Owners therein or in the Lease;

(ii) On or before each Interest Payment Date, the City shall deposit or cause to be deposited, from its legally available funds, such amounts as are necessary to increase the amount on deposit in the Reserve Fund to an amount equal to the Reserve Requirement. Furthermore, in the event that the Trustee notifies the Authority or the City that the amount on deposit in the Reserve Fund is less than the Reserve Requirement, the City shall deposit or cause to be deposited, from its legally available funds, in the Reserve Fund such amounts as are necessary to increase the amount on deposit therein to the Reserve Requirement. The foregoing deposits by the City shall include, without limitation, the repayment of any drawings under the Surety Bond (including, without limitation, all amounts due and owing to the Bond Insurer pursuant to the Guaranty Agreement, dated as of December 1, 2006, by and between the Authority and the Bond Insurer, executed and delivered in connection with the provision of the Surety Bond) or the Additional Funding Instrument, if any.

(iii) Insurance premiums, if any, on all insurance required under the provisions of the Lease;

(iv) Any rebate amounts required to be paid to the United States Treasury;

(v) All fees, costs, and expenses (not otherwise paid or provided for out of the proceeds of the sale of the Bonds) of the Trustee and any paying agent in connection with the Trust Agreement;

(vi) All fees, costs, expenses, and other amounts due to the Bond Insurer under the Lease and the Trust Agreement;

(vii) All fees, costs, expenses, and other amounts due to the Bank under the Lease and under the Credit Facility and the Liquidity Facility;

(viii) All payments, fees, costs, expenses, and other amounts (exclusive of termination payments, which shall be payable on a subordinated basis, as described in the Lease) due to the Swap Provider under the Lease and the Swap Agreement;

(ix) All fees, costs, expenses, and other amounts due to the Remarketing Agent under the Trust Agreement and the Remarketing Agreement;

(x) All amounts required to be paid by the Authority, other than from Pledged Assets, under the Trust Agreement;

(xi) Any other fees, costs, or expenses incurred by the Authority, the Bond Insurer, the Bank, the Swap Provider (exclusive of termination payments under the Swap Agreement), the Remarketing Agent, or the Trustee in connection with the execution, performance, or enforcement of the Lease or any assignment thereof or of the Trust Agreement or any of the transactions contemplated by the Lease or the Trust Agreement or related to the Property; and

(xii) After all Additional Rental payments described in clauses (i) through (xi) above shall have been paid, termination payments due to the Swap Provider under the Swap Agreement.

Amounts constituting Additional Rental payable under the Lease shall be paid by the City directly to the person or persons to whom such amounts shall be payable. The City shall pay all such amounts when due or, in any other case, within 30 days after notice in writing from the Trustee, the Bond Insurer, the Bank, the Swap Provider, or the Authority to the City stating the amount of Additional Rental then due and payable and the purpose thereof. Notwithstanding the foregoing, the aggregate Additional Rental payable in any given Lease Year, when added to the aggregate Base Rental payable in such Lease Year, shall not exceed the fair rental value of all the Components of the Property, as described in the Lease. Subject to the Lease, if the aggregate Additional Rental payable in any given Lease Year, when added to the aggregate Base Rental payable in such Lease Year, exceeds the fair rental value of all the Components of the Property, such excess amount shall not be discharged, but shall instead be added to, and shall be payable as, Additional Rental payable in the next succeeding Lease Year to the extent that such excess amount, when added to the Base Rental and Additional Rental payable in such succeeding Lease Year, does not exceed such fair rental value in such succeeding Lease Year, and such excess amount shall remain payable in each next succeeding Lease Year thereafter until such excess amount shall have been paid in full. In addition to the foregoing, any failure to pay all Additional Rental in any given Lease Year due to such fair rental value limitations shall not constitute a default under the Lease.

All termination payments, if any, to the Swap Provider under the Swap Agreement shall be subordinate in all respects to the pledge and payment of Base Rental and other Additional Rental (as described in clauses (i) through (xi) above) under the Lease, and, unless the principal of and interest on all Outstanding Bonds has been paid in full and all such other Additional Rental then due and payable has been paid, no such termination payment or any portion thereof shall be paid during any period that a default under the Lease shall have occurred and is continuing. In addition, the aggregate portion of any such termination payment payable in any given Lease Year, when added to the aggregate Base Rental and other Additional Rental payable in such Lease Year, shall not exceed the fair rental value of all the Components of the Property, as described in the Lease. Subject to the Lease, if the aggregate portion of any such termination payment payable in any given Lease Year, when added to the aggregate Base Rental and other Additional Rental payable in such Lease Year, exceeds the fair rental value of all the Components of the Property, such excess amount shall not be discharged, but shall instead be added to, and shall be payable as, a portion of such termination payment payable in the next succeeding Lease Year to the extent that such excess amount, when added to the Base Rental and other Additional Rental payable in such succeeding Lease Year, does not exceed such fair rental value in such succeeding Lease Year, and such excess amount shall remain payable in each next succeeding Lease Year thereafter until such excess amount shall have been paid in full. In addition to the foregoing, any failure to pay the entire portion of such termination payment in any given Lease Year due to such fair rental value limitations shall not constitute a default under the Lease. During any period that a default under the Lease shall have occurred and is continuing, the Swap Provider shall take no further action to enforce its rights to receive such termination payment or any portion thereof until such time that such default shall have been cured and all defaulted payments, if any, with respect to the Bonds shall have been paid in full.

Consideration. The payments of Base Rental and Additional Rental under the Lease for each Fiscal Year or portion thereof during the Lease Term shall constitute the total rental for such Fiscal Year or portion thereof and shall be paid by the City for and in consideration of the right to the use and possession of the Property by the City for and during such Fiscal Year or portion thereof; provided that, the Base Rental and Additional Rental payments shall be subject to abatement as provided in the Lease during any period in which by reason of damage, destruction, or taking by eminent domain or condemnation of, or defects in the title with respect to, the Property or any portion thereof, there is substantial interference with the use and possession by the City of all or a portion of the Components comprising the Property. The parties to the Lease have agreed and determined that such total rental is not in excess of the total fair rental value of the Property. In making such determination, consideration has been given to the uses and purposes served by the Property and the benefits therefrom that will accrue to the parties by reason of the Lease and to the general public by reason of the City's right to the use of the Property.

Budget. Pursuant to the Lease, the City covenants to take such action as may be necessary to include all Base Rental and Additional Rental due under the Lease as a separate line item in its annual budget and to make the necessary annual appropriations for all such Base Rental and Additional Rental, subject to the provisions regarding rental abatement in the Lease. The covenants on the part of the City contained in the Lease shall be deemed to be and shall be construed to be ministerial duties imposed by law and it shall be the ministerial duty of each and every public official of the City to take such action and do such things as are required by law in the performance of such official duty of such officials to enable the City to carry out and perform the covenants and agreements on the part of the City contained in the Lease. The obligation of the City to make Base Rental or Additional Rental payments 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. Neither the Bonds nor the obligation of the City to make Base Rental or Additional Rental payments constitutes an indebtedness of the City, the State, or any of its political subdivisions within the meaning of any constitutional or statutory debt limitation or restriction.

Payment; Credit. Amounts necessary to pay Base Rental shall be deposited by the City on the dates set forth in the Lease in lawful money of the United States of America, at the Principal Office of the Trustee, or at such other place or places as may be established in accordance with the Trust Agreement. Any amount necessary to pay any Base Rental or portion thereof that is not so deposited shall remain due and payable until received by the Trustee and shall continue to bear interest at the rate or rates applicable thereto from the date when the same is due under the Lease until the same shall be paid. Notwithstanding any dispute between the City and the Authority under the Lease , the City shall make all Base Rental and Additional Rental payments when due without deduction or offset of any kind and shall not withhold any rental payments pending the final resolution of such dispute or for any other reason whatsoever. The City's obligation to make Base Rental and Additional Rental payments in the amount and on the terms and conditions specified under the Lease shall be absolute and unconditional without any right of set-off or counterclaim, and without abatement, subject only to the provisions regarding rental abatement in the Lease. Amounts required to be deposited with the Trustee pursuant to the Lease on any date shall be reduced to the extent of amounts on deposit on such date in the Debt Service Fund held by the Trustee under the Trust Agreement and that are available to pay Base Rental on the applicable Interest Payment Date, except for amounts being held therein for the payment of Bonds that have matured or been called but have not been surrendered for payment.

Rental Abatement. Except to the extent of amounts available to the City for payments under the Lease (including amounts on deposit in the Reserve Fund and the proceeds of condemnation awards, casualty, title, or rental interruption insurance), during any period in which, by reason of material damage or destruction, there is substantial interference with the right to the use and occupancy by the City of any Component of the Property, Base Rental and Additional Rental payments due under the Lease shall be abated proportionately, and the City waives the benefits of California Civil Code Sections 1932(1), 1932(2), and 1933(4) and any and all other rights to terminate the Lease by virtue of any such interference and the Lease shall continue in full force and effect. The amount of such abatement shall be agreed upon by the City and the Trustee, subject to the provisions regarding consideration in the Lease. The City and the Authority shall calculate such abatement and shall provide the Trustee, the Bank, and the Bond Insurer with a certificate setting forth such calculation and the basis therefor. Such abatement shall continue for the period commencing with the date of such damage or destruction and ending with the substantial completion of the work of repair or replacement of the Component of the Property so damaged or destroyed; and the term of the Lease shall be extended as provided therein, except that the term shall in no event be extended beyond the maximum term provided in the Lease.

Notwithstanding the foregoing, to the extent that moneys are available for the payment of Base Rental or Additional Rental in any of the funds and accounts established under the Trust Agreement, such rental payments shall not be abated as provided above but, rather, shall be payable by the City as a special obligation payable solely from said funds and account.

If an event of abatement shall occur during the term of the Lease, upon cessation of the event of abatement, the Property, or any portion thereof, subject to abatement shall be appraised to determine its current fair rental value. If such value has increased since the Closing Date, Base Rental and Additional Rental payments shall be increased for the remaining term to reflect such increase so that the abated Base Rental and Additional Rental payments are fully paid.

Affirmative Covenants of the Authority and the City. The Authority and the City are entering into the Lease in consideration of, among other things, the following covenants:

Maintenance and Ordinary Repairs. Pursuant to the Lease, the City shall, at its own expense, during the Lease Term, maintain the Property, or cause the same to be maintained, in good order, condition, and repair and shall repair or replace any portion of the Property resulting from ordinary wear and tear and want of care on the part of the City or any sublessee thereof. The City shall provide or cause to be provided all security service, custodial service, janitorial service, and other services necessary for the proper upkeep and maintenance of the Property. It is understood and agreed that in consideration of the payment by the City of the rental payments provided for in the Lease, the City is entitled to the right of possession of the Property and the Authority shall have no obligation to incur any expense of any kind or character in connection with the management, operation, or maintenance of the Property during the Lease Term. The Authority shall not be required at any time to make any improvements, alterations, changes, additions, repairs, or replacements of any nature whatsoever in or to the Property. The City expressly waives the right to make repairs or to perform maintenance of the Property at the expense of the Authority and (to the extent permitted by law) waives the benefit of Sections 1932, 1941, and 1942 of the California Civil Code relating thereto. The City shall keep the Property free and clear of all liens, charges, and encumbrances other than Permitted Encumbrances and those encumbrances existing on or prior to the Closing Date or on or prior to the date any property is substituted for any of the Property pursuant to the Lease and covered by the exceptions and exclusions set forth in the title policies delivered pursuant to the

Lease, and any liens of mechanics, materialmen, suppliers, vendors, or other persons or entities for work or services performed or materials furnished in connection with the Property that are not due and payable or the amount, validity, or application of which is being contested in accordance with the Lease as expressly approved by the City, the Bond Insurer, and the Authority prior to the Closing Date, subject only to the provisions of the Lease regarding the payments of taxes and other governmental charges.

Taxes, Other Governmental Charges, and Utility Charges. The Authority and the City contemplate that the Property will be used for a governmental or proprietary purpose of the City and, therefore, that the Property will be exempt from all taxes presently assessed and levied with respect to the Property. Nevertheless, pursuant to the Lease, the City agrees to pay during the Lease Term, as the same respectively become due, all taxes (except for income or franchise taxes of the Authority), utility charges, and governmental charges of any kind whatsoever that may at any time be lawfully assessed or levied against or with respect to the Property; provided, however, that, with respect to any governmental charges that may lawfully be made in installments over a period of years, the City shall be obliged to pay only such installments as are accrued during such time as the Lease is in effect; and, provided further, that the City may contest in good faith the validity or application of any tax, utility charge, or governmental charge in any reasonable manner that does not adversely affect the right, title, and interest of the Authority in and to any portion of the Property or its rights or interests under the Lease or subject any portion of the Property to loss or forfeiture. Any such taxes or charges shall constitute Additional Rental under the Lease and shall be payable directly to the entity assessing such taxes or charges.

Insurance. The City shall secure and maintain or cause to be secured and maintained at all times, with insurers of recognized responsibility or through a program of self insurance (which shall be deemed for purposes of the Trust Agreement to include risk sharing pools) to the extent specifically permitted in the Lease, all insurance coverage on the Property required by the Lease. Such insurance or self insurance shall consist of:

(A) A policy or policies of insurance (excluding earthquake and flood insurance) against loss or damage to the Property known as "all risk." Such insurance shall be provided by an insurer rated no less than "A" by A. M. Best or as otherwise approved by the Bond Insurer and shall be maintained at all times in an amount not less than the greater of the full replacement value of the Property or the aggregate principal amount of Bonds at such time Outstanding;

(B) General liability coverage against claims for damages including death, personal injury, bodily injury, or property damage arising from operations involving the Property. Such insurance shall afford protection with a combined single limit of not less than $2,000,000 per occurrence with respect to bodily injury, death, or property damage liability, or such greater amount as may from time to time be recommended by the City's risk management officer or an independent insurance consultant retained by the City for that purpose; provided, however, that the City's obligations under this clause may be satisfied by self insurance;

(C) Workers' compensation insurance issued by a responsible carrier authorized under the laws of the State of California to insure employers against liability for compensation under the Labor Code of the State of California, or any act hereafter enacted as an amendment or supplement thereto or in lieu thereof, such workers' compensation insurance to cover all persons employed by the City in connection with the Property and to cover liability for compensation under any such act; provided, however, that the City's obligations under this clause may be satisfied by self insurance;

(D) Rental interruption insurance to cover loss, total or partial, of the use of any Component of the Property as a result of any of the hazards covered by the insurance required pursuant to clause (A) above, covering a period of 24 months, in an amount equal to the product obtained by multiplying an amount equal to the then applicable Reserve Requirement by 2.0.

(E) A CLTA policy or policies of title insurance for the Property in an amount not less than the initial aggregate principal amount of the Bonds. Such policy or policies of title insurance shall show fee simple title to the Property in the name of the City and a leasehold estate in the name of the Authority, subject to Permitted Encumbrances as will not, in the opinion of the Authority and the Bond Insurer, materially adversely affect the use and possession of the Property and will not result in the abatement of Base Rental payable by the City under the Lease.

All policies or certificates issued by the respective insurers for insurance, with the exception of workers' compensation insurance, shall provide that such policies or certificates shall not be cancelled or materially changed without at least 30 days prior written notice to the Trustee. The City shall deliver to the Trustee and the Bond Insurer on the Closing Date and on or prior to July 1 of each year thereafter a certificate signed by a duly authorized City Representative stating whether the City is in compliance with the requirements of the Lease, and in the event it is not in compliance, specifying the nature of the noncompliance, and what action the City is taking to remedy such noncompliance. The City shall further provide the Bond Insurer with copies of such insurance policies upon request.

All policies or certificates of insurance held by the City provided for in the Lease shall name the City as a named insured, and the policies and certificates described in clauses (1) and (4) above shall name (in addition to the City) the Authority and the Trustee as additional insureds. All proceeds of insurance maintained under clauses (1), (4), and (5) above shall be deposited with the Trustee for application pursuant to the Trust Agreement. All proceeds of insurance maintained under clauses (2) and (3) shall be deposited with the City. None of the City, the Authority, or the Trustee shall settle claims under any of the insurance policies required under the Lease without the consent of the Bond Insurer, so long as the Bond Insurer is not in default in its payment obligations under the Bond Insurance Policy.

Notwithstanding the generality of the foregoing, the City shall not be required to maintain or cause to be maintained more insurance than is specifically referred to above or any policies of insurance other than standard policies of insurance with standard deductibles offered by reputable insurers on the open market.

All permitted self-insurance shall be biannually reviewed by the Chief Financial Officer, who shall provide the Trustee a report as to the sufficiency thereof.

Liens. The City shall promptly pay or cause to be paid all sums of money that may become due for any labor, services, materials, supplies, or equipment alleged to have been furnished or to be furnished to, for, in, upon, or about the Property and that may be secured by any mechanic's, materialman's, or other lien against the Property, or the interest of the Authority therein, and shall cause each such lien to be fully discharged and released; provided, however, that the City or the Authority, in good faith, (i) may contest any such claim or lien without payment thereof so long as such non-payment and contest stays execution or enforcement of the lien, but if such lien is reduced to final judgment and such judgment or such process as may be issued for the enforcement thereof is not stayed, or if stayed and the stay thereafter expires, then and in any such event the City shall forthwith pay and discharge such judgment or lien, or (ii) may delay payment without contest so long as and to the extent that such delay will not result in the imposition of any penalty or forfeiture.

Laws and Ordinances. The City shall observe and comply with all rules, regulations, and laws applicable to the City with respect to the Property and the operation thereof. The cost, if any, of such observance and compliance shall be borne by the City, and the Authority shall not be liable therefor. The

City shall place, keep, use, maintain, and operate the Property in such a manner and condition as will provide for the safety of its agents, employees, invitees, subtenants, licensees, and the public.

Flood Plain. The City covenants that no Component of the Property is located in a 100-year flood plain.

Application of Insurance Proceeds.

General. Proceeds of insurance received in respect of destruction of or damage to any portion of the Property by fire or other casualty or event (excluding earthquake or flood) shall be paid to the Trustee for application in accordance with the provisions of the Trust Agreement. If there is an abatement of rental payments pursuant to the Lease as a result of such casualty or event, and the City, with the consent or at the direction of the Bond Insurer, so long as the Bond Insurer is not in default in its payment obligations under the Bond Insurance Policy, elects pursuant to the Trust Agreement to apply such insurance to the redemption of Bonds rather than to the replacement or repair of the destroyed or damaged portion of the Property, then the Base Rental, with respect to the applicable Component or Components, shall be adjusted in accordance with such redemption of Bonds. If the City, with the consent or at the direction of the Bond Insurer, so long as the Bond Insurer is not in default in its payment obligations under the Bond Insurance Policy, elects pursuant to the Trust Agreement to apply such proceeds to the repair or replacement of the portion of the Property that has been damaged or destroyed, in the event there has been an abatement of rental payments pursuant to the Lease, then rental payments shall again begin to accrue with respect thereto upon restoration of the City to its right to the use and possession of such portion of the Property.

Title Insurance. Proceeds of title insurance received with respect to the Property shall be paid to the Trustee for application in accordance with the provisions of the Trust Agreement.

Eminent Domain. If the Property, or so much thereof as to render the remainder of the Property unusable under the Lease, shall be taken under the power of eminent domain, then the Lease shall terminate as of the day possession shall be so taken.

If less than a substantial portion of the Property shall be taken under the power of eminent domain, and the remainder is useable for the City's purposes, then the Lease shall continue in full force and effect as to the remaining portions of the Property, subject only to such rental abatement as is required by the Lease. Pursuant to the Lease, the City and the Authority waive the benefit of any law to the contrary. Any award made in eminent domain proceedings for the taking shall be paid to the Trustee for application in accordance with the provisions of the Trust Agreement. If the City, with the consent or at the direction of the Bond Insurer, so long as the Bond Insurer is not in default in its payment obligations under the Bond Insurance Policy, elects pursuant to the Trust Agreement, to apply such proceeds to the replacement of the condemned portion of the Property, in the event there has been an abatement of rental payments pursuant to the Lease, then rental payments shall again begin to accrue with respect thereto upon restoration of the City to its right to use and possession of such replacement portion of the Property.

Assignment and Lease. The City shall not sell, mortgage, pledge, assign, or transfer any interest of the City in the Lease by voluntary act or by operation of law, or otherwise; provided, however, that the City may, with the prior written consent of the Bond Insurer, so long as the Bond Insurer is not in default in its payment obligations under the Bond Insurance Policy, sublease all or any portion of the Property and may grant concessions to others involving the use of any portion of the Property, whether such concessions purport to convey a subleasehold interest or a license to use a portion of the Property; provided, however, that such sublease or grant shall be subject to the terms of the Lease. The City shall at all times remain primarily liable for the performance of the covenants and conditions on its part to be performed under the Lease, notwithstanding any subletting or granting of concessions that may be made. Nothing contained in the Lease shall be construed to relieve the City of its obligation to pay Base Rental and Additional Rental as provided in the Lease or to relieve the City from any other obligations contained in the Lease. In no event shall the City sublease to or permit the use of all or any part of the Property by any person so as to cause interest on the Bonds to be includable in gross income for federal income tax purposes or to be subject to State personal income tax.

The Authority shall, concurrently with the execution of the Lease, assign all of its right, title, and interest in and to the Lease (except for its right to payment of its expenses, its right to indemnification, and its right to receive certain notices under the Lease), including without limitation its right to receive Base Rental payable under the Lease, to the Trustee pursuant to the Trust Agreement, and pursuant to the Lease, the City consents to and approves such assignment. The parties to the Lease further agree to execute any and all documents necessary and proper in connection therewith.

Notwithstanding the foregoing, if no default or event of default has occurred and is continuing under the Lease, the City, upon the receipt of the prior written consent of the Bond Insurer, may acquire from the Authority, free and clear of the Authority's rights under the Lease, any Component upon substituting therefor, and subjecting to the terms of the Lease, another Component that has an annual fair rental value at least equal to 100% of the maximum amount of Base Rental payments with respect to the Component being replaced becoming due in the then current Lease Year or in any subsequent Lease Year. As soon as practicable after the Authority has received from the City (i) the prior written consent of the Bond Insurer to such substitution, (ii) a written notice of the City's intention to substitute for any Component and subject to the terms of the Lease a new Component, (iii) a certificate of a City Representative that the total annual fair rental value of the new Component is at least equal to 100% of the maximum amount of Base Rental payments with respect to the Component being replaced becoming due in the then current Lease Year or in any subsequent Lease Year, (iv) evidence that an amendment to the Lease reflecting a new Component description has been recorded in the Office of the Recorder of the County of Ventura, (v) a CLTA policy or policies of title insurance for the new Component in an amount not less than the aggregate principal amount of Outstanding Bonds to be secured by Base Rental payments made with respect to the new Component (such policy or policies of title insurance shall show fee simple title to the new Component in the name of the City and a leasehold estate in the name of the Authority, subject to Permitted Encumbrances that will not, in the opinion of the Authority and the Bond Insurer, materially adversely affect the use and possession of the new Component and will not result in the abatement of Base Rental payable by the City under the Lease), and (vi) an opinion of Independent Counsel that such substitution will not cause interest on the Bonds to be includable in gross income for federal income tax purposes or to be subject to State personal income tax, the Authority shall execute and deliver to the City a quitclaim deed conveying to the City or its nominee the Authority's right, title, and interest in the Component for which substitution was sought. In no event shall the Authority transfer title to the Component to the City if any amounts are then due to the Authority, the Trustee, or the Bond Insurer pursuant to the terms of the Lease or the Trust Agreement.

Additions and Improvements; Removal. The City shall have the right during the Lease Term to make any additions or improvements to any Component, to attach fixtures, structures, or signs, and to affix any personal property to any Component, so long as the fair rental value of the Component is not thereby reduced. Title to all equipment or personal property placed by the City on any Component shall remain in the City; provided, however, title to additions, improvements, and fixtures shall be subject to the provisions of the Lease and the Property Lease. Title to any personal property or equipment placed on any Component by any sublessee or licensee of the City shall be controlled by the sublease or license agreement between such sublessee or licensee and the City, which sublease or license agreement shall not be inconsistent with the Lease. The City shall not remove or cause to be removed any equipment or personal property that may cause damage to the applicable Component or Components.

Events of Default. If (i) the City shall fail to deposit with the Trustee any Base Rental payment required to be so deposited pursuant to the Lease by the close of business on the day such deposit is due and payable; (ii) the City shall fail to pay any item of Additional Rental as and when the same shall become due and payable pursuant to the Lease; (iii) the City shall breach any other terms, covenants, or conditions contained in the Lease or the Trust Agreement, and shall fail to remedy any such breach with all reasonable dispatch within a period of 30 days after written notice thereof shall have been given to the City from the Authority, the Trustee, or the Bond Insurer, or, if such breach cannot be remedied within such 30-day period, the City shall fail to institute corrective action within such 30-day period and diligently pursue the same to completion (provided that in the event such breach as provided in clause (iii) hereof is not cured within 60 days, the City shall obtain the prior written consent of the Bond Insurer, so long as the Bond Insurer is not in default in its payment obligations under the Bond Insurance Policy, to pursue the same to completion beyond the grace period provided in this paragraph); or (iv) the City shall file a case in bankruptcy, or any right or interest of the City under the Lease shall be subjected to any execution, garnishment, or attachment, or the City shall be adjudicated as bankrupt, or any assignment shall be made by the City for the benefit of creditors, or the City shall enter into an agreement of composition with creditors, or a court of competent jurisdiction shall approve of a petition applicable to the City in any proceedings instituted under the provisions of the federal bankruptcy code, as amended, or under any similar act that may hereafter be enacted, then and in any such event the City shall be deemed to be in default under the Lease.

Remedies on Default. Upon any such default, the Authority, and the Trustee, as its assignee, in addition to all other rights and remedies either may have at law, may, with the prior written consent of the Bond Insurer, so long as the Bond Insurer is not in default in its payment obligation under the Bond Insurance Policy, and shall, at the direction of the Bond Insurer, so long as the Bond Insurer is not in default in its payment obligations under the Bond Insurance Policy:

(a) terminate the Lease in the manner provided under the Lease on account of default by the City, notwithstanding any re-entry or re-letting of the Property as provided for in subparagraph (b) below, and to re-enter the Property and remove all persons in possession thereof and all personal property whatsoever situated upon the Property and place such personal property in storage in any warehouse or other suitable place located within the geographical boundaries of the City, for the account of and at the expense of the City. In the event of such termination, the City shall surrender immediately possession of the Property, without let or hindrance, and shall pay the Authority all damages recoverable at law that the Authority may incur by reason of default by the City, including, without limitation, any costs, loss, or damage whatsoever arising out of, in connection with, or incident to any such re-entry upon the Property and removal and storage of such property by the Authority or its duly authorized agents in accordance with the provisions of the Lease. Neither notice to pay rent or to deliver up possession of the Property given pursuant to law nor any entry or re-entry by the Authority nor any proceeding in unlawful detainer, or otherwise, brought by the Authority for the purpose of effecting such re-entry or obtaining possession of the Property nor the appointment of a receiver upon initiative of the Authority to protect the Authority's interest under the Lease shall of itself operate to terminate the Lease, and no termination of the Lease on account of default by the City shall be or become effective by operation of law or acts of the parties to the Lease, or otherwise, unless and until the Authority shall have given written notice to the City of the election on the part of the Authority to terminate the Lease. The City covenants and agrees that no surrender of the Property or of the remainder of the Lease Term or any termination of the Lease shall be valid in any manner or for any purpose whatsoever unless stated or accepted by the Authority by such written notice.

(b) Without terminating the Lease, (i) collect each installment of Base Rental and Additional Rental as it becomes due and enforce any other terms or provisions of the Lease to be kept or performed by the City, regardless of whether or not the City has abandoned the Property or (ii) exercise any and all rights of entry and re-entry upon the Property. In the event the Authority does not elect to terminate the Lease in the manner provided for in subparagraph (i) above, the City shall remain liable and shall keep or perform all covenants and conditions contained in the Lease to be kept or performed by the City and, if the Property is not re-let, to pay the full amount of the rent to the end of the Lease Term or, in the event that the Property is re-let, to pay any deficiency in rent that results therefrom; and the City shall pay said rent or rent deficiency punctually at the same time and in the same manner as provided for in the Lease the payment of rent thereunder, notwithstanding that the Authority may have received in previous years or may receive thereafter in subsequent years rental in excess of the rental specified in the Lease, and notwithstanding any entry or re-entry by the Authority or suit in unlawful detainer, or otherwise, brought by the Authority for the purpose of effecting such re-entry or obtaining possession of the Property. Pursuant to the Lease, should the Authority elect to re-enter as provided in the Lease, the City irrevocably appoints the Authority as the agent and attorney-in-fact of the City to re-let the Property, or any part thereof, from time to time, either in the Authority's name or otherwise, upon such terms and conditions and for such use and period as the Authority may deem advisable and to remove all persons in possession thereof and all personal property whatsoever situated upon the Property and to place such personal property in storage in any warehouse or other suitable place located within the geographical boundaries of the City, for the account of and at the expense of the City, and the City indemnifies and agrees to save harmless the Authority from any costs, loss, or damage whatsoever arising out of, in connection with, or incident to any such re-entry upon and re-letting of the Property and removal and storage of such property by the Authority or its duly authorized agents in accordance with the provisions of the Lease. The City agrees that the terms of the Lease constitute full and sufficient notice of the right of the Authority to re-let the Property in the event of such re-entry without effecting a surrender of the Lease, and further agrees that no acts of the Authority in effecting such re-letting shall constitute a surrender or termination of the Lease, irrespective of the use or the term for which such re-letting is made or the terms and conditions of such re-letting, or otherwise, but that, on the contrary, in the event of such default by the City, the right to terminate the Lease shall vest in the Authority, to be effected in the sole and exclusive manner provided for in subparagraph (i) above. The City further waives the right to any rental obtained by the Authority in excess of the rental specified in the Lease and conveys and releases such excess to the Authority as compensation to the Authority for its services in re-letting the Property. The City further agrees to pay the Authority the cost of any alterations or additions to the Property necessary to place the Property in condition for re-letting immediately upon notice to the City of the completion and installation of such additions or alterations.

The City waives any and all claims for damages caused or that may be caused by the Authority in reentering and taking possession of the Property as provided in the Lease and all claims for damages that may result from the destruction of or injury to the Property and all claims for damages to or loss of any property belonging to the City, or any other person, that may be in or upon the Property.

In addition to the other remedies set forth in the Lease, upon the occurrence of an event of default as described in the Lease, the Authority and the Trustee, as its assignee, shall be entitled, with the prior written consent of the Bond Insurer, so long as the Bond Insurer is not in default in its payment obligations under the Bond Insurance Policy, to proceed to protect and enforce the rights vested in the Authority and its assignee by the Lease or by law. The provisions of the Lease and the duties of the City and of its councilmembers, officers, or employees shall be enforceable by the Authority or its assignee by mandamus or other appropriate suit, action, or proceeding in any court of competent jurisdiction. Without limiting the generality of the foregoing, the Authority and its assignee may, with the prior written consent of the Bond Insurer, so long as the Bond Insurer is not in default in its payment obligations under the

Bond Insurance Policy, and shall, at the direction of the Bond Insurer, so long as the Bond Insurer is not in default in its payment obligations under the Bond Insurance Policy, bring the following actions:

> Accounting. By action or suit in equity to require the City and its councilmembers, officers, and employees and its assigns to account as the trustee of an express trust.
>
> Injunction. By action or suit in equity to enjoin any acts or things that may be unlawful or in violation of the rights of the Authority or its assignee.
>
> Mandamus. By mandamus or other suit, action, or proceeding at law or in equity to enforce the Authority's or its assignee's rights against the City (and its councilmembers, officers, and employees) and to compel the City to perform and carry out its duties and obligations under the law and its covenants and agreements with the Authority as provided in the Lease.

Notwithstanding anything to the contrary contained in the Lease, so long as the Bond Insurer is not in default in its payment obligations under the Bond Insurance Policy, no remedy shall be exercised under the Lease without the prior written consent of the Bond Insurer and the Bond Insurer shall have the right to direct the exercise of any remedy under the Lease.

The termination of the Lease by the Authority and its assignees on account of a default by the City thereunder shall not affect or result in a termination of the lease of the Property by the City to the Authority pursuant to the Property Lease.

Each and every remedy of the Authority or any assignee of the rights of the Authority under the Lease is cumulative and the exercise of one remedy shall not impair the right of the Authority or its assignee to any or all other remedies. If any statute or rule validly shall limit the remedies given to the Authority or any assignee of the rights of the Authority under the Lease, the Authority or its assignee nevertheless shall be entitled to whatever remedies are allowable under any statute or rule of law.

All damages and other payments received by the Authority pursuant to the Lease shall be applied in the manner set forth in the Trust Agreement.

Notwithstanding anything to the contrary contained in the Lease, in no event shall the Authority re-let the Property or any Component thereof to any lessee that is not itself a governmental entity without first obtaining an opinion of Independent Counsel that such re-letting shall not adversely affect the exclusion from gross income of interest on the Bonds for federal income tax purposes.

Option to Purchase. The City shall have the exclusive right and option, which shall be irrevocable during the Lease Term, to purchase all of the Authority's right, title, and interest in the Property or any Component thereof on any Business Day, upon payment of the respective option price for the Property or such Component thereof, as further described below, but only if the City is not in default under the Lease or the Trust Agreement and only in the manner provided in the Lease.

The option price for each Component in any Lease Year shall be an amount equal to the redemption price of Outstanding Bonds, including redemption premium, if any, and interest, as set forth in the Trust Agreement. Such option price is intended to represent the then fair value of such Component.

If the Business Day on which the City intends to exercise its option under the Lease is, in accordance with the terms of the Trust Agreement, a date on which the Bonds are subject to optional redemption, then the City shall exercise its option to purchase by giving notice to the Trustee of its intention to exercise its option under the Lease not less than 45 days prior to the Business Day on which it intends to exercise its option under the Lease and shall arrange for the deposit with the Trustee by the date on which it intends to exercise its option to purchase under the Lease an amount equal to the option price.

If the Business Day on which the City intends to exercise its option under the Lease is not a date on which the Bonds are subject to optional redemption pursuant to the terms of the Trust Agreement, the City shall exercise its option to purchase by giving notice thereof to the Trustee not later than 10 days prior to the Business Day on which it desires to purchase the Authority's right, title, and interest in a Component and the option price shall be payable in installments. Each such installment (a) shall be payable at each time at which a payment of Base Rental would have been payable had such option not been exercised until the due date of the final installment referred to in the proviso set forth below in this paragraph, and (b) shall equal the principal component and the interest component of each Base Rental payment referred to in clause (a) above; provided, however, that the final installment shall be payable on the first date on which Bonds are subject to optional redemption pursuant to the terms of the Trust Agreement and shall be in an amount equal to the option price on such date for that Component. Each such installment shall bear interest until paid at a rate not less than the rate that would have been payable with respect to the payments of Base Rental referred to in clause (a) above. In order to secure its obligations to pay the installments referred to above, and to cause the defeasance of the allocable portion of the Bonds relating to such Component, the City, concurrently with the exercise of its option under the Lease, shall satisfy the provisions in the Trust Agreement, including the deposit of amounts that will, together with the interest to accrue thereon without the need for further investment, be fully sufficient to pay the installments (including all principal and interest) and the option price referred to above at the times at which such installments and the option price are required to be paid. Such deposit shall be in addition to the Base Rental due on such date.

On any Business Day as to which the City shall properly have exercised the option granted it pursuant to the Lease with respect to a Component and shall have paid or made provision (as set forth in the preceding paragraphs) for the payment of the required option price and provided for the defeasance of the allocable portion of the Bonds relating to such Component or Components in accordance with the terms and provisions of the Trust Agreement or shall have caused the redemption of the allocable portion of the Bonds relating to such Component or Components in accordance with the terms and provisions of the Trust Agreement, as applicable, the Authority shall execute and deliver to the City a quitclaim deed conveying to the City or its nominee the Authority's right, title, and interest in that Component. If (A) the City shall (i) properly exercise the option provided in the Lease prior to the expiration of the Lease Term and (ii) provide for the defeasance of the allocable portion of the Bonds relating to such Component or Components in accordance with the terms and provisions of the Trust Agreement or shall have caused the redemption of the allocable portion of the Bonds relating to such Component or Components in accordance with the terms and provisions of the Trust Agreement, as applicable, and (B) the Authority shall execute and deliver the quitclaim deed to the Component as aforesaid, then the Lease shall terminate with respect to that Component, but such termination shall not affect the City's obligation to pay the option price on the terms set forth in the Lease and shall not affect the City's obligation to pay Base Rental and Additional Rental with respect to any other Component.

On or before any Business Day as to which the City shall properly have exercised the option granted it pursuant to the Lease with respect to a Component and shall have paid or made provision (as set forth in the preceding paragraphs) for the payment of the required option price and provided for the defeasance of the allocable portion of the Bonds relating to such Component or Components in accordance with the terms and provisions of the Trust Agreement or shall have caused the redemption of the allocable portion of the Bonds relating to such Component or Components in accordance with the terms and provisions of the Trust Agreement, the City shall have made all required payments, if any, under the Swap Agreement to the Swap Provider due to the termination or partial termination of the Swap Agreement in connection therewith.

Third-Party Beneficiaries. To the extent that the Lease confers upon or gives or grants to the Bond Insurer, the Bank, or the Swap Provider any right, remedy, or claim under or by reason of the Lease, each of the Bond Insurer, the Bank, and the Swap Provider is explicitly recognized as being a third-party beneficiary under the Lease and may enforce any such right remedy or claim conferred, given, or granted thereunder.

PROPERTY LEASE

The Property Lease is entered into between the Authority and the City and, pursuant to its terms, the Authority agrees to lease the Site with respect to each Component of the Property from the City.

The Property Lease shall commence on the Closing Date and end on the earlier to occur of one week after (i) June 1, 2036; provided that in the event the principal of and interest on the Bonds and all other amounts payable under the Lease and the Trust Agreement shall not be fully paid, or if the Base Rental or Additional Rental due under the Lease shall have been abated at any time as permitted by the terms of the Lease, then the term of the Property Lease shall be extended, except that the term shall in no event be extended beyond June 1, 2046, or (ii) the date upon which the Trust Agreement shall have been discharged in accordance thereto.

The City reserves the right at any time to substitute real property and/or improvements thereon owned by the City for all or any Component of the Property described in the Property Lease, provided that:

(a) the City obtains the prior written consent of the Authority, the Bond Insurer, the Swap Provider, and any municipal bond rating agency that has, at the request of the City, rated the Bonds issued pursuant to the Trust Agreement; and

(b) the City finds (and delivers a certificate to the Authority and Trustee setting forth its findings) that the substituted Component or Components of the Property and improvements thereon has the same or greater fair rental value than that Component or Components of the Property for which it is being substituted and that the Base Rental payments being made by the City for the then current Lease Year and subsequent Lease Year thereafter pursuant to the Lease will not be reduced.

Upon the substitution of any Component or Components of the Property for the Component or Components constituting the Property described in the Property Lease, the City, the Authority, and the Trustee shall execute and record with the Office of the County Recorder, County of Ventura, California, any document necessary to release any Component or Components of the Property substituted pursuant to the provisions of the Property Lease and the Lease and to include the substituted Component or Components to constitute the released Component or Components of the Property under the Property Lease and the Lease.

To the extent that the Property Lease confers upon or gives or grants to the Bond Insurer, the Bank, or the Swap Provider any right, remedy, or claim under or by reason of the Property Lease, each of the Bond Insurer, the Bank, and the Swap Provider is explicitly recognized as being a third-party beneficiary under the Property Lease and may enforce any such right remedy or claim conferred, given, or granted thereunder.

APPENDIX B

GENERAL INFORMATION CONCERNING THE CITY OF OXNARD

The Bonds do not constitute a general obligation debt of the City of Oxnard (the "City"), and the City has not pledged its full faith and credit to the repayment of the Bonds. The following information is presented for informational purposes only.

General

The City is located in western Ventura County (the "County") on the shore of the Pacific Ocean. The City is approximately 65 miles northwest of the City of Los Angeles, 35 miles south of the City of Santa Barbara, and 6 miles south of the county seat of the County. The City is the financial hub of the County and the largest city in the County, with a population estimated at 192,997 in 2007, accounting for over 23% of the County's population. The City has become a premier center of County industrial activity. In 2007, the City's industrial vacancy rate hit an all time low of 1.6%. In the past 10 years, 1,522 industrial acres have been developed within the City totaling over 29 million square feet of manufacturing and warehouse space.

The City was incorporated as a general law city on June 30, 1903, and operates under a council-manager form of government. The City is governed by a five-member City Council elected at large for four-year alternating terms, with the exception of the Mayor, who is directly elected for a two-year term.

The City has a diversified and expanding economic base composed of light and heavy manufacturing, retail, service, and government sectors. The City has maintained a steady population growth rate of, on average, approximately 2.74% for the past seven years.

Population

The City's population has grown from approximately 160,300 people in 2000 to approximately 192,997 in 2007. The following table shows the approximate changes in population in the City, the County, the State, and the United States for the years 2000 through 2007.

Population of
City, County, State, and U.S.
2000 through 2007 (1)

Year	City	Percent Change	County	Percent Change	State (000)	Percent Change	United States (000)	Percent Change
2000	160,300	--	758,657	--	34,099	--	282,193	--
2001	177,700	10.85%	774,264	2.06%	34,784	2.01%	285,108	1.03
2002	182,027	2.44	787,886	1.76	35,393	1.75	287,985	1.01
2003	181,800	(0.12)	799,781	1.51	35,990	1.69	290,850	0.99
2004	186,122	2.38	808,657	1.11	36,522	1.48	293,657	0.97
2005	188,941	1.51	814,262	0.69	36,982	1.26	296,410	0.94
2006	189,990	0.56	821,698	0.91	37,444	1.25	299,398	1.01
2007	192,997	1.58	825,512	0.46	37,663	0.58	301,621	0.74

(1) Unless otherwise noted, estimates for City as of January 1, and for the County, the State, and the U.S. as of July 1 (provided, however, that estimates for the County and the State for 2007 are as of January 1, 2007).
Sources: For City: City's Comprehensive Annual Financial Report, Fiscal Year Ended June 30, 2007; for State and County: California Department of Finance; for U.S.: United States Bureau of the Census.

Property Tax Rates

In June of 1978, California voters approved Proposition 13 (the Jarvis-Gann Initiative), which added Article XIIIA to the California Constitution. Article XIIIA limits *ad valorem* taxes on real property to 1% of the full cash value, plus taxes necessary to repay indebtedness approved by the voters prior to July 1, 1978. Voter-approved obligations of the City are comprised of an obligation of the City referred to as the "Public Safety Retirement Debt." The following table details the City's property tax rates for the last 10 fiscal years.

City of Oxnard
Property Tax Rates
Fiscal Years 1998 through 2007

Fiscal Year Ended June 30	Article XIIIA Basic Tax Rate	City District (Public Safety Retirement Debt)	School Districts	Water Districts	Total Tax Rates
1998	1.00%	0.14647%	0.02620%	0.06694%	1.23961%
1999	1.00	0.14497	0.10040	0.08362	1.32899
2000	1.00	0.18067	0.14920	0.06067	1.39054
2001	1.00	0.17277	0.11070	0.06399	1.34746
2002	1.00	0.20417	0.10420	0.05690	1.36527
2003	1.00	0.21447	0.10790	0.05120	1.37357
2004	1.00	0.20384	0.09770	0.04476	1.34630
2005	1.00	0.19624	0.08410	0.04224	1.32258
2006	1.00	0.17614	0.09850	0.03691	1.31155
2007	1.00	0.16564	0.08220	0.03272	1.28056

Source: City's Comprehensive Annual Financial Report, Fiscal Year Ended June 30, 2007.

Property Tax Levies, Collections and Delinquencies

The Ventura County Tax Collector collects *ad valorem* property tax levies representing taxes levied for each fiscal year on taxable real and personal property that is situated in the County as of the preceding March 1. Unsecured taxes are assessed and payable on March 1 and become delinquent August 31 in the next fiscal year. Accordingly, unsecured taxes are levied at the rate applicable to the fiscal year preceding the one in which they are paid.

One half of the secured tax levy is due November 1 and becomes delinquent December 10; the second installment is due February 1 and becomes delinquent April 10. A 10% penalty is added to any late installment.

Property owners may redeem property upon payment of delinquent taxes and penalties. Tax-delinquent properties are subject to a redemption penalty of 1½%) of the delinquent amount every month commencing on July 1 following the date on which the property became tax-delinquent. Properties may be redeemed under an installment plan by paying current taxes, plus 20% of delinquent taxes each year for five years, with interest accruing at 1½% per month on the unpaid balance.

The following table details the City's property tax levies, collections, and delinquencies for the last 10 fiscal years.

City of Oxnard
Property Tax Levies, Collections and Delinquencies
Fiscal Years 1998 through 2007

Year Ended June 30	Total Tax Levy	Current Tax Collections	Percent of Levy Collected	Delinquent Tax Collections	Total Tax Collections	Total Collections as a Percentage of Tax Levy
1998	$18,113,687	$17,712,334	97.78%	$250,440	$17,962,774	99.17%
1999	15,014,300	14,868,769	99.03	189,551	15,058,320	100.29
2000	17,038,470	17,317,763	101.64	99,032	17,416,795	102.22
2001	23,380,000	23,484,567	100.45	90,164	23,574,731	100.83
2002	25,900,000	25,718,029	99.30	284,711	26,002,740	100.40
2003	30,040,000	29,892,747	99.51	190,546	30,083,293	97.32
2004	35,432,169	35,281,916	99.58	344,390	35,626,306	99.99
2005	44,743,658	49,223,170	110.01	126,250	49,349,420	110.29
2006	54,511,910	58,537,770	107.39	132,403	58,670,173	107.63
2007	59,401,879	68,429,117	115.20	129,679	68,558,796	115.42

Source: City's Comprehensive Annual Financial Report, Fiscal Year Ended June 30, 2007.

Assessed Property Values

The following table details the assessed value of the real and personal property within the City for the last 10 fiscal years.

City of Oxnard
Assessed Property Values
Fiscal Years 1998 through 2007

Year Ended June 30	Real Property Assessed Value	Personal Property Assessed Value	Exemptions	Total Assessed Value
1998	$ 6,473,207,602	$ 94,844,935	$ 722,494,121	$ 5,845,558,416
1999	6,605,309,284	95,463,165	737,477,086	5,963,295,363
2000	6,844,276,538	91,597,348	874,969,634	6,060,904,252
2001	7,645,814,717	97,930,553	846,810,724	6,896,934,546
2002	8,351,831,139	111,351,225	905,863,935	7,557,318,429
2003	9,093,618,247	124,301,084	1,110,078,014	8,107,841,317
2004	10,228,878,641	117,948,102	1,346,099,223	9,000,727,520
2005	11,509,455,540	114,301,049	1,537,114,090	10,086,642,499
2006	13,220,739,863	120,544,440	1,835,609,239	11,505,675,064
2007	15,001,093,942	147,705,238	2,126,175,049	13,022,624,131

Source: City's Comprehensive Annual Financial Report, Fiscal Year Ended June 30, 2007.

Principal Taxpayers

The following table lists the principal taxpayers in the City as of June 30, 2007.

City of Oxnard
Principal Taxpayers

Taxpayer	Assessed Valuation	Percentage of Total Assessed Valuation
Procter & Gamble Paper Products Company	$ 270,310,165	1.785%
St. John's Regional Medical Center	203,332,361	1.343
710 Del Norte LLC	94,600,000	0.063
Essex Tierra Vista Limited Partnership	78,010,211	0.515
SI VIII LLC	77,910,667	0.514
EF Oxnard LLC	75,276,100	0.497
DR Horton LA Holding Company	74,605,839	0.493
Standard Pacific Corporation	74,017,134	0.489
Fred Kavli	63,613,687	0.420
Duesenberg Investment Company	62,725,278	0.414
RiverPark A & B LLC	60,178,658	0.397
Haas Automation Inc.	57,975,700	0.383
Weyerhaeuser Company	51,828,300	0.342
Centro Watt Properties Owner I LLC	49,090,231	0.324
BMW of North America, Inc.	42,070,446	0.278
Other Taxpayers	13,808,289,724	91.181
Totals	$15,143,834,501	100.000% (1)

(1) Total may not add due to rounding.
Source: City's Comprehensive Annual Financial Report, Fiscal Year Ended June 30, 2007.

Outstanding Debt

The City uses a variety of tax increment, revenue, and lease indebtedness to finance various capital acquisitions. The outstanding balances for indebtedness during the last 10 fiscal years are set forth in the following table:

City of Oxnard
Outstanding Debt
1998 through 2007

	Governmental Activities				Business-Type Activities		
Fiscal Year	Revenue Bonds	Certificates of Participation	Tax Allocation Bonds	Capital Leases	Revenue Bonds	Capital Leases	Total Outstanding Debt
1998	$16,193,000	---	$16,630,000	$1,693,752	$ 96,662,129	---	$131,178,881
1999	14,541,000	$8,980,000	16,140,000	1,425,696	93,118,592	---	134,205,288
2000	12,285,000	8,805,000	15,620,000	1,163,893	89,448,949	---	127,322,842
2001	10,705,000	8,625,000	15,065,000	891,305	85,646,884	$1,401,008	122,334,197
2002	9,080,000	8,440,000	14,475,000	604,201	88,945,000	1,215,752	122,759,953
2003	9,535,000	8,245,000	13,850,000	307,187	84,030,000	2,824,171	118,791,358
2004	22,874,301	8,045,000	19,185,000	1,729,354	214,035,699	2,916,139	268,785,493
2005	21,607,009	7,835,000	18,635,000	1,412,398	236,943,314	2,469,070	288,901,791
2006	19,975,756	7,620,000	18,030,000	1,086,013	298,559,567	2,010,676	347,282,012
2007	43,109,750	7,395,000	37,940,000	749,911	292,625,260	1,536,788	383,356,709

Source: City's Comprehensive Annual Financial Report, Fiscal Year Ended June 30, 2007.

Employment

The following tables present the available labor force data and unemployment rates for five years for the City and the County.

City and County
Labor Force and Unemployment Figures
(2002 through 2007)

	City		County	
Year	**Labor Force**	**Unemployment Rate**	**Labor Force**	**Unemployment Rate**
2002	84,800	8.3%	408,000	5.8%
2003	85,800	8.3	412,900	5.8
2004	86,200	7.8	415,600	5.4
2005	87,100	6.8	421,200	4.7
2006	87,400	6.0	425,400	4.3
2007	88,400	6.6	431400	5.4

Source: State of California, Employment Development Department.

Taxable Retail Sales

Consumer spending in calendar year 2005 resulted in $2,299,725,000 in taxable sales in the City, which is approximately 5.9% above calendar year 2004. The following table sets forth information regarding taxable sales in the City for each type of business for calendar years 2001 through 2005.

City of Oxnard
Taxable Retail Sales by Type of Business
2001 – 2005
(000s)

	2001	2002	2003	2004	2005
Apparel stores	$ 46,037	$ 53,650	$ 50,399	$ 52,822	$ 52,493
General merchandise stores	257,339	273,297	290,338	305,784	318,237
Food stores	64,173	67,002	73,061	75,013	88,779
Eating and drinking places	133,815	145,771	153,932	163,844	170,252
Home furnishings and appliances	54,840	76,151	102,279	100,961	103,361
Building materials and farm implements	205,872	200,206	206,417	225,380	242,899
Auto dealers and auto supplies	412,761	472,647	513,072	538,817	535,695
Service stations	93,812	94,533	113,140	134,002	150,908
Other retail stores	197,837	204,148	213,714	225,512	231,290
Total Retail Outlets	1,466,486	1,587,405	1,716,352	1,822,135	1,893,914
All Other Outlets	308,660	313,131	322,866	350,471	405,811
Total All Outlets	$1,775,146	$1,900,536	$2,039,218	$2,172,606	$2,299,725

Source: California State Board of Equalization.

Transportation

Oxnard is served by all major modes of transportation. Both U.S. Highway 101 and State Highway 1 pass through the City, linking it with the Los Angeles metropolitan area and Santa Barbara County. Rail passenger service is provided by AMTRAK, which has a station in the City. Two trains daily pass through each direction and stop at the Oxnard station. Metrolink provides commuters from the Oxnard Transportation Center with several daily routes to the Los Angeles basin, including downtown Los Angeles. Southern Pacific Railroad provides freight rail service to the City. The Ventura County Railroad Company connects Port Hueneme, the Ormond Beach Industrial Area, the CB Base and surrounding industrial areas to the Southern Pacific line. The Port of Hueneme, owned and operated by the Oxnard Harbor District, is the only commercial deep-draft harbor between Los Angles and San Francisco. The port has five 600 to 700 foot berths and a 35-foot entrance channel depth. Completed in

1989 was an $18 million expansion of the harbor that included the addition of an automobile terminal and the construction of a new wharf. The Port's acquisition of approximately 33 acres from the Navy in 1997 has enabled it to increase facilities for importing foreign automobiles. Automobile imports increased by 12.7% in 1997, making the Port one of the top 10 entry points in the U.S. for foreign automobiles. The Channel Islands Harbor is a modern 3,000 slip boat marina, which also serves the Oxnard area in the capacity of a recreational marina. The Oxnard Airport is operated by Ventura County as a general and commercial aviation air field. The Oxnard Airport handles passenger as well as cargo services. United Express and American Eagle provide feeder service to Los Ageless International Airport. Local bus service is provided by South Coast Area Transit System (SCAT), a regional public transit agency funded by the County and member cities. Service is available in Ojai, Ventura, Oxnard, and Port Hueneme. The Greyhound bus line provides passenger and parcel service from its Oxnard station. Great American Stagelines provides passenger services between Oxnard and Los Angeles every hour. A multi-modal transportation center located in downtown Oxnard brings together all these forms of transportation.

Education

There are 29 elementary, three junior high, and five senior high schools located in and around the City, plus eight parochial and private schools. The City is served by Oxnard College, which has an enrollment of over 7,100 students. The 119-acre campus is located on Rose Avenue between Channel Island Boulevard and Pleasant Valley Road. Oxnard College currently offers degree and certificate programs. The newly-completed California State University campus at Channel Islands (CSUCI) opened in fall 2002 with approximately 1,320 full time transfer students and welcomed freshmen in fall 2003. In addition, two campuses of the University of California, Santa Barbara (UCSB) and Los Angeles (UCLA), one campus of the California State University, Northridge (CSUN), and two private universities, Pepperdine and California Lutheran University, are within a 50 minute drive.

Recreation

The City offers its residents a wide range of recreational facilities. The beach parks, marina and neighborhood and regional parks add up to nearly 1,500 acres of park land. McGrath State Beach Park, located south of the Santa Clara River mouth, covers approximately 295 acres and includes over a mile of ocean frontage. Overnight camping and day picnics are the main use of that park. Oxnard Beach Park includes approximately 62 acres with concession stands and facilities for day picnics and sports. Silver Strand Beach, south of the Harbor entrance, and Hollywood Beach, north of the entrance, are day beach facilities. Channel Islands Marina is a recreational boating marina administered by Ventura County. The City has over 30 neighborhood parks located throughout the City. A tennis and softball center is located at Community Center Park. Additionally, Wilson Park contains the largest senior citizen center in the Tri-County area.

The City owns the River Ridge Golf Course, an 18-hole, 7,010-yard championship golf course located on the south side of the Santa Clara River. The City also owns a 1,600-seat Performing Arts Center located on Hobson Way in the heart of the City.

City's Investment Policy

The following is a summary of the City's investment policy (the "Investment Policy") applicable to certain of the City's funds and accounts, as described below, in effect as of the date of this Reoffering Memorandum. Reference is made to the entire Investment Policy, including the appendices and attachments thereto, which is available upon request from the City.

Introduction. The following statement of the City's Investment Policy is intended to provide guidelines for the prudent investment of surplus funds of the City, and to outline the policies for maximizing the efficiency of the City's cash management system. It is the policy of the City to invest public funds in a manner which will provide high investment return with the maximum security while meeting the daily cash flow demands of the entity and conforming to all state and local statutes governing the investment of public funds.

Scope. This investment policy applies to the City's pooled investment fund, which encompasses all moneys under the direct oversight of the City Treasurer. These include the General Fund, Special Revenue Funds, Capital Project Funds, Enterprise Funds, Trust and Agency Funds, and Internal Service Funds. This policy is generally applicable to bond proceeds with consideration given to specific provisions of each issuance. Reports of the investment of bond proceeds are issued monthly by the Trustee and are not included in the City Treasurer's monthly report of the pooled investment fund. The employee's retirement and deferred compensation funds are not included.

Prudence. Investments shall be made with judgment and care – under circumstances then prevailing – which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived. The standard of prudence to be used by investment officials shall be the "prudent person" standard and shall be applied in the context of managing an overall portfolio. Investment officers acting in accordance with written procedures and the investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

Objectives. The City's cash management system is designed to accurately monitor and forecast revenues and expenditures thus enabling the City Treasurer to invest funds to the fullest extent possible. The City Treasurer maintains a diversified portfolio to accomplish the primary objectives of safety, liquidity, and yield (in that order of priority).

> Safety. The safety/risk associated with an investment refers to the potential loss of principal, accrued interest, or a combination of these. The City seeks to mitigate credit risk by prequalifying and continual monitoring of financial institutions with which it will do business, and by careful scrutiny of the credit worthiness of the investment instruments as well as the institutions. Such resources as the Sheshunoff Performance Report, Moody's, and S&P may be utilized for this review. The City seeks to mitigate rate risk through diversification of instruments as well as maturities.

> Liquidity. The portfolio will be structured with sufficient liquidity to allow the City to meet anticipated cash requirements. This will be accomplished through diversity of instruments to include those with active secondary markets, those that match maturities to expected cash needs, and the State Local Agency Investment Fund with immediate withdrawal provision.

> Yield. A competitive market rate of return is the third objective of the investment program after the fundamental requirements of safety and liquidity have been met.

Delegation of Authority. California Government Code Section 53607 provides the authority for the legislative body of the local agency to invest the funds of the local agency or to delegate that authority to the treasurer of the local agency. Effective January 1, 1997, such delegation is to be reviewed each year and may be renewed by the City Council.

City Council. Under City of Oxnard Resolution No. 10455, the City Council has authorized the City Treasurer to invest City funds in accordance with California Government Code Section 53600, *et. seq*. The City Treasurer will include review of the delegation of authority in the annual presentation of the Investment Policy to the City Council.

City Treasurer. The execution of investment transactions on a daily basis will be conducted by the City Treasurer. The Assistant City Treasurer will execute transactions, only as directed by the City Treasurer, in the absence of the City Treasurer. The City Treasurer has established a system of controls and a segregation of responsibilities of investment functions to assure maintenance of internal control over the investment function.

Amendment of Investment Policy. The City Treasurer retains the authority to amend the Investment Policy and related guidelines and procedures at any time in order to carry out the duties as chief investment officer for the City of Oxnard. Notice of any such required amendment will be given to the Investment Review Committee and the City Council.

Ethics and Conflicts of Interest. The City Treasurer shall refrain from personal business activity that could conflict with proper execution of the investment program or which could impair the ability to make impartial investment decisions. The City Treasurer is governed by The Political Reform Act of 1974 regarding disclosure of material financial interests.

Authorized Financial Dealers and Institutions. The City Treasurer shall transact business only with banks, savings and loans, and securities dealers.

Authorization. The City may conduct business with major registered broker/dealers and with dealers designated Primary by the Federal Reserve provided all the following criteria are met. Broker/Dealers must: (1) have offices located in the State, (2) be adequately capitalized, (3) make markets in securities appropriate to the City's needs, and (4) agree to abide by the conditions set forth in the City's Investment Policy. The City Treasurer shall investigate all institutions which wish to do business with the City and shall require that each financial institution complete and return the appropriate questionnaire and required documentation. An annual review of the financial condition and registrations of qualified bidders will be conducted by the City Treasurer.

Rating. With the exception of the LAIF and U.S. Treasury and Government Agency issues, investments shall be placed only in those instruments and institutions rated favorably as determined by the City Treasurer with the assistance of bank rating services and nationally recognized rating services (*i.e.*, Moody's or S&P).

Authorized and Suitable Investments. California Government Code Section 53601 defines eligible securities for the investment of surplus funds by local agencies. Surplus funds of the City of Oxnard are invested in compliance with this statute and as further limited in the Investment Policy.

U.S. Government. United States Treasury Bills, Notes, and Bonds are backed by the full faith and credit of the United States Government. There shall be no limitation as to the percentage of the portfolio invested in this category. Maturities are limited to a maximum of five years.

U.S. Agencies. The purchase of instruments of, or issued by, a federal agency or a United States government-sponsored enterprise will be limited to a maximum maturity of five years. Such agencies include, but are not limited to, the Federal Farm Credit Bank, Federal Home

Loan Bank, Federal Home Loan Mortgage Corporation, Student Loan Marketing Association, Tennessee Valley Authority, and the Federal National Mortgage Corporation.

Other Bonds, Notes, or Evidences of Indebtedness. Bonds issued by the local agency, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the local agency or by a department, board, agency, or authority of the local agency.

- Registered state warrants or treasury notes or bonds of the State, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the State or by a department, board, agency, or authority of the State.

- Bonds, notes, warrants, or other evidences of indebtedness of any local agency within the State, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the local agency, or by a department, board, agency, or authority of the local agency.

A maximum of 15% of the portfolio may be so invested with the approval of the Investment Review Committee.

Bankers' Acceptances. Bills of exchange or time drafts drawn on and accepted by commercial banks that are eligible for purchase by the Federal Reserve System are known as bankers' acceptances. Purchases of these instruments may not exceed 180 days to maturity or 40% of an agency's surplus funds. A maximum of 30% may be invested in the bankers' acceptances of any one commercial bank.

Commercial Paper. This short-term unsecured promissory note is issued to finance short-term credit needs. Eligible paper is that which is ranked "P1" by Moody's or "A1" by S&P, issued by a domestic corporation having assets in excess of $500,000,000, and having an "A" or better rating on issuer's debt. Purchases of commercial paper may not exceed 270 days or represent more than 10% of the outstanding paper of an issuing corporation. Commercial paper purchases will be limited to 15% of the City's portfolio.

Negotiable Certificates of Deposit ("NCDs"). Allowable NCDs are issued by a nationally or state-chartered bank or a state or federal association or by a state-licensed branch of a foreign bank. The City Treasurer may invest up to 30% of surplus funds in NCDs limited to institutions rated "Aa" or better by Moody's or "AA-" or better by S&P. A rating equivalent to Sheshunoff performance rating of "A" or better is required for those institutions not rated by Moody's or S&P. NCDs are considered liquid, trading actively in the secondary market.

Certificates of Deposit ("CDs"). CDs or "time deposits" of up to $100,000 are federally insured. Beyond that amount, these CDs must be collateralized with the collateral held separately from the issuing institution. The value of the investment must have collateral of at least 110% if government securities, or collateral of at least 150% if mortgage-backed securities. Statute does not limit CDs, however, the Investment Policy shall limit such investments to a maximum of 40% of the portfolio and to a maximum of 15% deposited in any one institution. In addition, time deposits shall be placed in institutions meeting all capital requirements and which maintain a rating equivalent to Sheshunoff performance rating of "A" or better.

Repurchase Agreements. The City may invest in repurchase agreements with banks and dealers of primary dealer status recognized by the Federal Reserve with which the City has entered into a master repurchase contract which specifies terms and conditions of repurchase agreements. The maturity of repurchase agreements shall not exceed 90 days. The market value of securities used as collateral for repurchase agreements shall be monitored by the City Treasurer's office and will not be allowed to fall below 102% of the value of the repurchase agreement. In order to conform with provisions of the Federal Bankruptcy Code, which provide for the liquidation of securities held as collateral for repurchase agreements, the only securities acceptable as collateral shall be eligible negotiable certificates of deposit, bankers' acceptances, commercial paper, or securities that are direct obligations of or that are fully guaranteed by the United States or any agency of the United States. These eligible securities are further defined by California Government Code Section 53651.

Medium Term Notes. A maximum of 30% of the City's portfolio may be invested in medium-term notes issued by corporations organized and operating within the United States. Note maturities may not exceed five years. Securities eligible for investment must be rated in a rating category of "A" or its equivalent or better by a nationally recognized rating service (*i.e.*, Moody's or S&P).

Mutual Funds. Shares of beneficial interest (mutual funds) issued by diversified management companies investing in securities/obligations authorized by California Government Code Section 53600, *et seq.*, and complying with California Government Code Section 53630, are permitted investments. California Government Code Section 53601(k) further defines requirements. A maximum of 15% of the portfolio may be so invested.

LAIF. LAIF (the Local Agency Investment Fund) has been established by the State Treasurer for the benefit of local agencies. The City may invest up to the maximum permitted by the LAIF.

Ineligible Investments. Investments not described in the Investment Policy, including but not limited to common stocks and financial futures contracts and options, are prohibited in this fund.

Short Term Loans. With the approval of the City Council and concurrence of the City Treasurer, funds may be invested in short term loans to provide specific funding to City programs.

Collateral. The issue of collateral requirements is addressed in California Government Code Section 53652. All active and inactive deposits must be secured at all times with eligible securities in securities pools pursuant to California Government Code Sections 53656 and 53657. Eligible securities held as collateral shall have a market value in excess of the total amount of all deposits of a depository as follows:

-- government securities, at least 10% in excess.

-- mortgage backed securities, at least 50% in excess.

-- letters of credit, at least 5% in excess.

Safekeeping and Custody. Security transactions entered into by the City shall be conducted on a delivery-versus-payment basis. Securities of duration exceeding 30 days to maturity shall be held by a third party custodian designated by the City Treasurer. Evidence of account for each time deposit will be held in the Treasury vault.

Diversification. The City's portfolio will be suitably diversified by type and institution in an effort to reduce portfolio risk while attaining market average rates.

Security Type and Institution. With the exception of U.S. Treasury securities and authorized pools, no more than 50% of the total portfolio will be invested in a single security type and no more than 15% with a single financial institution. Investments are further limited by specific language relating to each investment type as stated in the Investment Policy.

Maximum Maturities. To the extent possible, the City Treasurer will attempt to match investments with anticipated cash flow requirements. The City's portfolio will not be directly invested in securities that mature more than five years from the date of purchase. Reserve funds may be invested in securities exceeding the five years (maturity of such investments should coincide as nearly as practicable with expected use of funds).

Internal Controls. A system of internal controls will be maintained to assure compliance with federal and State regulations, City Council direction, and prudent cash management procedures.

Investment Review Committee. The City Manager, Chief Financial Officer, and City Treasurer are the members of the Investment Review Committee tasked with quarterly review of procedures and adherence to the Investment Policy.

Investment Portfolio Guidelines. Guidelines have been established for procedures within the City Treasurer's Office to assure internal investment controls and a segregation of responsibilities of investment functions.

Annual Audit. The City's portfolio is included in the annual review of the City's financial management performed by an independent (as defined by the Financial Accounting Standards Board) outside audit firm.

Performance Standards. The investment portfolio will be designed to obtain a market-average rate of return during budgetary and economic cycles, taking into account the City's investment risk constraints and cash flow needs. The market-average rate of return is defined as the average return on three-month Treasury bills. In addition, the City portfolio will be compared with LAIF and expected to maintain an annual yield within 0.50 (1/2 of 1%) basis points of LAIF's annual yield.

Reporting. The City Treasurer shall provide investment information to City Council.

Periodic Reports. The City Treasurer will provide detailed reports of the investments in the pooled investment fund portfolio on a monthly basis to the City Council, City Manager, and Chief Financial Officer. Within 30 days of the end of each quarter, these reports will be provided with additional information such as market pricing. Summarized reports from Trustees regarding investments of bond proceeds, deferred compensation, and retirement funds are available for review.

Annual Report. The Investment Policy will be presented annually, following the close of the fiscal year, to the City Council for approval. A detailed report of the current status of the portfolio will be included in this presentation.

Financial Statements per GASB 31. City Treasurer will provide the portfolio's market value gains/losses to Finance to be incorporated in the fiscal year end balance sheet in accordance with Rule 31 of the Government Accounting Standards Board ("GASB").

California Debt and Investment Advisory Commission. Effective January 1, 2001, investment reports issued to City Council will also be distributed semi-annually to the California Debt and Investment Advisory Commission.

Financial Statements per GASB 40. Effective June 30, 2005, additional disclosure is required. City Treasurer will provide detailed maturity and rating information to Finance to be incorporated in the Comprehensive Annual Financial Report in accordance with GASB Rule 40.

APPENDIX C

CITY OF OXNARD
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2007

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Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2007

Prepared by
Finance Department
Susan Winder
Interim Finance Director

Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2007
Table of Contents

Table of Contents (Continued)

Table of Contents (Continued)

Fiduciary Funds:

STATISTICAL SECTION (Unaudited):

SUSAN WINDER
Interim Finance Director

Finance Department
300 West Third Street • Oxnard, CA 93030 • (805) 385-7475 • Fax (805) 385-7466

November 30, 2007

Honorable Mayor, Members of the City Council
City Manager, and Residents of the City of Oxnard, California

THE COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY OF OXNARD

We are pleased to present the Comprehensive Annual Financial Report (CAFR) of the City of Oxnard (City) for the fiscal year ended June 30, 2007. The basic financial statements are audited by an independent certified public accounting firm. The purpose of the audit is to ensure that the financial statements present fairly, in all material respects, the financial position and the results of operations of the City. Responsibility for both the accuracy of the data presented in this report, and the completeness and fairness of the presentation including all disclosures, rests with the City. We believe the data, as presented, to be accurate in all material aspects and presented in a manner designed to fairly set forth the financial position and results of operations, of the City as measured by the financial activity of the various funds. All disclosures necessary are included to enable the reader to gain the maximum understanding of the City's financial activities and operations.

REPORTING ENTITY

The City was incorporated as a general law city on June 30, 1903, and operates under the council-manager form of government. The City is governed by a four-member council elected at large for four-year staggered terms and by a Mayor who is directly elected for a two-year term. The City Treasurer and City Clerk are also elected for four-year terms. The City Manager is appointed by the City Council and serves as the chief administrative officer of the organization. The City Manager is responsible for administration of City affairs, day-to-day operations, and implementation of City Council policies.

In addition to the City Manager, the City Attorney is appointed by and reports directly to the City Council. Additionally, the City Council members, in separate session, serve as the governing board of the Oxnard Community Development Commission (Redevelopment Agency), and with two tenant members as the Oxnard Housing Authority. City Council also appoints the Executive Director of the agencies to administer redevelopment projects, housing projects and programs.

The City provides a full range of municipal services, including police and fire protection, construction and maintenance of highways, streets and infrastructure and the administration of parks facilities, libraries, recreational activities and cultural events. The City operates a municipal water system, a wastewater treatment facility, a solid waste facility, and a municipal golf course. In addition, the City oversees the Performing Arts and Convention Center.

This report includes all funds of the City, as well as all governmental organizations and activities for which the City Council has financial accountability. These organizations include the Oxnard Community Development Commission, the Oxnard Housing Authority, and the City of Oxnard Financing Authority.

THE CITY OF OXNARD: *"The City That Cares"*

The City of Oxnard: *"The City That Cares"* is located in western Ventura County (County) on the shore of the Pacific Ocean. Blessed by the sun, the sea and its climate, Oxnard is the "Jewel of the Gold Coast." The City is approximately 65 miles northwest of the City of Los Angeles, 35 miles south of the City of Santa Barbara, and 6 miles south of the government center of the County. Oxnard is the financial hub and the largest city in the County, with a population of 192,997 in 2007, accounting for over 23 percent of the County's population.

ECONOMIC CONDITION AND OUTLOOK

The City's average unemployment rate for calendar year 2007 was 5.4 percent, which was higher than last year's average of 4.6 percent. The economic condition and outlook for the City remains positive and upbeat. The City has a diversified and expanding economic base composed of light and heavy manufacturing, retail, service and governmental sectors. Oxnard, long-regarded as the most business-friendly community in the County, has taken great strides to strengthen each of its principal sectors of the local economy. Local assets include two thriving military bases, a full-service deep-water port, master-planned industrial parks, prime commercial and retail sites, a regional medical center and hospital, a flourishing community college and all the amenities of an ideal coastal community. Oxnard continues to take positive steps toward a vibrant economic future. Oxnard has maintained a steady population growth rate of approximately 2.48 percent for the past decade and the adopted 2020 General Plan anticipates continued steady growth for the next ten years, with a projected population of 218,194 by the year 2020.

The City Council approved a balanced General Fund budget for Fiscal Year 2006-2007. The budget includes adjustments for ongoing service level options, one-time service level options, and 100 percent revenue offset service level options. The operating reserve policy states "The City Council will endeavor to maintain an operating reserve equal to 18 percent of the General Fund Operating Budget." The City has met the requirement of the 18 percent reserve policy.

LONG-TERM FINANCIAL PLANNING

The City and the Community Development Commission (Redevelopment Agency) are currently working on development projects, which will result in directly and indirectly generating revenues to balance the City's operating budget in the future.

For many years, auto dealers have been the strength of the local economy. Oxnard Auto Center is a home to Buick/GMC Truck, Cadillac, Ford, Honda, Hyundai, Infiniti, Lexus, Lincoln, Mazda, Mercury, Nissan, Pontiac, Saturn, and Toyota.

Major industries such as Procter & Gamble Company and St. John's Regional Medical Center are the top two principal property taxpayers and the largest employers in the City. Other industries include Seminis Vegetable Seeds Inc., Weyerhaeuser Company, Terminal Freezers Inc., Deusenberg Investment Company and Channel Islands Harbor Investment Company. Other retail businesses include Costco, Home Depot, Kmart, Sam's Club, Target and Wal-Mart.

The Community Development Commission assisted in locating Centennial Plaza in downtown Oxnard which consists of Plaza Cinemas 14, Coldstone Creamery, Subway, Starbucks Coffee Company, Capriccio's Italian restaurant, Thai Peruvian restaurant, Casa Escobar and Fifth Street Steak and Seafood restaurant. The City built a four-story parking garage to accommodate this new development. Other existing retailers in the Esplanade Shopping Center include BJ's Restaurant & Brewery, Bed Bath & Beyond, Borders Books & Music, Cost Plus World Market, 24-Hour Fitness, Big 5 Sporting Goods, Nordstrom Rack, Old Navy, T.J. Maxx and In-N-Out Burger. Other retailers located in the City are Mervyn's California, Babies "R" Us, Bath & Body Works, Party America, The Guitar Center, Walgreens, Bally Total Fitness, Gold's Gym, Golfsmith, Sport Chalet, Sportsmart, LA-Z-Boy Furniture Gallery, Sit "N" Sleep, Wickes Furniture, Best Buy, Circuit City, Fry's Electronics, Office Depot, Staples and many others which contribute to the City's local economy. Sales tax is the number two revenue generator to the City's operating budget.

Current projects include the RiverPark Development located on Vineyard Avenue and Highway 101, which consists of 2,805 residential units, approximately 600,000 square feet of commercial/retail, lakes and jogging trails, parks, and schools. The Seabridge Project, located on Victoria Avenue and Wooley Road, is a waterfront community consisting of 395 townhomes/flats, 276 single-family homes, 21 "Live to Work" units and 169,000 square feet commercial/retail development. Westport at Mandalay Bay is a marina community consisting of 96 single-family homes, 88 town homes, 34 duplex homes, 88 residential mixed-use units, parks and trails, waterways and boat docks, and visitor retail stores. The Northwest Community Golf Course Specific Plan on Gonzales Road and Victoria Avenue, includes 551 residential units and a 36-hole championship golf course. The Northeast Community Specific Plan on Gonzales Road and Rose Avenue includes 3,000 residential units, commercial/retail development, parks and a full-service hospital. The proposed Oxnard Village project on Oxnard Boulevard and Highway 101 includes a 56.4-acre project area of approximately 1,500 residential units, transit center, commercial/retail center, and an elementary school. The proposed Teal Club project includes up to 1,500 residential units, 37,000 square feet of commercial, elementary school, and a 1.5-acre fire station.

In Fiscal Year 2006-2007 alone, more than 2.1 million square feet of industrial space was occupied in Oxnard, creating approximately 2,160 jobs in the community.

The City Council intends that these projects will contribute to the quality of life, in addition to fiscal health of the City.

FINANCIAL INFORMATION

The City's accounting and budgeting records for general governmental operations are maintained on the modified accrual basis of accounting, with revenues recorded when available and measurable. Expenditures are recorded when the services or goods are received and the liabilities incurred. Accounting and budgeting for the City's utilities and other proprietary funds are maintained on a full accrual basis. The City's accounting policies are more fully explained in Note 1 to the basic financial statements.

In developing and enhancing the City's accounting system, consideration is given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable assurance regarding the safeguarding of assets against loss from unauthorized use or disposition, and to ensure the reliability of financial records for preparing financial statements and maintaining accountability of assets. The concept of reasonable assurance recognizes that the cost of controls should not exceed the anticipated benefits. The evaluation of costs and benefits requires continuing estimates and judgments to be made by management staff.

Staff believes that the City's internal accounting controls adequately safeguard assets and provide reasonable assurance that financial transactions are properly recorded.

The City Council approves operating appropriations at the department and fund level prior to July 1 each year and may amend the budget during the fiscal year at a public meeting. Budgetary control is maintained at the department level; however, the City Manager may approve the transfer of funds in the department and between departments within a fund.

Fiduciary Operations

The Fiduciary Funds of the City are established to account for assets held by the City in a trustee capacity for private individuals, organizations, and other governmental agencies. Included in these funds are artworks funds and funds held for the payment of assessment district bonds. In past years, the City issued several 1915 Act Limited Obligation Improvement Bonds to fund the required improvements and levied assessments necessary to pay the debt service on the bonds. These bonds are not a general obligation of the City and the faith and credit nor the taxing power of the City are pledged to the payment of the bonds. Since the City is acting merely as an agent for the bond proceeds and the collection of assessments, the transactions are recorded in an agency fund. These bonds are not reflected in the accompanying basic financial statements. On June 30, 2007, the City's special assessment debt outstanding totaled approximately $76,355,000.

Debt Administration

The City uses a variety of tax increment, revenue and lease indebtedness to finance various capital acquisitions. The outstanding balances for this indebtedness as of June 30, 2007, are as follows:

Tax Allocation Bonds	$ 37,457,700
Revenue Bonds, Net of Unamortized Discount and Gain or Loss on Refunding	334,724,676
Capital Leases	2,286,699
Certificates of Participation	7,395,000

The tax allocation bonds are paid from the increment revenues of property taxes levied within the City's redevelopment and renewal project areas. The Central City Revitalization Project (CCRP) and other redevelopment areas currently are accounted for by the Oxnard Community Development Commission.

Revenue bonds include issues used to finance projects for public parking, libraries, wastewater and treatment plant expansion, and public housing. Debt service on these issues are paid from the revenues of the appropriate enterprise funds and the General Fund.

The City has, on several occasions, used single investor loans to lease-purchase equipment. The City's capital lease obligations at June 30, 2007, amounted to $2,286,699.

The General Fund of the City (General Fund) pays debt service on approximately 5 percent of the City's outstanding debt. The remainder is paid from a variety of other funding sources including property tax collections, residential growth fee collection, property owner special taxes, water and wastewater utility rates, golf course net income and property tax increments. Some of the debt which is paid by the General Fund is supported by external sources specifically intended to support the retirement of the debt.

The State of California (State) mandates a limit on general obligation debt of 15 percent of true cash value of all taxable property within the City boundaries. On June 30, 2007, this limit was $2,191,850,614.

SIGNIFICANT ACCOMPLISHMENTS OF FISCAL YEAR 2006-2007

CITY TREASURER'S OFFICE

Collection, cash management and safekeeping of all monies due to the City are the primary functions of the City Treasurer's Office. Accomplishments for Fiscal Year 2006-2007 are outlined below:

- The primary functions of the City Treasurer's Office include collection, safekeeping, cash management and investment of all monies revenues due to the City. The highest volume of transactions is generated by utility payments on more than 40,000 accounts each month. Approximately 25 percent of those transactions (over 10,000 per month) are received directly from customers at the cashiers' windows. Additional traffic is generated by payments for business and animal licenses, permits, and revenues received then brought by various departments.

- The results of last year's introduction of payment of utility bills electronically via the City's website and an automated voice response system have proven successful. These two methods provide bill payment capability to customers from 5:00 a.m. to 11:00 p.m., seven days per week and the current volume averages over 5,000 transactions per month. An element of the ongoing efforts of the City Treasurer to streamline operations, this program benefits the customer and also frees staff from time-consuming credit card telephone transactions.

- Great pride is taken in providing excellent service to each customer, internal as well as external. This presents an ongoing challenge as the City grows, the customer base increases, yet staffing levels remain the same. The success of the City Treasurer's Office is attributable to its dedicated staff and a team approach.

- A certified cash handling program has been developed by the City Treasurer for presentation to all City staff involved with the handling of public funds. There have been eight sessions since March 2006 with a total of 75 employees in attendance. This course has been very well received and will be provided on an ongoing basis. Employees gain important knowledge and skills including tips for recognizing counterfeit currency and fraudulent checks, the need for checks and balances as well as dual custody, and gain a new understanding of the importance of this aspect of their jobs.

- The City's investment portfolio continues to grow. Safekeeping and investment of these funds is the primary responsibility of the City Treasurer. Daily cash flow monitoring, research and evaluation of products, assessment of future needs and continual review of market trends are essential to maintaining a viable portfolio in keeping with the City Treasurer's investment policy. The diversification and safety of the funds, availability of funds for disbursement as needed, and the production of revenue at a reasonable earnings rate are the important elements of this responsibility.

COMMUNITY DEVELOPMENT DEPARTMENT

Accomplishments for Fiscal Year 2006-2007 are outlined below:

2006 Tax Allocation Bond - Assisted with the issuance of a $20,530,000 tax allocation bond for the reconstruction of streets in the Southwinds, Ormond Beach and HERO Project Areas. Bond proceeds were appropriated in the 2006-2007 Budget. Coordination between the Public Works Department and the Community Development Commission (CDC) for the reconstruction of the streets is anticipated to occur in fall 2007.

Centennial Plaza – Phase I Retail Shops completion occurred June 2007. All Phase I shop spaces are open for business.

City-Wide Enhancement Program (CWEP) - Participated in the deployment of the City's Mobile Satellite City Hall program at Centerpoint Mall and will continue to participate in all neighborhood visits scheduled for 2006-2007.

Community Development Department Web Page - Maintained and updated department web page to provide answers to typical redevelopment questions and updates on current projects, and outline future activities. The web page is also linked to the CDC's Retail Website which promotes retail leasing and development opportunities throughout the City, and links for internet users to access Community Development Maps.

Downtown Code Compliance/Design and Public Education Program - Continued the monthly meetings with Planning and Environmental Services Division and Code Compliance personnel to monitor compliance with zoning and permit requirements. The Development Guidelines for signage, façade, and window treatments produced in 2002 continue to be effective in assisting merchants with understanding the various permit and zone clearance requirements. The Design Guidelines for "signs" and the Central Business District (CBD) Design Criteria for Over-the-Counter Downtown Design Review Permits Guide are both available in Spanish to better assist some of our merchants in understanding the process.

Downtown Façade and Paint Improvement Program - Developed a Façade and Paint Improvement Program to assist Downtown businesses in enhancing the exteriors of their buildings, including improved signage, lighting, landscaping, awnings, and other building treatments. The program includes financial assistance for both architectural services and physical improvements. The program was introduced in July 2006. By June 2007, 30 applications have been received for various types of façade improvements.

Downtown Lighting Improvement Program Phase II - This is the second phase of the CDC's program to improve downtown lighting, which consists of replacing streetlights with nostalgic lamp poles, adding streetlights, and enhancing existing parking lot lighting. This program and the parking lot and alley improvement program are part of the downtown infrastructure improvements designed to rebuild the economic strength of the Downtown. Phase II of the Lighting Improvement Program will encompass the Meta Street area between Fifth Street and Wooley Road, on the east side of Oxnard Boulevard, and will be combined with the Downtown Parking Lot Improvement Program Phase II.

Downtown Oxnard Market Place - Entered into a second Exclusive Negotiation Agreement with Oxnard Plaza Associates, LLC for the planning and possible development of the Marketplace in Downtown Oxnard.

Downtown Parking Improvement Program Phase II - The second phase of the Parking Lot Improvement Program will encompass the Meta Street area between Fifth Street and Wooley Road, on the east side of Oxnard Boulevard. Two Downtown public parking lots and eight alleys have been identified for these infrastructure improvements. Construction began in June 2007 and should be completed in September 2007.

Downtown Parking Lot Management Plan - Enlisted the services of parking consultants Nelson-Nygaard to provide a parking management plan for downtown to determine current and future parking needs, revenue sources, transportation systems.

Downtown Parking Structure - Served as the Downtown community liaison during the construction of the four-level, 450-space parking structure, completed in July 2005.

Downtown Property Based Business Improvement District (PBID) - Continued to support the PBID in its management efforts by serving as a resource to staff and as a participating member of PBID committees. CDC staff has also worked jointly with the PBID to improve communication between the business community and the City and address operational and maintenance issues. The City Council has, upon receiving a majority vote of the property owners, authorized the renewal of the PBID for another five years (FY 2006-07 through FY 2010-2011).

Downtown Residential Development Heritage Walk - Completed a 12-unit for-sale townhome project at the northwest corner of Seventh and "A" Streets. This project consists of 8 market-rate and 4 affordable units. Six of the 12 units have a Live-Work option floor plan.

Downtown Residential Development Hacienda Guadalupe Townhomes – Assisted with a 27-unit for-sale townhome project in the Meta Street area. All units are affordable. Construction is anticipated to be completed by June 2007.

Downtown Street Tree and Sidewalk Replacement Project – CDC oversight of project funded by bond proceeds that commenced January 2007 for sidewalk replacement, curb and gutter upgrades, landscaping, site furnishings and underground electrical.

Downtown Tax Allocation Refunding Bond (TARB) - Refinanced the TARB and made available $5 million for use in Downtown improvements including streetscape, park improvements, and seed money for an additional parking structure. Funds for infrastructure improvements include lighting, parking lot and alley improvements, and support of the Façade Improvement Program.

Gateway Sign Program Implementation - New gateway street name signs are being installed in new subdivisions. Existing street name signs and wayfinding signs that are in need of replacement due to damage or wear and tear are being changed out to the new Gateway designs. A Pleasant Valley Road entry street monument sign was installed. A preliminary application has been submitted to Caltrans for a freeway pylon sign at southbound Vineyard Avenue and northbound Del Norte Boulevard. Twenty-three new wayfinding signs are being ordered.

Heritage Square Consulting Services - Coordinated the recent Heritage Square Consulting Services Request For Proposal process and interview panel for hiring of property management, maintenance, facility leasing and special events coordinator.

Housing Rehabilitation and Ownership - Provided awareness of housing programs and financial assistance to residents in the Southwinds and HERO Project Areas. Provided mobile home assistance to very low-income families in the CCRP Project Area.

Ormond Beach Economic Development - Continued promoting business retention and attraction activities and assisted companies in upgrading and expanding their facilities where feasible. Supported the Economic Development Corporation of Oxnard ("EDCO") in promoting economic development opportunities in the project area to corporations statewide.

Ormond Beach Wetlands Restoration – Worked to protect, restore and enhance the wetlands and other coastal resources in Ormond Beach.

Retail Attraction - Updated retail attraction brochure marketing the City and highlighting potential development opportunities. Attended local, regional and national retail trade shows and placed advertisements in trade show publications. Established and maintained a computer database of contacts within the commercial development, brokerage and retail communities for follow-up meetings and City tours. Updated the CDC's Retail Website providing information on available commercial properties in Oxnard, and revised demographics and traffic counts to reflect current statistics. Responded daily to website users that utilize the "Contact Us" page for additional information.

RiverPark - RiverPark is in the process of conveying Lot 19 to Cabrillo Economic Development Corporation for the delivery of 140 extremely and very low-income rental units. Construction is expected to start in the first quarter of 2008. Of the 252 required low- and moderate-income affordable for-sale homes, approximately 79 have closed escrow, 11 are for sale, and 162 homes are either under design or in plan check.

South Oxnard Revitalization - Having completed the renovation of 43 of the 57 medians in Saviers, Hueneme and Pleasant Valley Roads, the program is now 75% complete. The four medians on Pleasant Valley Road were the most recent improvements to be completed. The design of the final three groups of medians is complete; these improvements are to be included in the Saviers Road Resurfacing Project and are expected to be constructed in spring 2008.

Southwinds Neighborhood Revitalization - Continued to use the private/public Southwinds Team and Weed and Seed to administer programs created to reduce crime, eliminate blight and enhance quality of the living environment. Eight owner-occupied and one multifamily investor rehabilitation loans were approved. Three security lighting and fencing loans were approved utilizing upgraded fencing design and quality.

Vineyard/Esplanade Retail - Continuous contact with retail building and shopping center owners and tenants to encourage the enhancement of their building exteriors subsequent to completion of the contiguous Esplanade redevelopment project. Three projects were completed during FY 2006-07: the 24-Hour Fitness building on Esplanade Drive, the Big Five Center on Vineyard Avenue and the adjacent Goodyear Tire building on Vineyard Avenue.

Other miscellaneous retail projects - These projects include various levels of involvement with such retailers as Vons to locate a store at Oxnard's new Seabridge Marketplace; recruitment of Walgreen's and Starbucks to South Oxnard; formulation of maintenance and landscaping upgrade requirements for Wal-Mart as conditions for approval of its new expansion at Shopping at the Rose.

DEVELOPMENT SERVICES DEPARTMENT

Accomplishments for Fiscal Year 2006-2007 are outlined below:

Building and Engineering Division

The Building and Engineering Division processed permits for 243 new single-family residences and 79 new multifamily buildings, 1,900 miscellaneous building permits, 3,700 plumbing, electrical, and mechanical permits and 1,223 building record reports for a grand total of 7,145 permits for FY 2006-2007. The Division also provided a total of 36,492 inspections for this fiscal year.

Planning and Environmental Services Division

Permit Processing - The Planning and Environmental Services Division accepted and processed 677 zone clearances, 637 home occupation permits, 210 temporary use permits, 198 administrative permits and 111 discretionary permits.

Project Highlights:

- Approvals for various RiverPark residential communities (including Celadon, Meridian, Waypointe, Westerly, Daybreak, Destination, Luminaria, Market Street, Avenue, Tradewinds, Trellis). These are currently under construction.
- Approval of Rancho Victoria, commercial/residential uses. These are currently under construction.
- Approval of Lowe’s development at former Carriage Square site.
- Approvals for Sycamore Senior Village and Gardens.
- Completion of commercial center at Seabridge development site.
- Completion of Whitesails mixed-use development at Westport at Mandalay Bay development.
- Completion of Olson’s Heritage Walk, including live-work units.
- Initiation and compliance review of onsite remediation at Northshore at Mandalay Bay development site.
- Land use designation determined for Sports Park site.

FIRE DEPARTMENT

Accomplishments for Fiscal Year 2006-2007 are outlined below:

- Responded to nearly 12,000 calls for service.

- Reduced average response times as a result of the newest Fire Station (No. 7) and the continued progress on the pre-emption program (devices on signalized intersections that change traffic lights to green in the direction of travel).

- Graduated six firefighters from the Department's Fire Academy.
- Purchased Urban Search and Rescue Tow Vehicle (further enhances the Department's capability to affect rescue in confined spaces).
- Purchased Strike Team Vehicle (enables the Department to more efficiently meet mutual aid obligations).
- Purchased Command Vehicle (replaces current vehicle with a safer, better design).
- Placed into service the reserve ladder truck (provides the Department with a backup ladder truck and lessens the City's dependence on neighboring jurisdictions).
- Purchased equipment required for Office of Emergency Services Type II (medium) designation for Urban Search and Rescue capability.
- Certified Unified Program Agency (Hazardous Materials Inspection Division) cost recovery revenue gains for the third consecutive year.
- Further enhanced the City's ability to manage and mitigate natural or manmade large-scale incidents with the new Emergency Operations Center (Sturgis Road Annex Facility) becoming operational.
- Conducted 3,693 inspections, investigations, and acceptance tests by Fire Prevention and CUPA (hazardous materials) personnel.

HOUSING DEPARTMENT

Accomplishments for Fiscal Year 2006-2007 are outlined below:

- **Construction of Old St. John's/Sycamore Senior Village -** Construction began on the development of the former St. John's Hospital site on "F" Street for 229 senior apartments. City Council conducted a public hearing and authorized the issuance of $29 million of multifamily revenue bonds for the project.
- **1450 South Rose Avenue -** Staff received an appropriation of funds for the renovation of 1450 Rose Avenue and executed a contract with McCarthy Construction for the renovation of the property, which will be completed and occupied by December 1, 2007.
- **5200 Squires Drive -** Construction of a new multi-purpose building at 5200 Squires Drive in the Pleasant Valley Village public housing site was completed in October 2006. The facility is the new home of Housing's administrative and maintenance staff assigned to the Pleasant Valley Road site and also provides new quarters for the Head Start program run by Child Development Resources of Ventura County.
- **Homeless Count -** Staff and volunteers carried out the most extensive Homeless Count ever in the City, with a count of 671 homeless persons.

- **Grant Funding -** The Homeless Prevention Program was awarded $481,000 in Continuum of Care funds and $120,545 in state Emergency Shelter Grant funds. Affordable Housing received $780,000 in BEGIN funds, and $1,094,975 in HOME and American Dream Downpayment funds to aid in the purchase or rehabilitation of homes. Affordable Housing also received $291,700 under the Workforce Housing Grant which was awarded for the City's record in permitted affordable housing units; the funds went to the new South Oxnard Branch Library. The Resident Initiatives Program in Public Housing was awarded $250,000 for the Family & Home Ownership Category Grant and $150,000 for the Neighborhood Networks Category Grant.

- **SEMAP Scores -** The Housing Authority achieved the status of a high performer under the Section 8 Management Assessment Program (SEMAP) with a score of not less than 93 percent.

- **Affordable Housing Production -** Affordable Housing oversaw the production of 68 affordable for sale housing units and 52 affordable rental units in the City.

- **Lease-up in PHA/Section 8 -** The Housing Authority maintained over 98% lease up in the Section 8 and Public Housing programs.

- **Mobile Home Rent Stabilization -** In close collaboration with the City Attorney, successfully defended in a lawsuit filed by Royal Palms Mobilehome Park challenging a decision of the Mobilehome Park Rent Review Board. The park owner had sued the City in 2005, claiming that its constitutional rights were violated when the Board awarded it an 18% rent increase, rather than the 71% increase sought by the park. On June 14, 2007, the Ventura County Superior Court upheld the constitutionality of the ordinance and all of the major points of the decision, remanding the matter to the Board for further proceedings on two relatively minor issues.

- **Family Self Sufficiency Accomplishments -** The Housing Authority implemented a new Public Housing Family Self-Sufficiency program, with 25 families enrolled and worked with 34 families in the Section 8 Family Self Sufficiency Program. Also during the reporting period, 68 persons were placed in jobs through the efforts of the Housing Department's Family Investment Center; the job placements consisted of 23 homeless persons, 32 public housing residents, and 13 Section 8 Program participants. In addition, 15 families from Public Housing purchased homes.

HUMAN RESOURCES DEPARTMENT

Accomplishments for Fiscal Year 2006-2007 are outlined below:

- Promoted outreach efforts by participating in career fairs providing information on career path opportunities within the City.

- Focused on developing employment programs and apprenticeships to grow and foster the next generation of City employees; hired more than 25 student trainees.

- Attracted highly qualified employees through improved recruiting and advertising practices; explored utilization of latest technological advances, specifically "podcasting" for available positions.

- Retained highly qualified employees by conducting ongoing informational workshops on employee benefits and a variety of work-life topics which is reflected in our current turnover rate of 9.4%, which is the lowest in six years.

- Provided core human resource administrative support to all City departments and divisions to assist in addressing their workforce administration needs.

POLICE DEPARTMENT

Accomplishments for Fiscal Year 2006-2007 are outlined below:

- The Information Technology Unit completed implementation of a project that provides wireless, remote data to local, County, State and federal databases for field officers.

- The Training unit began implementation of the California P.O.S.T. learning portal which allows for all officers to receive internet-based training on State-mandated topics. In May, more than 200 officers received training via the internet on "Law Enforcement Response to Terrorism."

- The Special Services Unit conducted an aggressive recruiting campaign that resulted in the selection of eight highly qualified and diverse applicants for Public Safety Trainee. These trainees will be starting the Basic Police Academy in July and have temporarily brought the police department to full staffing for the first time in several years.

- Obtained a civil injunction against a prominent criminal street gang. This civil injunction has aided in the department's overall gang suppression efforts.

- During August 2006, the department coordinated and executed the largest known gang sweep in County history. This operation targeted the most violent members of the local criminal street gangs, as well as the most violent graffiti vandals in the City. The operation consisted of 154 law enforcement personnel from 8 agencies (local, County, State, and federal), targeting 116 people at 105 locations. It resulted in 33 arrests and one gun being recovered.

- During the fiscal year, the department's "crime-free housing program" added eight new properties. This brings the total number of participating properties to 45. These 45 properties provide 2,145 housing units. Overall calls for police service at these properties have been reduced by an average of about 80%.

- Development of a crime-free business program is underway. This program is being designed to reduce crime and victimization at participating businesses. It is the first such program in the nation.

OXNARD PUBLIC LIBRARY

Accomplishments for Fiscal Year 2006-2007 are outlined below:

- The grand opening of the new 23,000 square-foot South Oxnard Branch Library was held on April 19, 2007. The state-of-the-art library has a second floor mezzanine, a computer center, homework center, study rooms, children's section, teen section, Spanish language section, and new services including computer classes, Internet access, homework assistance, and self check-in and check-out of books. The library's landscaping is a demonstration California low-water use garden provided by the City's Water Resources Division.

- The library kicked off its Centennial Celebration with the Grand Opening of the South Oxnard Branch Library on April 19, 2007. Weekly events at the Main Library and the Colonia Branch Library included: David Cousin's Juggling Program, Annie Banannie's Reading Adventure Balloon Show, a Young Adult Film Event featuring "Night at the Museum," an Ice Cream Social, and the finale on May 15, 2007, the actual 100th birthday. Attendance totaled over 1,250 for all the functions, with each attendee receiving birthday party "favors." Throughout the month of May 2007 at the Main Library, Centennial displays were available for public viewing. They included: Oxnard Public Library's "Shades of Oxnard," library patrons' "My Favorite Library Memory," library memorabilia, and children's collections of 100.

- Library Circulation Services accepted over 4,000 U.S. passport applications, an increase of 80% from FY 2005-2006. As of June 18, 2007, revenues from passport execution fees totaled $138,307.60, an increase of over 100% from FY 2005-2006. In January 2007, Circulation Services took over passport photo service from the Oxnard Public Library Foundation. As of June 18, 2007, nearly $14,000 ($13,939.29) in revenue has been generated. Revenues generated from passport execution fees and photo service supported various library programs including the Literacy Outreach Program, the Grand Opening of the South Oxnard Branch Library, and the Library's Centennial Celebrations.

- One hundred volunteers contributed 8,544 hours at the library this fiscal year. Their accomplishments were recognized at a holiday celebration in December 2006 and during National Volunteer Week in April 2007.

- The Library Information/Reference Services applied for and received the following grants:

    - $5,000 from the California State Library for Early Learning with Families which emphasizes learning activities for babies and pre-schooners
    - $5,000 from the Scripps Howard Foundation, $1,000 from Target, and $1,000 from Sam's Club for the Literacy Outreach Program

- Nine hundred and three children read 6,258 hours in the library's Children Summer Reading Program 2006. In keeping with the pet-themed program, the library received donations for the Ventura County Humane Society consisting of pet food, toys, and care supplies. During the Young Adult Summer Reading Program, 108 teens read 428 books.

- During the "Food for Thought" reading program in Fall 2006 sponsored by In-N-Out Burger, 552 children read 2,445 books.

- Nine thousand four hundred children and their families attended 300 children's events at the Main Library. Events included weekly story times, class visits, monthly family nights, summer activities, and special programs.

- "Forever Free: Abraham Lincoln's Journey to Emancipation," which displayed reproductions of historic documents from the Huntington Library and the Gilder Lehrman Institute of American History, was on display at the Main Library for six weeks. The seven programs presented as part of the federal traveling exhibit was attended by 297 people.

- The library's Teen Council hosted a successful Poetry Slam for National Poetry Month for the third year. Forty-seven teens expressed themselves through their original poetry at this event, reading 60 poems.

- Two Literacy Outreach Program students passed their citizenship exam.

- The Library Support Services Division purchased and added 23,115 items to the library catalog, an increase of 9% over the previous year.

- A telephone notification system was implemented in January 2007. This system calls customers for items they have requested or are overdue.

- The library received $20,954 from a federal program (E-rate) for telecommunications network costs.

CARNEGIE ART MUSEUM

Accomplishments for Fiscal Year 2006-2007 are outlined below:

- Served 20,000 students, residents, and visitors through education programs and major art exhibits

- Presented 45 community outreach programs including: major guest artist gallery talks for college classes of University of California Channel Islands and Oxnard College; Family Days; weekend art exploration classes for children and families; and the Arcade Poetry Series with nationally recognized guest poets Aram Saroyan, Mark Irwin, and Ali Liebegott

- Museum education programs served 80% of Oxnard schools plus schools in the Ventura, Hueneme, Rio, Oceanview, Conejo, Simi Valley, Moorpark, and Las Virgenes School Districts

- Presented national level exhibitions: "Latin Perspectives in Print" from the Tobey C. Moss Gallery Collection; "Susan Tibbles: Opinion" featuring an artist for the *Los Angeles Times*; "Devotion in the Shadows: Photography of Tibet" by Scott McClaine; "American Glass: John Gilbert Luebtow," and "Regalos: Gifts of Latino Art"

- Received eight donations of significant artworks by artists of California and national repute for the permanent collection

- Exhibit excellence received increased publicity, raising public awareness of museum and growing downtown arts scene with promotions and articles appearing in Southern California and national publications: *ArtScene*, *ArtScene: 25*, the *Los Angeles Art Awards Program*, *Los Angeles Times*, *Los Angeles Times Weekend Section*, *Ventura County Star*, *Santa Barbara Independent*, *Ventura County Reporter*, *Santa Barbara News-Press*, *Artltd. Magazine*, and online publications of *YourHub.com* and *American Fine Arts Legacy*

PUBLIC WORKS DEPARTMENT

Accomplishments for Fiscal Year 2006-2007 are outlined below:

Design & Construction Services

- Completion of the South Oxnard Branch Library Project.

- Nearing completion of the Headworks at the Wastewater Treatment Plant.

- Design of $30 million in street resurfacing projects. These projects were included in the approximate $85 million in street repair and resurfacing projects presented to the City Council several months ago.

- Completion of the Pleasant Valley Road widening project from Bard Road to Highway 1.

- Completion of the street overlay projects on Gonzales Road, Ventura Road, and "J" Street.

- The Survey Division maintains between 95 and 98% track record for response times on survey requests, staking requests and other services of the division.

Environmental Resources Division

- Serviced approximately 6,000 customer calls per month ranging from bin rentals, resolving collection service challenges, logging illegal dumping reports, and answering a variety of questions on recycling and household hazardous waste management programs.

- The California Integrated Waste Management Board (CIWMB) approved Oxnard's current diversion rate in October 2006 at 69% (biennial review of Annual Reports 2003 and 2004). This diversion rate is the highest approved number in the County and one of the highest in the State of California. Oxnard is in compliance with the State mandate Assembly Bill 939 (The Waste Management Act of 1989) that requires every city and county in California to reduce waste taken to the landfill by 50% or face up to $10,000 fines per day.

- A compliance specialist focused on working with customers who were excessively leaving their containers out beyond the City-mandated 12-hour period. The compliance specialist logged over 164 resolved customer outreach issues regarding this neighborhood challenge thus improving street beautification and reducing possible safety challenges.

- Sponsored 40 neighborhood cleanup events that enabled residents to dispose of large bulky items such as old furniture, inoperable appliances, and yard debris.

- In summer 2006, a successful special event recycling program was hosted during the Dallas Cowboys Training Camp. The program recovered 1.11 tons of mixed recyclables during the training period.

- Sustained a "Clean Sweep Partnership" with the Police Department. This partnership assigns Environmental Resources Division compliance specialists and field crews in monitoring districts for combating illegal waste dumping on a daily basis.

Facilities Maintenance

- **Wilson Senior Center Painting Project** - This included painting the complete interior and exterior of all buildings at the Wilson Senior Center Complex. Work was completed through the use of contractors and in-house staff.

- **Oxnard Shores Walkway Lighting Project** - Work is progressing on the project which includes replacement of 66 walkway light fixtures; replacement of 30 deteriorating light poles; and five electric service panels.

- **Community Center West and Driffill Ballfield Light Pole Painting Project** - This project included cleaning and painting a total of 20 ballfield lighting poles at the two parks.

- **Driffill Ballfield Electrical Service Replacement Project** - This project consisted of removing the outdated electrical service and ballfield lighting control equipment and replacing them with a new service cabinet and new lighting controllers. This project also included undergrounding the electrical service to the ballfield and eliminating the overhead service. All work on this project was performed by Facilities Maintenance staff.

Fleet Services Division

- Accepted the Police Department motorcycle fleet for maintenance, saving the department frequent trips to Hollywood for commercial service. This has improved repair times by 50% or better and also led to a 20% maintenance cost reduction.

- Aggressively reduced the overdue Preventive Maintenance (PM) rate. These inspections are critical to safe and economic operation of the City's 900-vehicle fleet. An extensive effort with departmental vehicle liaisons resulted in a significant reduction, from over 230 vehicles to zero across the entire fleet.

- Initiated a swing-shift crew to perform maintenance on the Environmental Resources refuse truck fleet, ensuring maximum availability of their vehicles during working hours. A workforce of five highly trained technicians provide PM service and repairs for this fleet of 90+ heavy refuse haulers from 3 p.m. to 1:30 a.m.

- Implemented a $1.4 million fuel contract for the City's vehicle and equipment fleet. This first-ever City contract ensures fair pricing, improves data reporting and analysis and incorporates guaranteed support in the event of a contingency affecting the local area.

- Initiated a $950,000 contract to outsource repair parts management. This contract establishes an on-site parts store operated by NAPA, located within the Fleet Services shop complex. Benefits include elimination of City inventory, faster service, bulk discounts, and the release of technicians from parts management duties – a net gain of three mechanics.

- Started an outreach program to City departments and vehicle liaisons. Periodic meetings, quarterly newsletters and working groups with customers provide feedback and enhance information sharing – leading to better use and management of the fleet.

- Focused on workforce development by initiating regular advanced training for all technicians and emphasizing the Automotive Service Excellence (ASE) society's "Blue Seal of Excellence" program, hallmarking technician certification. This year, the shop gained ASE Blue Seal recognition; it is only the second municipal operation in the County to do so.

- Initiated two separate survey programs to validate customers' vehicle needs and obtain their assessment of the division's service. Current year results show 89% of customers rating service as "very good" or better.

- Completed the 2006 diesel particulate matter control measures for Environmental Resources vehicles, a diesel exhaust modification program. Recent California law requires modification to exhaust systems of refuse trucks to reduce these particulate emissions, a known carcinogen. The modification program is extensive, averaging eight hours per truck, with a cost between $12,000 and $17,000, depending on application. The reduction in particulate emissions is substantial, approximately 90%.

Graffiti Action Program (GAP)

- Response time in the GAP has been reduced. Schedules and routes have been regularly adjusted to improve efficiency. As a result, the ultimate goal of a 24-hour response time will be attained in the foreseeable future.

- Continued emphasis on community outreach. This program has invited the participation of the public in graffiti reporting and removal.

- Updated training programs in driving safety, equipment use and maintenance are being developed and initiated.

- GAP resolved over 7,000 calls for graffiti removal.

- GAP obtained equipment to remove etchings and scratches on windows, reducing window replacement costs for affected residents and businesses.

Landscape Maintenance District (LMD)

- This year, the LMD saw the addition of the Orbella District, bringing the total number of districts to 58.

- The LMD has continued to upgrade crew training and development. Half of the "in-house" crew personnel are now capable of operating and maintaining newly acquired mowing equipment. In general, equipment training has been enhanced.

- Worn and outdated irrigation systems have been identified and scheduled for upgrade.

- Continued focus has been given to pesticide application and driving safety.

- Accepted the maintenance of the exterior of the Joint-use Fire Station in the RiverPark community.

- Accepted the maintenance of approximately 9 acres of joint-use community playfields/playgrounds located at Rio del Mar Elementary School.

- Performed landscape inspections, as needed, for the Community Facilities District (CFD) areas currently being built: Gateway Park (2.5 acres), East Park (4.5 acres), Vineyards Park (7 acres), Village Green (1.25 acres) and the community playfields/playgrounds at Rio Vista Intermediate School (16.5 acres).

Parks and Public Grounds

- Completed upgrades to the softball field fencing at Beck Park.

- Completed upgrades to the softball fields at Eastwood Park.

- Replaced all security lights with new lamp heads at Del Sol Park.

- Installed three new security lights at Community Center East.

- The kitchen and restrooms at College Park were painted.

- Lighting at Plaza Park upgraded.

Streets Division

- Resolved 42 requests for sand removal at Oxnard Shores.
- Resolved 341 work orders for asphalt repair, placing 2,723 tons of asphaltic concrete and 3,115 bags of cold patch material.
- Resolved 112 work orders for curb and/or sidewalk repairs, placing 263 cubic yards of concrete.
- Resolved 126 work orders for repairs to signs and markings.
- Resolved 76 work orders for weed abatement and illegal dumping.

Trees and Medians

- Repopulation of the City's urban forest: The City has lost numerous trees, both young and mature, to weather, vehicle accidents, or vandalism over the past 10 to 15 years. Crews have been hard at work identifying all missing trees, possible planting locations for new trees and severe hardscape damage caused by large trees so that replacement trees can be planted in their stead. More than 7 City streets have been reestablished with trees. Notable locations are: Patricia Street, Ginger Street, Aster Street, Olga Street, Arlene Street, Isle Way, and Napoleon Drive. These streets alone have had a total of 280 trees planted.
- Installation of new station solar clocks in many areas, including Channel Islands Boulevard, Harbor Boulevard, Rose Avenue, Oxnard Boulevard, North Vineyard Avenue, Second Street, Ventura Road, Fifth Street, Oxnard Boulevard, Wooley Road, and Hill Street.
- Removed and replaced the old trees along Channel Islands Boulevard.
- New backflows installed on Rose Avenue, Ventura Road, and Fifth Street.
- Planted 30 trees on Rose Avenue as well as some new trees and shrubs on Second Street.
- Old (many diseased and dying) plants were removed and replaced on Ventura Road and Hill Street.

Water Resources Division, Water Section

- **Blending Station No. 5** - Located at 980 East Pleasant Valley Road, the new facility provides up to 15 million gallons per day of blended water directly to the South Oxnard water distribution piping, greatly improving the fire suppression capability of the water system in the South Oxnard area. The addition of this fifth blending station also improves the water system redundancy, and therefore its reliability. Finally, the new Blending Station

No. 5 helps to maintain a consistent mineral water quality blend throughout the City, by blending the low dissolved mineral imported water with the higher dissolved mineral regional water.

- **Materials Storage Facility** - Located onsite at Blending Station No. 1, the Materials Storage Facility serves as the primary location for stockpiling the bulk materials used in the maintenance of the City's water distribution system. The facility incorporates stormwater quality best management practices into its design by providing a permanent roof over the stored materials, preventing rainfall from carrying the materials to the storm drain system.

- **Blending Station No. 3 Relocation -** Located at 1700 Wankel Way, the Blending Station No. 3 Relocation Project was a result of MTBE (Methyl Tertiary Butyl Ether, a fuel additive) contamination adjacent to the prior Blending Station No. 3, and a subsequent out-of-court settlement with Shell Corporation. The project included the purchase of a new property, drilling of replacement wells, relocation of conveyance piping, and construction of the new facility. The project replaces lost groundwater pumping capacity and improves blending station redundancy, and, therefore, system reliability.

- **South Oxnard Branch Library California Friendly Demonstration Garden -** The garden features a water wise California Friendly® demonstration garden, funded in part by a $20,000 City Makeover grant from the Metropolitan Water District of Southern California. The garden serves as a learning tool to educate residents on water wise landscaping design principles to conserve water.

- **Distribution System Mains Replacements** - With assistance from the Capital Projects Management Division, the Water Section replaced approximately 3,000 feet of aging cast iron distribution mains on Redwood Street, "J" Street, and Perkins Road. The work was done in conjunction with the replacement of wastewater collection trunk lines, in order to reduce inconvenience to residents and businesses. The project will greatly improve fire hydrant flows, reduce rusty water problems, and eliminate water outages due to leaks in the neighborhoods.

- **Automated Meter Reading ("AMR") Conversion -** Water Section staff continued to replace existing conventional meters with AMR meters and installed AMR meters on all new water services. Currently, nearly 30,000 AMR meters are in service. Staff has replaced approximately 75 percent of existing meters over the past few years. The AMR meters improve reading accuracy and efficiency.

<u>Water Resources Division, Wastewater Section</u>

- **Redwood Trunk Sewer Project -** The Redwood Trunk Sewer Project included the construction of approximately 46,000 feet of new trunk sewer pipe, ranging in size from 20 to 60 inches, and extending from North Oxnard to the Wastewater Treatment Plant on Perkins Road. The project will provide conveyance capacity for the City, reduce energy costs by utilizing gravity flow, and reduce odors by improving flow rates.

- **Lift Station Projects** - The Redwood Trunk Sewer Project also included the expansion and refurbishment of Lift Station Number 29, located at Patterson Road and Hemlock Street, and the decommissioning of four (4) antiquated wastewater lift stations. The project will reduce energy costs for pumping and reduce maintenance costs on the old lift stations.

- **Wastewater Conveyance System Projects** - The Wastewater Section completed construction of the wastewater collection mains and laterals in three neighborhoods (El Rio West, McMillan Manor and Smith Tracts) as a part of the Septic System Conversion Project. Construction within the final neighborhood (College Park Tract) is scheduled to be completed in the near future. The project will help property owners to connect to the City's wastewater system and to abandon their private septic systems, and to assist the property owners in the El Rio West and College Park neighborhoods to comply with a state order banning discharges from septic systems.

- **Fresh Creek** - In partnership with Ventura County Watershed Protection District, the Wastewater Section installed a Fresh Creek Debris Retention Device in a storm drainage channel, which will minimize debris flows to the Mandalay Bay area of the Channel Islands Harbor.

- **Headworks Facility Project** - Construction of the new Headworks Facility at the Wastewater Treatment Plant is approximately 80% complete. The facility will include a new influent pump station, and grit and screenings removal equipment. It will improve efficiency and provides adequate capacity to meet the City's ultimate average dry-weather and peak-weather wastewater flows.

BUDGETS AND BUDGETARY ACCOUNTING

The budget process includes the development of a balanced two-year budget, however, the two-year budget includes an approach that appropriations are approved for a one-year operations budget and five-year capital improvement plan. Budgets are adopted annually by City Council resolution and are prepared for the General Fund, special revenue funds and debt service funds. Budgets are prepared on the modified accrual basis of accounting consistent with Generally Accepted Accounting Principles (GAAP) except that encumbrances are included in budgeted expenditures.

The City Council generally reauthorizes appropriations for continuing projects and activities. The City Council has the legal authority to amend the budget of any fund at any time during the fiscal year. The budgetary legal level of control (the level on which expenditures may not legally exceed appropriations) is generally at the fund level. For budgeting purposes, the General Fund is composed of several departments while all other budgeted funds (special revenue funds included) are considered a single department. Budgeted expenditures may be reallocated within a division and between divisions within a department without City Council approval. During Fiscal Year 2006-2007, supplemental budget appropriations approximating $45,535,514 were made.

CASH MANAGEMENT

The City Treasurer is responsible for investing available cash in investments allowable by law and as further defined by the City Council investment policy. Allowable investments include, but are not limited to: certificates of deposit which are either government insured or collateralized, government securities, the State Treasurer's Local Agency Investment Fund (LAIF), and certain commercial paper and medium term notes. In priority order, safety, liquidity, and yield are considered to be the essential criteria for selecting investments.

The City's highly automated cash management system is designed to expedite the receipt and deposit of revenues through centralized cashiering. Anticipated expenditures and accounts payable issues are carefully monitored to maximize availability of funds for investment.

The average balance of non-restricted cash and investments of the City for Fiscal Year 2006-2007 was $186,817,656 which earned $14,924,839, an average rate of 5.12 percent. At June 30, 2007, $127,595,745 or 37.4 percent of the City's investment pool had maturities of 1-5 years. All other City investments are scheduled to mature in less than 360 days.

The City Council investment policy has been updated to meet requirements of the California Government Code revisions. The investment policy is adopted annually to the City Council.

The primary objective of the investment policy is to establish a conservative set of investment criteria that will prudently protect the City's principal sums and enable the City to generate a fair rate of return from its investment activities. The investment policy applies to all funds on deposit at the City Treasurer's Office.

Interest earnings on investments for the last three fiscal years are as follows:

	2007	**2006**	**2005**
Governmental funds	$ 6,653,231	$ 4,860,461	$ 3,911,106
Proprietary funds and internal service funds	8,271,608	5,304,356	4,403,755
Total	$ 14,924,839	$ 10,164,817	$ 8,314,861
Average annual yield	5.12%	3.37%	2.76%

Interest income in Fiscal Year 2006-2007 increased 46.83 percent versus last fiscal year.

RISK MANAGEMENT

The risk management functions identify, evaluate, mitigate, and monitor the City's exposure to operational risks. The most significant risk exposures are employee injury (workers' compensation), and auto and general liability (including police liability). When available and economically feasible, risk is transferred through the purchase of commercial insurance. The City is a participant, along with four other cities, in a joint powers authority (JPA) known as the Big Independent Cities Excess Pool (BICEP) to obtain pooled general liability coverage on a risk sharing basis. The JPA covers $24,000,000 above the City's self-insured retention of $1,000,000 and, whenever it is cost effective, transfers risk through the purchase of commercial reinsurance. In addition to general liability insurance, the JPA supports group purchase of workers' compensation and property insurance which frequently results in reduced premiums.

The City's contribution to the JPA for general liability coverage in Fiscal Year 2006-2007 was $988,017. The City paid $152,048 for its excess workers' compensation insurance in Fiscal Year 2006-2007.

OTHER INFORMATION

Independent Audit

The firm of Mayer Hoffman McCann PC has conducted an audit of the financial statements of the City. Their opinion is included in the Financial Section of the CAFR. In accordance with the Single Audit Act of 1997, the City's grant programs which utilize federal funds, either directly or passed through from State agencies, have been subjected to the audit requirements of the Federal Office of Management and Budget (OMB) Circular A-133. This included tests of compliance with federal laws and regulations. The results of the single audit performed in accordance with OMB A-133 is presented under separate cover.

AWARDS AND ACKNOWLEDGMENTS

Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its comprehensive annual financial report for the fiscal year ended June 30, 2006.

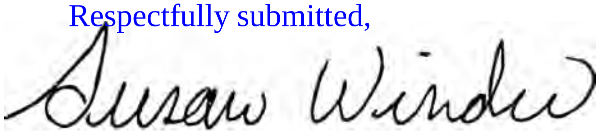
This was the eighteenth consecutive year the City has received this prestigious award from the Government Finance Officers Association (GFOA) of the United States and Canada and from the California Society of Municipal Finance Officers Association (CSMFO), which reflect the conforming accounting and comprehensive reporting practices of the City. In order to be awarded a certificate of achievement, the City must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such report must satisfy both GAAP and applicable legal requirements.

A certificate of achievement is valid for a period of one year only. Staff believes the current report continues to conform to certificate of achievement program requirements, and staff is submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgments

The preparation of this report would not have been accomplished without the efficient and dedicated services of the entire staff of the Finance Department. But a special word of thanks should go to the City's independent auditors, Mayer Hoffman McCann P.C., for their technical assistance. I wish to express my appreciation to all members of the departments who assisted and contributed to the preparation of this report. Credit must also be given to the Mayor, City Council, City Manager, Assistant City Manager, Deputy City Manager and department directors for their unfailing support for maintaining the highest standards of professionalism in the management of the City's finances.

Respectfully submitted,



Susan Winder
Interim Finance Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Oxnard California

For its Comprehensive Annual Financial Report for the Fiscal Year Ended

June 30, 2006

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

President

Executive Director

City of Oxnard, California

CITY COUNCIL

DEAN MAULHARDT
Mayor Pro Tem

DR. THOMAS E. HOLDEN
Mayor

JOHN C. ZARAGOZA
Councilmember

ANDRES HERRERA
Councilmember

TIMOTHY B. FLYNN
Councilman

EDMUND F. SOTELO
City Manager

City of Oxnard
Organizational Chart

KAREN BURNHAM
Assistant City Manager

Residents

City Treasurer
Dale Belcher

City Council
Dr. Thomas E. Holden, Mayor
Dean Maulhardt, Mayor Pro Tem
John C. Zaragoza, Councilmember
Andres Herrera, Councilmember
Timothy B. Flynn, Councilman

City Clerk
Daniel Martinez
Elections
Information Resources

City Attorney
Gary Gillig
Debt Collection
Legal Assistance
Special Litigation

City Manager
Edmund Sotelo

CDC
Curtis Cannon
Central Business Dist.
Harbor District
H.E.R.O
Ormond Beach
Southwinds
Special Projects

Assistant City Manager
Karen Burnham

Police
John Crombach

Administrative Services
(Scott Whitney)
Emergency Communications
Professional Standards
Support Services

Field Operations
(Mike Matlock)
Code Enforcement
Community Patrol

Investigative Services
(Jason Benites)
Investigative Services
Special Services

Fire
Joe Milligan

Disaster Preparedness
(Deborah Shane)

Emergency Services
(Darwin Base)
(Michael O'Malia)
(Chris Donabedian)

Fire Prevention
(Gary Sugich)

CUPA
(Steve Mattern)

Housing
Sal Gonzalez

Administrative Services
(Carrie Sabatini)

Affordable Housing
(Ernie Whitaker)

Housing Assistance
(Arturo Casillas)

Modernization
(Vacant)

Property Services
(Rick Shear)

Finance
Susan Winder (Interim)

Budget and Capital Improvement
Budget
Capital Improvement Projects

Customer Service
(Eden Alomeri)
Business Licensing
Utility Billing

Financial Resources
(Mike More)
Debt & Property Management
Liability Management

General Accounting
(Lettie De Dios)
Accounting
Payroll & Benefits

Grants Management
(Norma Owens)
Grants Assistance

Purchasing
(Bruce Dandy)
Mail Service
Purchasing

Recreation and Community Services
VACANT

Community Facilities
(Bob Holden)
Performing Arts and Convention Center

Recreation & Community Services
(Gil Ramirez)
Recreation Services
Senior/Special Population Services
South Oxnard Center
Special Events
Youth Development

Development Services
Matt Winegar

Development Support

Development Services
(Rob Roshanian)
Development Services

Planning
(Sue Martin)
Planning & Environmental Services

Transportation
Transportation Planning & Services

Public Works
Ken Ortega

Streets & Waterways
(Daniel Rydberg)
Inland Waterways
Parking Lots
Street Maintenance & Repair
Traffic Signs & Markings

Engineering Services
(Rob Roshanian)
Construction Services
Design

Fleet Services
(Dan Berlenbach)

Parks & Facilities
(Michael Henderson)
Facilities Maintenance
Landscape Assessment & Graffiti Removal
Park/Facility Development
Parks Maintenance
River Ridge Golf Course
Street Lighting

Environmental Resources
(Dennis Scala, Interim)
Collection
Planning
Processing & Disposal
Waste Reduction

Transportation
Traffic Engineering & Services

Wastewater
(Anthony Emmert)
Flood Control
Storm Water Quality
Technical Services
Treatment Services

Water
(Anthony Emmert)
Distribution
Procurement
Production
Water Services

City Manager
Edmund Sotelo

Operations
Budget
Cable Television
Community Relations
Neighborhood Services
Public Information
Special Projects

Legislative Affairs
(Martin Erickson)

Information Systems
(Grace Hoffman)
Citywide Network Support
Document Publishing Services
Geographic Information Systems
Help Desk
Municipal Software Support
Telecommunications Support

Human Resources
Lino Corona (Interim)

Employee Benefits
Employee Training
Human Resources
Labor Negotiations
Safety & Wellness
Workers' Compensation

Library
Barbara Murray

Carnegie Art Museum
Circulation Services
Branch Services
Community Outreach
Public Services
Support Services

Structure: **Department** - Department Director - **Division** - (Division Manager) - Program

CITY OF OXNARD, CALIFORNIA

FINANCE DEPARTMENT

Edmund F. Sotelo
City Manager

Karen Burnham
Assistant City Manager

Susan Winder
Interim Finance &
Management Services Director

Carmen Taylor
Senior Administrative Secretary

Orlando Capulong
Controller

Bruce Dandy
Accounting Manager
Purchasing
(6 employees)

- Purchasing
- Contract Bidding
- Mail and Courier Services
- Photocopy Contract
- Records Storage Contract

Lettie De Dios
Accounting Manager
General Accounting
(13 employees)

- Financial Reporting
- General Accounting
- Fixed Assets Inventory
- Internal Controls
- Revenue and Accounts Receivable
- Accounts Payable
- Payroll Production
- State and Federal Reporting
- Transient Occupancy Tax (TOT) Audit
- Cash Receipts Edit and Reconciliation

Susan Winder
Budget Manager
Budget Accounting
(2 employees)

- Budget and Cost Accounting
- Capital Project Accounting
- Monthly Operating Statement

Eden Alomeri
Accounting Manager
(10 employees)

- Utility Billing
- Business Licenses
- Dog and Cat Licenses
- CUPA Permits
- Other Miscellaneous Permits

Norma Owens
Grants Manager
Grants Assistance
(4 employees)

- Grants Applications
- Labor Standards Compliance
- Minority Business Enterprise Program Administration
- Grants Audits Coordination
- Billings and Review
- SB90 Claims
- Environmental Reviews
- Consolidated Plan
- HUD CAPER

Mike More
Financial Resources Manager
Financial Resources Division
(3 employees)

- Contracts Review
- Debt Issuance/Administration
- Liability Insurance Administration
- Property Acquisition and Sale
- Lease Administration
- Assessment Districts

VICINITY MAP

MHM

Mayer Hoffman McCann P.C.
An Independent CPA Firm

INDEPENDENT AUDITORS' REPORT

Honorable City Council,
City of Oxnard, California

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Oxnard, California, as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Oxnard, California's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Oxnard, California as of June 30, 2007, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2007, on our consideration of the City of Oxnard, California's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Southern California Locations
11601 Wilshire Blvd. Suite 2300 • Los Angeles, CA 90025 • PH 310.268.2000 • FX 310.268.2001
5060 California Ave. Suite 800 • Bakersfield, CA 93309 • PH 661.325.7500 • FX 661.325.7004
300 Esplanade Dr. Suite 250 • Oxnard, CA 93036 • PH 805.988.3222 • FX 805.988.3220
2 Venture Suite 455 • Irvine, CA 92618 • PH 949.450.4400 • FX 949.450.0694

The management's discussion and analysis and required supplementary information on pages 3 through 16 and 85 through 92, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Oxnard, California's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor funds financial statements and budgetary comparison schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Mayer Hoffman McCann P.C.

Bakersfield, California
November 16, 2007

This Management's Discussion and Analysis (MD&A) provides an overview of financial activities of the City of Oxnard (City) for the fiscal year ended June 30, 2007. Please read this discussion and analysis in conjunction with the accompanying transmittal letter (page i), the basic financial statements (page 17), and the accompanying notes to the basic financial statements (page 29).

The financial statements presented herein include all financial activities of the City and its component units in accordance with Governmental Accounting Standards Board Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Government" (GASB 34).

The Government-Wide Financial Statements present the financial position of the City using the economic resources measurement focus and the accrual basis of accounting. These statements present governmental activities and business-type activities separately. Also, these statements include all assets of the City, as well as all liabilities, including long-term debt. Additionally, in accordance with GASB 34, certain eliminations have been made related to interfund activity, payables and receivables.

The Fund Financial Statements include governmental, proprietary and fiduciary funds. The governmental funds are prepared using the current financial resources measurement focus and modified accrual basis of accounting. The proprietary funds are prepared using the economic resources measurement focus and the accrual basis of accounting. The fiduciary funds consist of agency funds, which only report a balance sheet and do not have a measurement focus. A reconciliation of the Fund Financial Statements to the Government-Wide Financial Statements is provided to explain the differences created by the integrated approach under GASB 34.

REPORTING THE CITY AS A WHOLE

The Statement of Net Assets and the Statement of Activities

The Statement of Net Assets and the Statement of Activities report information about the City as a whole and its activities. These statements include all assets and liabilities of the City using the accrual basis of accounting, which is similar to the accounting used by most private-sector entities. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned, while expenses are recognized in the period in which the liability is incurred.

These statements report the City's net assets and changes in them. Net assets are the difference between assets and liabilities, which is one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net assets are one indicator of whether its financial health is improving or deteriorating. Other factors to consider are changes in the City's property tax base and economic trends, such as expansion and development.

In the Statement of Net Assets and the Statement of Activities, the City's activities are categorized as follows:

Governmental Activities

Most of the City's basic services are reported in this category, including the general government activities, such as fire, police, public works, community development, parks, recreation and library services. Property and sales taxes, user fees, interest income, franchise fees, and State and federal grants finance these activities.

Business-Type Activities

The City charges a fee to customers to pay for the cost of certain services provided. The City's water and wastewater system, environmental services, housing services, and the operations of the Performing Arts and Convention Center and River Ridge Golf Course are reported in this category.

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The Fund Financial Statements provide detailed information about the City's major funds – not the City as a whole. Some funds are required to be established by State law and by bond covenants. However, the City establishes many other funds to help control and manage money for a particular purpose or to show that the City is meeting legal responsibilities for using certain taxes, grants, and other funds.

Governmental Funds

Most of the City's basic services are reported in governmental funds. These funds focus on reporting the flow of money into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used. The Governmental Fund Financial Statements provide a detailed short-term view of the City's general government operations and the basic services provided. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The differences between the Governmental Fund Financial Statements and the Government-Wide Financial Statements are explained in a reconciliation following the Government-Wide Financial Statements.

Proprietary Funds

When the City charges customers for services – whether to outside customers or to programs of the City, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Fund Net Assets. The City's enterprise funds are the same as the business-type activities reported in the Government-Wide Financial Statements, but provide more detail and additional information, such as cash flows for each enterprise fund. The City also uses internal service funds to report activities that provide supplies and services for the City's internal programs and activities, such as the City's self-insurance, utility customer services, information services, facilities maintenance and equipment maintenance services.

Fiduciary Funds

The City is the trustee, or fiduciary, for certain funds established to account for assets held by the City in a trustee capacity, or as an agent for individuals, private organizations, and other governmental units. The City's fiduciary activities are reported in separate Statements of Fiduciary Net Assets. These activities are excluded from the City's Government-Wide Financial Statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their specified purposes.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The total net assets of the City as of June 30, 2007, were:

Net Assets	2007	2006	Increase (Decrease)
Invested in capital assets, net of related debt	$ 1,554,335,479	$ 1,467,938,634	$ 86,396,845
Restricted	46,282,730	29,307,344	16,975,386
Unrestricted	141,802,875	179,244,817	(37,441,942)
Total net assets	**$ 1,742,421,084**	**$ 1,676,490,795**	**$ 65,930,289**

The total net assets of the City increased 3.93 percent from $1.68 billion at June 30, 2006, to $1.74 billion at June 30, 2007. The increase of $65.9 million derives from increase in construction in progress, and capital assets such as streets/roadways network, waterways/seawalls network, storm drain system, and land and buildings, and the change in net assets as recorded in the Statement of Activities and which flows through to the Statement of Net Assets.

Governmental Activities

The following schedule summarizes the financial position of the City's governmental activities at June 30, 2007:

	2007	2006	Increase (Decrease)
Current assets	$ 201,368,088	$ 172,581,179	$ 28,786,909
Capital assets (net of accumulated depreciation)	1,397,619,550	1,359,794,668	37,824,882
Properties held for resale	4,646,071	4,646,071	—
Other assets	1,782,621	122,222	1,660,399
Total assets	1,605,416,330	1,537,144,140	68,272,190
Current liabilities	31,492,401	36,117,415	(4,625,014)
Non-current liabilities	116,277,347	76,274,305	40,003,042
Total liabilities	147,769,748	112,391,720	35,378,028
Net assets:			
Invested in capital assets, net of related debt	1,329,023,654	1,313,161,486	15,862,168
Restricted	33,774,265	15,902,180	17,872,085
Unrestricted	94,848,663	95,688,754	(840,091)
Total net assets	$ 1,457,646,582	$ 1,424,752,420	$ 32,894,162

At the end of Fiscal Year 2006-2007, the current assets are 12.54 percent of the total assets with the remaining 87.46 percent representing capital assets, net of accumulated depreciation, properties held for resale and other assets. The current liabilities are 21.31 percent of the total liabilities. The current ratio for governmental activities at the end of the year is $6.39 of current assets for every $1.00 of current liabilities. Of the total net assets, 90.24 percent was invested in capital assets, 2.32 percent was restricted, and the remaining 7.44 percent represented unrestricted which is available for future operations.

Net assets of the City's governmental activities as of June 30, 2007, and 2006 are comprised of the following:

	2007	2006	Increase (Decrease)
Invested in capital assets, net of related debt	$ 1,329,023,654	$ 1,313,161,486	$ 15,862,168
Restricted	33,774,265	15,902,180	17,872,085
Unrestricted	94,848,663	95,688,754	(840,091)
Total net assets	**$ 1,457,646,582**	**$ 1,424,752,420**	**$ 32,894,162**

The net assets of the City from governmental activities increased 2.31 percent from $1.4 billion at June 30, 2006, to $1.5 billion at June 30, 2007. The increase of $32,894,612 is due an increase in capital assets such as streets and roadways, waterways, land and buildings, and storm drain system.

The cost of all governmental activities during Fiscal Year 2006-2007 was $153,278,567. The amount that the City's taxpayers ultimately financed, however, was only $78,557,622. Some of the cost of governmental activities was paid by those who directly benefitted from the programs ($42,890,271) or by other government agencies and organizations that subsidized certain programs with operating grants and contributions ($25,025,965) and capital grants and contributions ($6,804,709).

Overall, the City generated program revenues from governmental activities amounting to $74,720,945. The remaining cost of governmental activities ($78,557,622) was paid by the City's sources of general revenue (taxes and other general revenues).

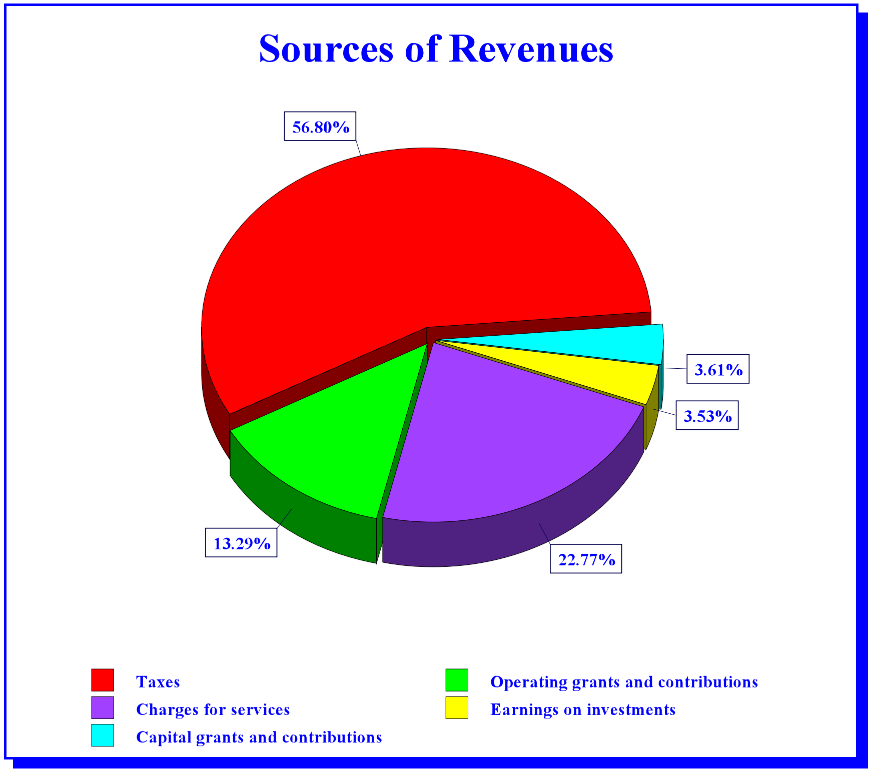
The City's governmental activities include general government, public safety (police and fire services), transportation, community development, culture and leisure and libraries.

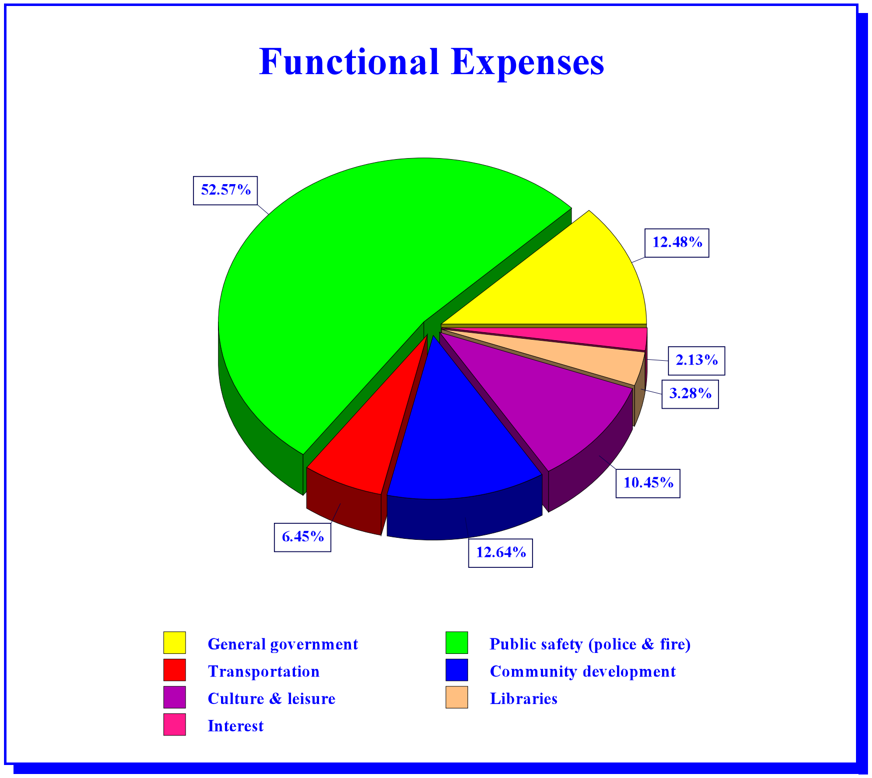
The following table presents the changes in net assets for governmental activities for the year ended June 30, 2007:

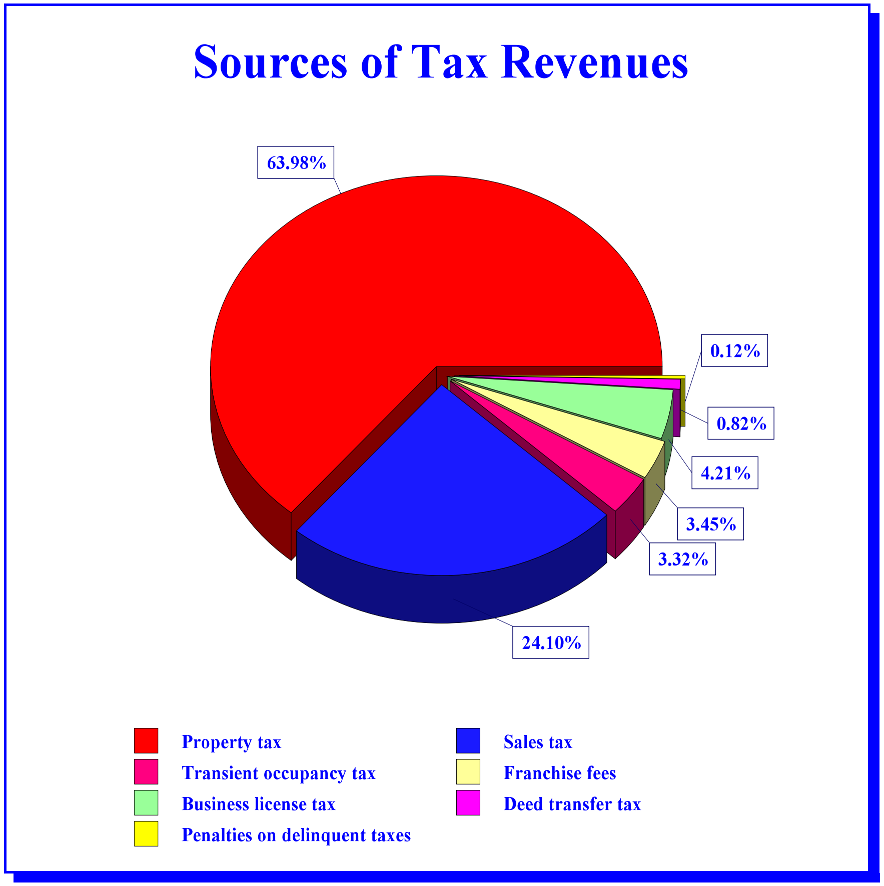
	2007	2006	Increase (Decrease)
Program revenues:			
Charges for services	$ 42,890,271	$ 44,294,478	$ (1,404,207)
Operating grants and contributions	25,025,965	30,436,511	(5,410,546)
Capital grants and contributions	6,804,709	16,758,901	(9,954,192)
General revenues:			
Taxes	106,964,959	95,580,997	11,383,962
Interest on investments	6,653,231	4,860,461	1,792,770
Sale of capital assets	—	7,146,270	(7,146,270)
Total revenues	188,339,135	199,077,618	(10,738,483)
Expenses:			
General government	19,130,468	18,360,819	769,649
Public safety	80,579,263	75,789,982	4,789,281
Transportation	9,893,618	10,341,829	(448,211)
Community development	19,369,860	22,614,813	(3,244,953)
Culture and leisure	16,015,957	15,345,765	670,192
Libraries	5,025,580	4,654,234	371,346
Interest on long-term debt	3,263,821	1,904,516	1,359,305
Total expenses	153,278,567	149,011,958	4,266,609
Change in net assets	35,060,568	50,065,660	(15,005,092)
Transfers	(2,166,406)	(2,280,393)	113,987
Changes in net assets - governmental activities	**$ 32,894,162**	**$ 47,785,267**	**$ (14,891,105)**
Net assets - July 1	**1,424,752,420**	**228,800,318**	**1,195,952,102**
GASB 34 infrastructure implementation adjustment	—	**1,148,166,835**	**(1,148,166,835)**
Net assets - June 30	**$ 1,457,646,582**	**$ 1,424,752,420**	**$ 32,894,162**

Governmental activities Sources of revenues:	2007	2006	Increase (Decrease)
Taxes	$ 106,964,959	$ 95,580,997	$ 11,383,962
Operating grants and contributions	25,025,965	30,436,511	(5,410,546)
Capital grants and contributions	6,804,709	16,758,901	(9,954,192)
Charges for services	42,890,271	44,294,478	(1,404,207)
Earnings on investments	6,653,231	4,860,461	1,792,770
Other program revenues	—	7,146,270	(7,146,270)
Total	$ 188,339,135	$ 199,077,618	$ (10,738,483)

Governmental activities Functional expenses:	2007	2006	Increase (Decrease)
General government	$ 19,130,468	$ 18,360,819	$ 769,649
Public safety (police and fire)	80,579,263	75,789,982	4,789,281
Transportation	9,893,618	10,341,829	(448,211)
Community development	19,369,860	22,614,813	(3,244,953)
Culture and leisure	16,015,957	15,345,765	670,192
Libraries	5,025,580	4,654,234	371,346
Interest	3,263,821	1,904,516	1,359,305
Total	$ 153,278,567	$ 149,011,958	$ 4,266,609







The City's total sources of revenue showed a decrease of $10,738,483 as compared to last fiscal year. The major decrease in sources of revenue in Fiscal Year 2006-2007 came from capital grants and contributions ($9,954,192), followed by operating grants and contributions ($5,410,546), charges for services ($1,404,207), and other program revenues ($7,146,270).

Taxes, which are the largest source of revenue for the City, increased by $11,383,962 or 11.91 percent, which is due to an increase in property tax ($9,891,347), sales tax ($1,798,626), transient occupancy tax ($241,187), and business license tax ($33,614), however, a decrease in deed transfer tax ($350,398), penalties on delinquent taxes ($2,724), and franchise tax ($227,690). The continued construction and sale of new residential houses contributed to the increase in property taxes. Franchise occupancy tax increased by 7.29 percent or $241,187 due to the addition of the new Hampton Inn and Suites. The increases in investment earnings of $1,792,770 attributed to higher investment yields.

Sources of tax revenues for the fiscal years ended June 30, 2007, and 2006 are as follows:

Sources of tax:	**2007**	**2006**	**Increase (Decrease)**
Property tax	$ 68,429,117	$ 58,537,770	$ 9,891,347
Sales tax	25,783,808	23,985,182	1,798,626
Transient occupancy tax	3,550,903	3,309,716	241,187
Franchise fees	3,686,627	3,914,317	(227,690)
Business license tax	4,504,455	4,470,841	33,614
Deed transfer tax	880,370	1,230,768	(350,398)
Penalties on delinquent taxes	129,679	132,403	(2,724)
Total	**$ 106,964,959**	**$ 95,580,997**	**$ 11,383,962**

Business-Type Activities

The following schedule summarizes the financial condition of the City's business-type activities at June 30, 2007:

	2007	2006	Increase (Decrease)
Current assets	$ 137,184,850	$ 177,080,674	$ (39,895,824)
Capital assets (net of accumulated depreciation)	451,576,412	392,728,005	58,848,407
Other assets	2,012,120	613,607	1,398,513
Total assets	590,773,382	570,422,286	20,351,096
Current liabilities	10,335,137	16,739,895	(6,404,758)
Non-current liabilities	295,663,743	301,944,016	(6,280,273)
Total liabilities	305,998,880	318,683,911	(12,685,031)
Net assets:			
Invested in capital assets (net of related debt)	225,311,825	154,777,148	70,534,677
Restricted	12,508,465	13,405,164	(896,699)
Unrestricted	46,954,212	83,556,063	(36,601,851)
Total net assets	$ 284,774,502	$ 251,738,375	$ 33,036,127

The business-type activities showed a positive current ratio at June 30, 2007 - $13.27 of current assets for every $1.00 of current liabilities. Of the total net assets, 79.12 percent was invested in capital assets, 4.39 percent represented restricted net assets, and 16.49 percent was unrestricted which is available for future operations.

Net assets of the City's business-type activities as of June 30, 2007, and 2006 are as follows:

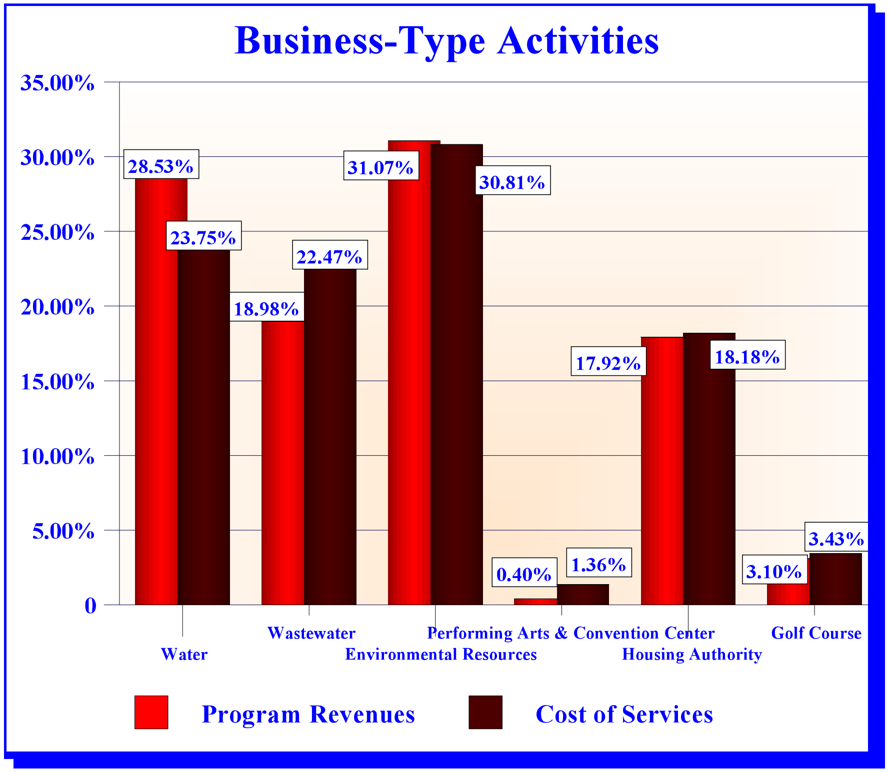
	2007	2006	Increase (Decrease)
Invested in capital assets, net of related debt	$ 225,311,825	$ 154,777,148	$ 70,534,677
Restricted for:			
Debt service	12,508,465	13,405,164	(896,699)
Unrestricted	46,954,212	83,556,063	(36,601,851)
Total net assets	**$ 284,774,502**	**$ 251,738,375**	**$ 33,036,127**

The net assets of the City's business-type activities increased 13.12 percent from $251.74 million at June 30, 2006, to $284.77 million at June 30, 2007. The increase of $33,036,127 is primarily due to an increase in invested in capital assets net of related debt.

Total expenses for business-type activities for the year ended June 30, 2007, was $129,222,847. Program revenues are primarily comprised of charges for services in the amount of $129,135,113.

General revenues consist of earnings on investments $7,480,785 and sale of capital assets ($23,476,670). Transfers from governmental activities amounted to $2,166,406.

The City's business-type activities include: Water, Wastewater, Environmental Resources, Performing Arts and Convention Center, Oxnard Housing Authority, and River Ridge Golf Course.



The following table presents the changes in net assets for business-type activities for the year ended June 30, 2007:

	2007	2006	Increase (Decrease)
Program revenues:			
Charges for services	$ 129,135,113	$ 122,575,274	$ 6,559,839
Capital grants and contributions	—	1,306,910	(1,306,910)
General revenues:			
Earnings on investments	7,480,785	4,753,913	2,726,872
Sale of capital assets	23,476,670	—	23,476,670
Total revenues	160,092,568	128,636,097	31,456,471
Expenses:			
Water	30,683,509	26,636,150	4,047,359
Wastewater	29,033,021	27,939,236	1,093,785
Environmental resources	39,817,351	38,535,592	1,281,759
Performing arts and convention center	1,761,156	1,590,321	170,835
Oxnard housing authority	23,494,108	24,724,889	(1,230,781)
Municipal golf course	4,433,702	3,983,695	450,007
Total expenses	129,222,847	123,409,883	5,812,964
Changes in net assets before transfers	30,869,721	5,226,214	25,643,507
Transfers in	2,166,406	2,280,393	(113,987)
Changes in net assets - business-type activities	$ 33,036,127	$ 7,506,607	$ 25,529,520

The chart on the left illustrates the comparison of the program revenues (charges for services) against the total cost of services.

FINANCIAL ANALYSIS OF CITY'S MAJOR FUNDS

General Fund

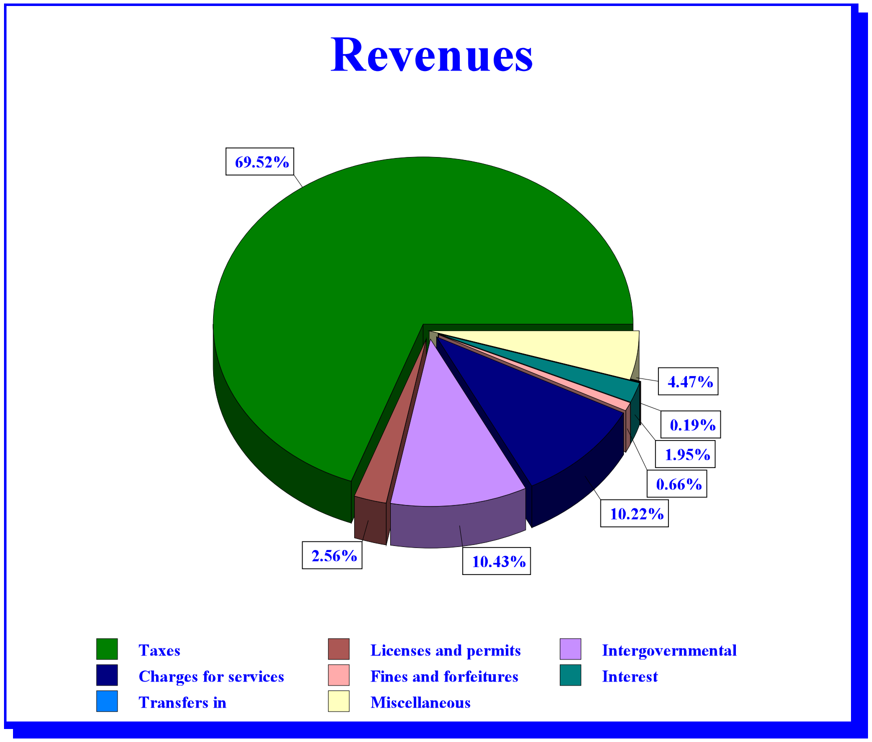
The General Fund accounts for all financial resources traditionally associated with government activities that are not required legally to be accounted for in another fund.

The General Fund ended the year with a fund balance of $24,997,651, which is a decrease of $2,184,654 as compared to the prior fiscal year. The fund balance is designated into categories for legally reserved or restricted ($3,573,245) and unreserved, undesignated fund balance available for future operations ($21,424,406). The General Fund showed a strong fund balance, which is over the 15 percent contingency reserve required by the City Council.

General Fund revenues for the year ended June 30, 2007, were $111,063,095. The revenues increased by $1,182,942 (1.08 percent). This increase is due primarily to an increase in taxes ($7,300,400), intergovernmental ($362,852), and interest ($242,521) offset by a decrease in licenses and permits ($2,542,139), charges for services ($3,064,453), fines and forfeitures ($7,145) and miscellaneous ($1,109,094).

General Fund expenditures, including transfers out, for the year ended June 30, 2007, reported an increase of $4,933,049 from $108,526,266 in Fiscal Year 2005-2006 to $113,459,315 in Fiscal Year 2006-2007. Major increases were in public safety ($3,589,358), culture and leisure ($196,691), community development ($277,321), and library ($182,807).

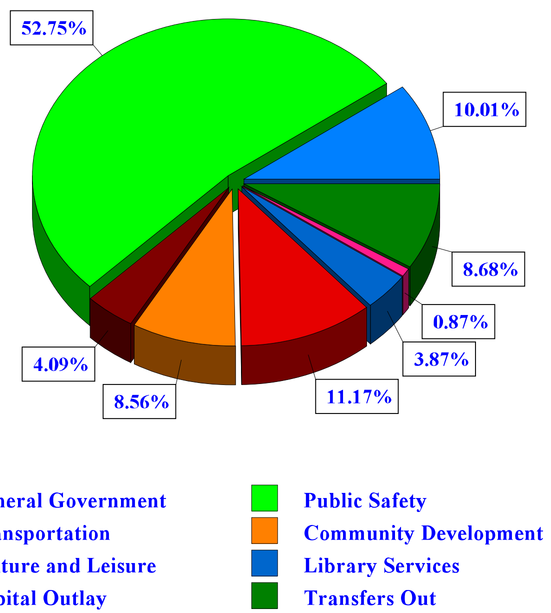
The increase in public safety expenditures reflected the City Council's continued commitments to fighting crimes and gang violence to maintain a peaceful and crime free community.



General fund revenues:	2007	2006	Increase (Decrease)
Taxes	$ 77,363,790	$ 70,063,390	$ 7,300,400
Licenses and permits	2,848,615	5,390,754	(2,542,139)
Intergovernmental	11,604,719	11,241,867	362,852
Charges for services	11,371,419	14,435,872	(3,064,453)
Fines and forfeitures	729,547	736,692	(7,145)
Interest	2,166,964	1,924,443	242,521
Miscellaneous	4,978,041	6,087,135	(1,109,094)
Transfers in	211,566	2,430,023	(2,218,457)
Total	$ 111,274,661	$ 112,310,176	$ (1,035,515)

General fund expenditures:	2007	2006	Increase (Decrease)
General government	$ 11,356,372	$ 11,746,494	$ (390,122)
Public safety	59,851,144	56,261,786	3,589,358
Transportation	4,645,899	4,686,554	(40,655)
Community development	9,708,648	9,431,327	277,321
Culture and leisure	12,669,266	12,472,575	196,691
Library services	4,396,845	4,214,038	182,807
Capital outlay	983,869	1,598,348	(614,479)
Transfers out	9,847,272	8,115,144	1,732,128
Total	$ 113,459,315	$ 108,526,266	$ 4,933,049

Expenditures



Major Special Revenue Funds

Development Fees Fund:

Growth and development fees revenue for the year was $7,826,944, which is 4.16 percent of the City's total revenues, as compared to 3.27 percent for prior year. Expenditures and transfers out totaled $20,950,273 as compared to $8,351,742 for prior year. The increase of 151 percent is due to capital outlay, civic center expansion, Phase II, accommodating the one-stop permit processing customer services, City Treasurer, building permits and fire department in one building.

HUD and CDBG Grants Fund:

Grant revenue for this fund totaled $4,139,244, as compared to $4,316,996 for prior fiscal year. The decrease of $177,752 is due to a decrease in grant funding in the HUD and CDBG grants program. Expenditures for the Fiscal Year 2006-2007 totaled $4,139,244 and $4,316,996 for prior fiscal year. The decrease of $177,752 is due to community development and capital outlay expenditures.

State and Federal Grants Fund:

During Fiscal Year 2006-2007, this fund generated a total revenue of $21,758,929, consisting of 56.34 percent of voter-approved property tax for public safety supplemental retirement; 37.63 percent of grant revenues (related primarily to transportation and public safety grants) and the remaining 6.03 percent representing miscellaneous revenues. For the fiscal year, the fund showed an excess of revenues over expenditures ($1,744,203), increasing the fund balance to $11,937,174.

Capital Outlay Fund and Community Development Commission Fund:

The Capital Outlay Fund showed an increase in fund balance of $13,832,057, the Community Development Commission Fund showed an increase of $25,900,432, and the Debt Service Fund an increase in balance of $105,810. All funds ended the year with positive fund balances.

Enterprise Funds

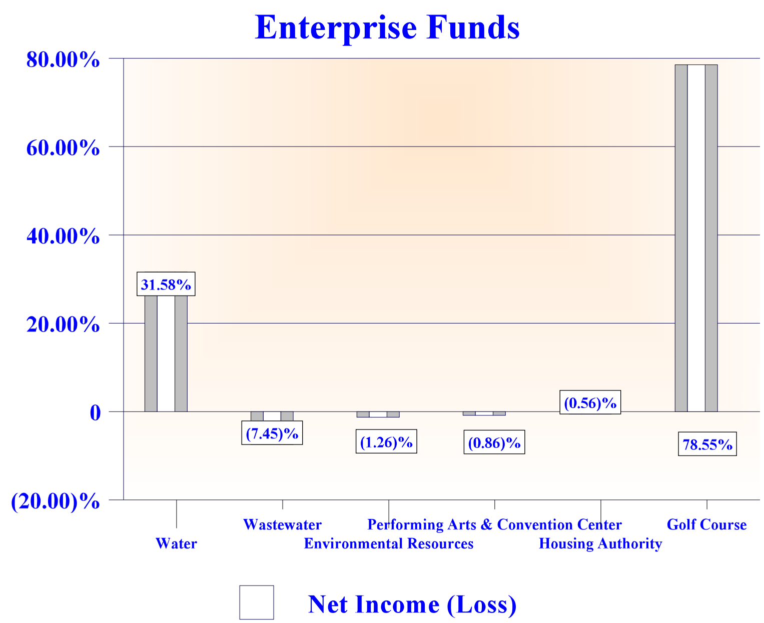
The enterprise funds account for operations that are financed and operated in a manner similar to private business enterprises, wherein the cost of goods and services to the general public are financed or recovered primarily through user charges. The City's enterprise operations consist of Water, Wastewater, and Environmental Resources. The cultural and recreation activities are the River Ridge Golf Course and the Performing Arts and Convention Center. The Oxnard Housing Authority is also included in the City's enterprise activities.

The enterprise operations showed an increase in revenues amounting to $38,763,474 as compared to the prior fiscal year. Expenses indicated an increase totaling $14,853,723 in Fiscal Year 2007. Total net income for the year ended June 30, 2007, was $30,560,186, which increased net assets to $284,774,502 (after allocating Internal Services Funds income) from $251,738,375 as of the prior year end.

The following presents the net income (loss) for the City's enterprise funds for the years ended June 30, 2007, and 2006:

	2007	2006	Change
Water	$ 9,650,593	$ 7,411,409	$ 2,239,184
Wastewater	(2,277,108)	330,983	(2,608,091)
Environmental resources	(384,180)	(1,951,922)	1,567,742
Performing arts and convention center	(261,529)	469,021	(730,550)
Oxnard housing authority	(171,185)	(189,829)	18,644
Municipal golf course	24,003,595	580,773	23,422,822
Total	$ 30,560,186	$ 6,650,435	$ 23,909,751

Overall, the enterprise funds continue to exhibit a positive financial position at June 30, 2007, maintaining a high percentage of contingency reserve in comparison to the City's established reserve requirement for each fund.



CAPITAL ASSETS

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2007, amounts to $1,849,195,962 (net of accumulated depreciation). The City's capital assets include land, buildings, other improvements, machinery and equipment, and construction in progress and infrastructure. The City's investments in capital assets increased by 5.52 percent from the prior year. The majority of this increase related to governmental activities ($37,824,882) and business-type activities ($58,848,407).

Major capital assets additions during Fiscal Year 2006-2007 included the following:

- Acquisitions of equipment, solid waste trucks, police vehicles and computer equipment
- Construction in progress for water, wastewater, solid waste and golf course projects
- A variety of street and storm drain projects in new residential development, paving, street widening and slurry sealing for existing streets continues throughout the City
- Various improvements and additions to utilities systems still under construction

The following table provides a breakdown of the City's capital assets at June 30, 2007:

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Land	$ 988,330,868	$ 977,520,331	$ 24,101,995	$ 24,101,995	$ 1,012,432,863	$ 1,001,622,326
Construction in progress	75,806,709	54,474,235	230,087,441	164,686,693	305,894,150	219,160,928
Buildings	24,987,292	18,046,021	31,071,241	33,672,995	56,058,533	51,719,016
Other improvements	52,829,266	51,085,329	160,175,068	163,214,307	213,004,334	214,299,636
Machinery and equipment	9,094,799	10,028,928	6,140,667	7,052,015	15,235,466	17,080,943
Infrastructure	246,570,616	248,639,824	—	—	246,570,616	248,639,824
Total	$ 1,397,619,550	$ 1,359,794,668	$ 451,576,412	$ 392,728,005	$ 1,849,195,962	$ 1,752,522,673

Additional information on the City's capital assets can be found in Note 6 to the Basic Financial Statements.

DEBT ADMINISTRATION

The City uses a variety of tax increment, revenue and lease indebtedness to finance various capital acquisitions. At June 30, 2007, the City's long-term debt outstanding, including compensated absences was $398,788,691. Of this total, $103,124,948 was in governmental activities and $295,663,743 was in business-type activities. More detailed information about the City's total long-term liabilities are presented in Note 7 to the financial statement.

The following table provides a breakdown of the City's outstanding indebtedness as of June 30, 2007:

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Tax allocation bonds	$ 37,457,700	$ 17,951,413	$ —	$ —	$ 37,457,700	$ 17,951,413
Revenue bonds	43,109,750	19,975,756	291,614,926	297,508,475	334,724,676	317,484,231
Capital leases	749,911	1,086,013	1,536,788	2,010,676	2,286,699	3,096,689
Certificate of participation	7,395,000	7,620,000	—	—	7,395,000	7,620,000
Total	$ 88,712,361	$ 46,633,182	$ 293,151,714	$ 299,519,151	$ 381,864,075	$ 346,152,333

The tax allocation bonds are paid from the increment revenues of property taxes levied within the City's redevelopment and renewal areas. The Central City Revitalization Project and other redevelopment areas currently are accounted for by the Oxnard Community Development Commission.

Revenue bonds include issues used to finance projects for public parking, civic auditorium, wastewater and treatment plant expansion, water, golf course, solid waste improvements and public housing. Debt service on these issues is paid from the revenues of the appropriate enterprise funds and the General Fund.

The City has, on several occasions, used single investor loans to lease-purchase equipment. The City's capital lease obligations at June 30, 2007, amounted to $2,286,699.

The General Fund pays debt service on approximately 5 percent of the City's outstanding debt. The remainder is paid from a variety of other funding sources including property tax collections, residential growth fee collection, property owner special taxes, water and sewer utility rates, golf course net income and property tax increments. Some of the debt which is paid by the General Fund is supported by external sources specifically intended to support the retirement of the debt.

The State mandates a limit on general obligation debt of 15 percent of true cash value of all taxable property within the City boundaries. At June 30, 2007, this limit was $2,191,850,614.

BUDGETING

The City's annual budget is the legally adopted expenditure control document of the City. Budgetary comparison statements are required for the General Fund and all major special revenue funds and may be found on pages 87 through 98. These statements compare the original adopted budget, the budget as amended throughout the fiscal year, and the actual expenditures prepared on a budgetary basis. Budgets are prepared on the modified accrual basis of accounting consistent with GAAP except that encumbrances are included in budgeted expenditures.

Appropriations lapse at year-end. The City Council generally reauthorizes appropriations for continuing projects and activities. The City Council has the legal authority to amend the budget of any fund at any time during the fiscal year. The budgetary legal level of control (the level on which expenditures may not legally exceed appropriations) is generally at the department level. For budgeting purposes, the General Fund is composed of several departments while all other budgeted funds (special revenue funds included) are considered a single department. Budgeted expenditures may be reallocated within a division and between divisions within a department without City Council approval.

General Fund Budgetary Highlights

The General Fund final budget differs from the original budget by 12.75 percent. The components of this increase are briefly summarized as follows: $82,135 increase is for planning, engineering and public services administration; $997,927 for Fire Department increase in operations; $14,594 for the Carnegie Art Museum increase in utilities; $3,190,506 for Police Community Patrol increase in operations and capital outlay; $1,649,039 for Parks and Facilities services-program contract; $57,874 for general government; $146,418 for Recreation Services City Corps operations; $60,239 for Citywide equipment maintenance costs; $415,745 for Library Circulation Services; $75,000 for youth/senior services; $75,000 for tree pruning; and $50,000 for special litigation; $200,000 for Oxnard Convention and Visitors Bureau; $50,000 for a new air conditioner system.

During the year, General Fund revenues met budgetary estimates while expenditures were less than budgetary estimates. Actual revenues were less than actual expenditures (net of transfers in and out) by $2,184,654 for Fiscal Year 2006-2007.

The General Fund budget to actual statements can be found on page 87 through 89 of this report.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This Management's Discussion and Analysis is designed to provide the City's residents, taxpayers, customers, investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability. If you have questions about this document, separate reports of the City's component units, or wish any additional financial information, contact the Office of the Director of Finance at 300 West Third Street, Oxnard, California, 93030.

BASIC FINANCIAL STATEMENTS

Statement of Net Assets
June 30, 2007

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	$ 139,137,474	$ 48,303,203	$ 187,440,677
Investments with fiscal agents	39,912,999	74,935,805	114,848,804
Accounts and other receivables (net of allowance for uncollectible)	15,264,623	14,157,768	29,422,391
Notes receivable	1,265,469	56,870	1,322,339
Internal balances	275,544	(275,544)	—
Due from other governments	5,511,979	—	5,511,979
Property held for resale	4,646,071	—	4,646,071
Other assets	1,782,621	2,012,120	3,794,741
Restricted assets:			
Investments with fiscal agents	—	6,748	6,748
Capital assets not being depreciated:			
Land	988,330,868	24,101,995	1,012,432,863
Construction in progress	75,806,709	230,087,441	305,894,150
Capital assets, net of accumulated depreciation:			
Buildings	24,987,292	31,071,241	56,058,533
Other improvements	52,829,266	160,175,068	213,004,334
Machinery and equipment	9,094,799	6,140,667	15,235,466
Infrastructure	246,570,616	—	246,570,616
Total assets	1,605,416,330	590,773,382	2,196,189,712
LIABILITIES			
Accounts payable	7,160,553	7,994,296	15,154,849
Other liabilities	13,712,261	2,340,841	16,053,102
Unearned revenues	9,823,352	—	9,823,352
Due to other agencies	796,235	—	796,235
Non-current liabilities:			
Due within one year			
Self-insurance claims liabilities	5,538,756	—	5,538,756
Compensated absences payable	5,160,500	1,370,000	6,530,500
Bonds and capital leases	2,754,823	6,573,450	9,328,273
Due in more than one year			
Self-insurance claims liabilities	7,613,643	—	7,613,643
Compensated absences payable	9,252,087	1,142,029	10,394,116
Bonds and capital leases	85,957,538	286,578,264	372,535,802
Total liabilities	147,769,748	305,998,880	453,768,628
NET ASSETS			
Invested in capital assets, net of related debt	1,329,023,654	225,311,825	1,554,335,479
Restricted for:			
Debt service	2,533,881	12,508,465	15,042,346
Capital projects	29,631,993	—	29,631,993
Community development	1,265,469	—	1,265,469
Public safety	294,887	—	294,887
Culture and leisure	48,035	—	48,035
Unrestricted	94,848,663	46,954,212	141,802,875
Total net assets	$ 1,457,646,582	$ 284,774,502	$ 1,742,421,084

The notes to the financial statements are an integral part of this statement.

Statement of Activities
For the Year Ended June 30, 2007

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets — Primary Government		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
FUNCTIONS/PROGRAMS							
Primary government:							
Governmental activities:							
General government	$ 19,130,468	$ 17,237,868	$ 13,730,102	$ 670,850	$ 12,508,352	$ —	$ 12,508,352
Public safety	80,579,263	6,114,255	3,141,272	—	(71,323,736)	—	(71,323,736)
Transportation	9,893,618	4,217,846	5,568,542	3,300,261	3,193,031	—	3,193,031
Community development	19,369,860	11,095,658	2,442,535	1,105,765	(4,725,902)	—	(4,725,902)
Culture and leisure	16,015,957	3,903,705	132,060	56,472	(11,923,720)	—	(11,923,720)
Libraries	5,025,580	320,939	11,454	1,671,361	(3,021,826)	—	(3,021,826)
Interest on long-term debt	3,263,821	—	—	—	(3,263,821)	—	(3,263,821)
Total governmental activities	153,278,567	42,890,271	25,025,965	6,804,709	(78,557,622)	—	(78,557,622)
Business-type activities:							
Water	30,683,509	36,855,486	—	—	—	6,171,977	6,171,977
Wastewater	29,033,021	24,503,133	—	—	—	(4,529,888)	(4,529,888)
Environmental resources	39,817,351	40,122,057	—	—	—	304,706	304,706
Performing arts and convention center	1,761,156	517,766	—	—	—	(1,243,390)	(1,243,390)
Oxnard housing authority	23,494,108	23,137,523	—	—	—	(356,585)	(356,585)
Municipal golf course	4,433,702	3,999,148	—	—	—	(434,554)	(434,554)
Total business–type activities	129,222,847	129,135,113	—	—	—	(87,734)	(87,734)
Total primary government	$ 282,501,414	$ 172,025,384	$ 25,025,965	$ 6,804,709	$ (78,557,622)	$ (87,734)	$ (78,645,356)

	Governmental Activities	Business-Type Activities	Total
General revenues:			
Taxes:			
Property tax	68,429,117	—	68,429,117
Sales tax	25,783,808	—	25,783,808
Transient occupancy tax	3,550,903	—	3,550,903
Franchise tax	3,686,627	—	3,686,627
Deed transfer tax	880,370	—	880,370
Business license tax	4,504,455	—	4,504,455
Penalties and interest	129,679	—	129,679
Interest on investments	6,653,231	7,480,785	14,134,016
Sale of capital assets	—	23,476,670	23,476,670
Transfers	(2,166,406)	2,166,406	—
Total general revenues and transfers	111,451,784	33,123,861	144,575,645
Change in net assets	32,894,162	33,036,127	65,930,289
Net assets - July 1	1,424,752,420	251,738,375	1,676,490,795
Net assets - June 30	$1,457,646,582	$ 284,774,502	$1,742,421,084

The notes to the financial statements are an integral part to this statement.

Balance Sheet
Governmental Funds
June 30, 2007

	General Fund	Development Fees Fund	HUD and CDBG Grants Fund	State and Federal Grants Fund	Debt Service Fund	Capital Outlay Fund	Community Development Commission Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS									
Cash and cash equivalents	$ 26,971,607	$ 29,138,251	$ —	$ 8,849,051	$ 506,143	$ 7,945,670	$ 28,306,530	$ 12,742,846	$ 114,460,098
Investments with fiscal agents	—	—	—	—	797,497	15,889,536	23,225,966	—	39,912,999
Accounts and other receivables (net of allowance for uncollectibles)	3,305,717	44,981	5,282,303	6,509,288	—	—	29,061	3,502	15,174,852
Notes receivable	—	—	—	—	—	—	1,265,469	—	1,265,469
Due from other funds	2,356,735	—	—	292,889	—	—	—	—	2,649,624
Due from other governments	4,807,968	—	704,011	—	—	—	—	—	5,511,979
Properties held for resale	—	—	—	—	—	—	4,646,071	—	4,646,071
Advances to other funds	48,035	—	—	—	—	—	—	—	48,035
Other assets	—	—	399,555	—	—	—	—	—	399,555
Total assets	$ 37,490,062	$ 29,183,232	$ 6,385,869	$ 15,651,228	$ 1,303,640	$ 23,835,206	$ 57,473,097	$ 12,746,348	$ 184,068,682
LIABILITIES AND FUND BALANCE									
Liabilities:									
Accounts payable	$ 2,234,961	$ 395,890	$ 282,038	$ 513,405	$ —	$ 872,277	$ 645,578	$ 1,587,192	$ 6,531,341
Other liabilities	9,747,110	45,547	20,201	—	—	1,300	260	—	9,814,418
Due to other funds	—	—	292,889	—	—	129,226	2,000,000	—	2,422,115
Due to other agencies	—	—	—	—	—	—	796,235	—	796,235
Unearned revenues	510,340	149,192	5,790,741	3,200,649	—	—	—	172,430	9,823,352
Total liabilities	12,492,411	590,629	6,385,869	3,714,054	—	1,002,803	3,442,073	1,759,622	29,387,461
Fund balances									
Reserved for:									
Encumbrances	3,230,323	—	—	—	—	—	—	—	3,230,323
Receivables	—	—	—	—	—	—	1,265,469	—	1,265,469
Repayment of debt	—	—	—	—	1,303,640	—	1,230,241	—	2,533,881
Advances	48,035	—	—	—	—	—	—	—	48,035
Restricted revenue	117,389	—	—	—	—	—	—	—	117,389
Carryover savings	177,498	—	—	—	—	—	—	—	177,498
Capital project funds	—	—	—	—	—	—	26,401,670	—	26,401,670
Unreserved									
General fund	21,424,406	—	—	—	—	—	—	—	21,424,406
Special revenue funds	—	28,592,603	—	11,937,174	—	—	—	10,986,726	51,516,503
Capital project funds	—	—	—	—	—	22,832,403	25,133,644	—	47,966,047
Total fund balances	24,997,651	28,592,603	—	11,937,174	1,303,640	22,832,403	54,031,024	10,986,726	154,681,221
Total liabilities and fund balances	$ 37,490,062	$ 29,183,232	$ 6,385,869	$ 15,651,228	$ 1,303,640	$ 23,835,206	$ 57,473,097	$ 12,746,348	$ 184,068,682

The notes to the financial statements are an integral part to this statement.

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets
June 30, 2007

Fund balances of governmental funds	$ 154,681,221
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets net of depreciation have not been included as financial resources in the governmental fund activity	1,396,238,871
Long-term liabilities, claims and compensated absences have not been included in the governmental fund activity	
Long-term liabilities and claims	(87,329,295)
Compensated absences	(13,660,354)
Accrued interest payable for the current portion of interest due on long-term liabilities has not been reported in the governmental funds	(565,730)
Internal service funds are used by management to charge the costs of certain activities, such as insurance, information services, facilities and equipment maintenance. The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net assets.	11,613,982
Internal service fund income allocated to business-type activities	(3,332,113)
Net assets of governmental activities	$ 1,457,646,582

The notes to the financial statements are an integral part to this statement.

City of Oxnard, California

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2007

	General Fund	Development Fees Fund	HUD and CDBG Grants Fund	State and Federal Grants Fund	Debt Service Fund	Capital Outlay Fund	Community Development Commission Fund	Non-Major Governmental Funds	Totals
REVENUES									
Taxes	$ 77,363,790	$ —	$ —	$ 12,258,532	$ 1,514,801	$ —	$ 15,827,836	$ —	$ 106,964,959
Licenses and permits	2,848,615	586,112	—	—	—	—	—	—	3,434,727
Intergovernmental	11,604,719	814,035	4,139,244	8,188,771	—	109,681	—	6,974,224	31,830,674
Growth and development fees	—	4,968,544	—	—	—	—	15,923	—	4,984,467
Charges for services	11,371,419	—	—	—	—	14,089	—	33,491	11,418,999
Fines and forfeitures	729,547	—	—	129,263	—	—	—	524,970	1,383,780
Interest	2,166,964	1,423,154	—	323,101	461,246	330,549	1,607,842	340,375	6,653,231
Special assessments	—	—	—	—	—	7,269,996	1,851	7,696,146	14,967,993
Miscellaneous	4,978,041	35,099	—	859,262	—	55,038	405,063	367,802	6,700,305
Total revenues	111,063,095	7,826,944	4,139,244	21,758,929	1,976,047	7,779,353	17,858,515	15,937,008	188,339,135
EXPENDITURES									
Current:									
General government	11,356,372	18,798	261,262	—	—	429	—	646,291	12,283,152
Public safety	59,851,144	716,493	201,042	13,194,015	—	—	—	1,852,884	75,815,578
Transportation	4,645,899	—	—	159,505	—	—	—	5,330,817	10,136,221
Community development	9,708,648	1,854	1,829,482	844,049	—	—	6,578,139	—	18,962,172
Culture and leisure	12,669,266	—	49,860	182,888	—	114,285	—	2,125,212	15,141,511
Library services	4,396,845	—	—	162,019	—	—	—	—	4,558,864
Capital outlay	983,869	18,792,519	1,797,598	5,484,850	—	22,981,343	4,345,483	1,923,783	56,309,445
Debt service:									
Principal	—	—	—	—	2,251,795	—	—	—	2,251,795
Interest and fiscal charges	—	—	—	—	2,411,174	—	—	—	2,411,174
Total expenditures	103,612,043	19,529,664	4,139,244	20,027,326	4,662,969	23,096,057	10,923,622	11,878,987	197,869,912
Excess (deficiency) of revenues over expenditures	7,451,052	(11,702,720)	—	1,731,603	(2,686,922)	(15,316,704)	6,934,893	4,058,021	(9,530,777)
OTHER FINANCING SOURCES (USES)									
Proceeds from sale of bonds	—	—	—	—	—	23,494,184	18,965,539	—	42,459,723
Transfers in	211,566	—	—	92,600	3,138,504	5,654,577	3,468,527	593,862	13,159,636
Transfers out	(9,847,272)	(1,420,609)	—	(80,000)	(345,772)	—	(3,468,527)	(163,862)	(15,326,042)
Total other financing sources (uses)	(9,635,706)	(1,420,609)	—	12,600	2,792,732	29,148,761	18,965,539	430,000	40,293,317
Net change in fund balances	(2,184,654)	(13,123,329)	—	1,744,203	105,810	13,832,057	25,900,432	4,488,021	30,762,540
Fund balances, July 1	27,182,305	41,715,932	—	10,192,971	1,197,830	9,000,346	28,130,592	6,498,705	123,918,681
Fund balances, June 30	$ 24,997,651	$ 28,592,603	$ —	$ 11,937,174	$ 1,303,640	$ 22,832,403	$ 54,031,024	$ 10,986,726	$ 154,681,221

The notes to the financial statements are an integral part to this statement.

Reconciliation of the Change in Fund Balances of the Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2007

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds	$ 30,762,540
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense.	37,762,246
Change in compensated absences accrual. This does not require the use of current financial resources, therefore, are not reported as expenditures in governmental funds.	(1,371,780)
Interest expense accrual does not require the use of current financial resources therefore, are not reported as expenditures in governmental funds.	(364,457)
The issuance of long-term debt and the repayment of the principal of long-term debt has an affect on the governmental funds; however, neither transaction has any affect on the net assets. Also, governmental funds report the effect of issuance cost and discounts, when debt was issued, these amounts are deferred and amortized in the statement of activities.	(40,696,113)
A portion of internal service funds net revenue is reported with governmental activities.	6,801,726
Change in net assets of governmental activities (page 18)	$ 32,894,162

The notes to the financial statements are an integral part to this statement.

PROPRIETARY FUNDS

Statement of Net Assets
Proprietary Funds
June 30, 2007

	Business-Type Activities - Enterprise Funds							
	Water	**Wastewater**	**Environmental Resources**	**Performing Arts and Convention Center**	**Oxnard Housing Authority**	**Municipal Golf Course**	**Totals Current Year**	**Governmental Activities - Internal Service Funds**
ASSETS								
Current assets:								
Cash and cash equivalents	$ 16,746,733	$ 18,880,765	$ —	$ —	$ 623,021	$ 12,052,684	$ 48,303,203	$ 24,677,376
Cash with fiscal agents	51,681,201	15,863,996	2,972,519	35,000	3,321,252	1,061,837	74,935,805	—
Accounts and other receivables (net of allowance for uncollectible)	4,630,161	3,127,927	4,908,895	5,024	1,267,175	218,586	14,157,768	89,771
Notes receivable	—	—	—	—	56,870	—	56,870	—
Due from other funds	74,057	4,912,302	55,169	—	901,108	—	5,942,636	—
Other assets	61,316	1,241,027	398,648	—	311,129	—	2,012,120	—
Total current assets	73,193,468	44,026,017	8,335,231	40,024	6,480,555	13,333,107	145,408,402	24,767,147
Noncurrent assets:								
Investments with fiscal agent	—	—	—	—	6,748	—	6,748	—
Capital assets:								
Land	2,814,394	4,273,655	3,811,166	—	8,920,208	4,282,572	24,101,995	595,500
Buildings	4,707,026	6,380,938	22,859,740	—	37,134,866	3,247,033	74,329,603	—
Improvements	—	—	—	—	—	5,803,242	5,803,242	—
Machinery and equipment	2,795,146	17,797,717	20,483,497	8,728	1,935,268	—	43,020,356	2,369,033
Construction in progress	85,599,800	121,975,543	5,191,651	—	7,008	17,313,439	230,087,441	141,640
Infrastructure	85,342,473	168,801,917	866,026	42,615	—	—	255,053,031	—
Less accumulated depreciation	(42,140,635)	(83,624,147)	(21,759,036)	(6,718)	(30,607,652)	(2,681,068)	(180,819,256)	(1,725,494)
Total capital assets (net of accumulated depreciation)	139,118,204	235,605,623	31,453,044	44,625	17,389,698	27,965,218	451,576,412	1,380,679
Total noncurrent assets	139,118,204	235,605,623	31,453,044	44,625	17,396,446	27,965,218	451,583,160	1,380,679
Total assets	212,311,672	279,631,640	39,788,275	84,649	23,877,001	41,298,325	596,991,562	26,147,826
LIABILITIES								
Current liabilities:								
Accounts payable	4,248,367	2,816,391	2,218,902	70,668	770,986	878,660	11,003,974	629,212
Other liabilities	882,453	619,070	156,014	—	647,163	36,141	2,340,841	—
Due to other funds	—	—	4,912,302	356,735	901,108	—	6,170,145	—
Compensated absences payable - current	175,000	425,000	375,000	40,000	355,000	—	1,370,000	660,500
Self-insurance claims - due within one year	—	—	—	—	—	—	—	5,538,756
Capital leases payable - current	—	—	376,832	—	—	—	376,832	—
Revenue bonds payable - current	1,235,000	2,260,000	1,715,000	—	220,000	766,618	6,196,618	—
Total current liabilities	6,540,820	6,120,461	9,754,050	467,403	2,894,257	1,681,419	27,458,410	6,828,468
Noncurrent liabilities:								
Revenue bonds payable (net of current portion and discount)	108,133,005	148,203,521	16,743,139	—	4,975,000	7,363,642	285,418,307	—
Compensated absences payable	292,516	223,327	261,791	34,230	330,165	—	1,142,029	91,733
Self-insurance claims	—	—	—	—	—	—	—	7,613,643
Capital leases payable	—	—	1,159,957	—	—	—	1,159,957	—
Advances from other funds	—	—	—	—	—	48,035	48,035	—
Total noncurrent liabilities	108,425,521	148,426,848	18,164,887	34,230	5,305,165	7,411,677	287,768,328	7,705,376
Total liabilities	114,966,341	154,547,309	27,918,937	501,633	8,199,422	9,093,096	315,226,738	14,533,844
NET ASSETS								
Invested in capital assets, net of related debt	74,761,389	100,075,752	15,307,485	44,625	15,287,616	19,834,958	225,311,825	1,388,494
Restricted for debt service	8,521,465	—	2,130,600	—	—	1,856,400	12,508,465	—
Unrestricted	14,062,477	25,008,579	(5,568,747)	(461,609)	389,963	10,513,871	43,944,534	10,225,488
Total net assets	$ 97,345,331	$ 125,084,331	$ 11,869,338	$ (416,984)	$ 15,677,579	$ 32,205,229	$ 281,764,824	$ 11,613,982
		Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds					3,009,678	
		Net assets of business-type activities					$ 284,774,502	

The notes to the financial statements are an integral part to this statement.

Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2007

	Business-Type Activities - Enterprise Funds							
	Water	**Wastewater**	**Environmental Resources**	**Performing Arts and Convention Center**	**Oxnard Housing Authority**	**Municipal Golf Course**	**Totals**	**Governmental Activities - Internal Service Funds**
Operating revenues:								
Charges for services	$ 32,936,665	$ 21,215,953	$ 39,074,682	$ 455,066	$ 22,318,890	$ 3,520,151	$ 119,521,407	$ 27,332,677
Connection fees	3,665,610	1,816,796	159,160	—	—	—	5,641,566	—
Miscellaneous and reimbursements	48,068	1,078,205	524,576	6,813	111,781	475,961	2,245,404	1,099,438
Total operating revenues	36,650,343	24,110,954	39,758,418	461,879	22,430,671	3,996,112	127,408,377	28,432,115
Operating expenses:								
Salaries and wages	4,210,571	6,329,734	6,869,989	1,255,569	2,431,479	45,200	21,142,542	7,757,665
Contractual services	1,284,374	1,185,699	15,399,241	68,317	37,104	3,390,522	21,365,257	912,160
Operating supplies	13,553,448	2,209,373	870,227	145	16,088,639	25	32,721,857	3,743,987
Utilities	437,612	4,364,942	7,338,864	170,463	663,508	1,886	12,977,275	1,728,226
Depreciation	2,262,555	4,630,981	1,703,149	2,446	1,756,025	82,122	10,437,278	217,703
General and administrative	2,915,789	2,645,293	3,835,964	223,531	2,275,559	130,678	12,026,814	1,446,800
Repairs and maintenance	272,286	221,440	3,856,243	40,685	—	328	4,390,982	1,488,045
Claims expenses	—	—	—	—	—	—	—	3,137,185
Total operating expenses	24,936,635	21,587,462	39,873,677	1,761,156	23,252,314	3,650,761	115,062,005	20,431,771
Operating income (loss)	11,713,708	2,523,492	(115,259)	(1,299,277)	(821,643)	345,351	12,346,372	8,000,344
Nonoperating revenues (expenses):								
Sale of donated property	—	—	—	—	—	23,476,670	23,476,670	—
Intergovernmental	205,143	392,179	363,639	55,887	—	3,036	1,019,884	—
Interest income	3,863,669	2,818,931	200,427	—	185,400	412,358	7,480,785	790,823
Interest expense	(6,131,927)	(8,011,710)	(981,032)	—	(241,794)	(783,820)	(16,150,283)	—
Total nonoperating revenues (expenses)	(2,063,115)	(4,800,600)	(416,966)	55,887	(56,394)	23,108,244	15,827,056	790,823
Income (loss) before contributions and transfers	9,650,593	(2,277,108)	(532,225)	(1,243,390)	(878,037)	23,453,595	28,173,428	8,791,167
Capital contributions	—	—	—	—	706,852	—	706,852	—
Transfers in	—	7,901,009	210,104	981,861	—	550,000	9,642,974	486,500
Transfers out	—	(7,901,009)	(62,059)	—	—	—	(7,963,068)	—
Change in net assets	9,650,593	(2,277,108)	(384,180)	(261,529)	(171,185)	24,003,595	30,560,186	9,277,667
Total net assets - July 1	87,694,738	127,361,439	12,253,518	(155,455)	15,848,764	8,201,634		2,336,315
Total net assets - June 30	$ 97,345,331	$ 125,084,331	$ 11,869,338	$ (416,984)	$ 15,677,579	$ 32,205,229		$ 11,613,982
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.							2,475,941	
Change in net assets of business-type activities							**$ 33,036,127**	

The notes to the financial statements are an integral part to this statement.

Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2007

	Business-Type Activities - Enterprise Funds							
	Water	Wastewater	Environmental Resources	Performing Arts and Convention Center	Oxnard Housing Authority	Municipal Golf Course	Totals	Governmental Activities- Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES								
Receipts from customers and users	$ 35,596,400	$ 23,870,298	$ 38,395,004	$ 459,632	$ 22,025,720	$ 4,107,765	$ 124,454,819	$ 28,429,973
Payments to suppliers	(18,446,026)	(12,216,994)	(33,449,099)	(606,956)	(19,103,353)	(3,652,240)	(87,474,668)	(9,253,220)
Payments to employees	(4,181,257)	(6,337,042)	(6,840,285)	(1,247,159)	(2,404,435)	(45,200)	(21,055,378)	(7,757,975)
Cash paid to claimants	—	—	—	—	—	—	—	(6,584,792)
Net cash provided by operating activities	12,969,117	5,316,262	(1,894,380)	(1,394,483)	517,932	410,325	15,924,773	4,833,986
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES								
Due from other funds	—	4,587,698	—	—	—	(25,000)	4,562,698	—
Due to other funds	—	—	4,912,302	356,735	—	(9,500,000)	(4,230,963)	—
Sale of donated property	—	—	—	—	—	23,476,670	23,476,670	—
Transfer from other funds	205,143	392,179	573,743	1,037,748	—	553,036	2,761,849	486,500
Transfer to other funds	—	—	(62,059)	—	—	—	(62,059)	—
Net cash provided (used) by capital and related financing activities	205,143	4,979,877	5,423,986	1,394,483	—	14,504,706	26,508,195	486,500
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES								
Purchases of capital assets	(27,214,879)	(36,248,310)	(425,042)	—	(679,598)	(4,707,926)	(69,275,755)	(280,340)
Received from grants	—	—	—	—	706,852	—	706,852	—
Principal paid on long-term debt	(1,204,116)	(2,135,000)	(2,118,888)	—	(215,000)	(734,307)	(6,407,311)	—
Interest and issuance cost paid on long-term debt	(6,070,395)	(7,942,927)	(1,021,593)	—	(243,407)	(783,820)	(16,062,142)	—
Net cash used in capital and related financing activities	(34,489,390)	(46,326,237)	(3,565,523)	—	(431,153)	(6,226,053)	(91,038,356)	(280,340)
CASH FLOWS FROM INVESTING ACTIVITIES								
Interest on investments	3,864,023	2,818,931	200,428	—	190,204	412,359	7,485,945	790,823
Net cash provided by investing activities	3,864,023	2,818,931	200,428	—	190,204	412,359	7,485,945	790,823
Net increase (decrease) in cash and cash equivalents	(17,451,107)	(33,211,167)	164,511	—	276,983	9,101,337	(41,119,443)	5,830,969
Cash and cash equivalents, July 1	85,879,041	67,955,928	2,808,008	35,000	3,667,290	4,013,184	164,358,451	18,846,407
Cash and cash equivalents, June 30	$ 68,427,934	$ 34,744,761	$ 2,972,519	$ 35,000	$ 3,944,273	$ 13,114,521	$ 123,239,008	$ 24,677,376

The notes to the financial statements are an integral part to this statement.

Continued -

Statement of Cash Flows (Continued)
Proprietary Funds
For the Year Ended June 30, 2007

	Business-Type Activities - Enterprise Funds							
	Water	**Wastewater**	**Environmental Resources**	**Performing Arts and Convention Center**	**Oxnard Housing Authority**	**Municipal Golf Course**	**Total**	**Governmental Activities- Internal Service Funds**
CASH FLOWS FROM OPERATING ACTIVITIES								
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:								
Operating income (loss)	$ 11,713,708	$ 2,523,492	$ (115,259)	$ (1,299,277)	$ (821,643)	$ 345,351	$ 12,346,372	$ 8,000,344
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:								
Depreciation and amortization	2,262,555	4,630,981	1,703,149	2,445	1,756,025	82,121	10,437,276	217,703
Changes in assets and liabilities:								
Increase (decrease) in accounts receivable and due from other funds	(1,053,943)	(240,656)	(1,363,414)	(2,247)	(295,473)	111,653	(2,844,080)	(2,142)
Decrease (increase) in other assets	—	—	—	—	(30,523)	—	(30,523)	—
Decrease (increase) in accounts payable	(194,948)	(1,615,790)	(2,134,882)	(103,814)	81,333	(127,068)	(4,095,169)	65,997
Increase (decrease) in other liabilities	212,431	25,543	(13,678)	—	(198,831)	(1,732)	23,733	—
Increase (decrease) in compensated absences	29,314	(7,308)	29,704	8,410	27,044	—	87,164	(310)
Increase (decrease) in self-insurance liabilities	—	—	—	—	—	—	—	(3,447,606)
Net cash provided by (used in) operating activities	$ 12,969,117	$ 5,316,262	$ (1,894,380)	$ (1,394,483)	$ 517,932	$ 410,325	$ 15,924,773	$ 4,833,986

The notes to the financial statements are an integral part to this statement.

FIDUCIARY FUNDS

Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2007

	Total
ASSETS	
Cash and cash equivalents	$ 10,020,321
Investments with fiscal agents	28,703,069
Total Assets	$ 38,723,390
LIABILITIES	
Trust and agency payables	38,723,390
Total liabilities	$ 38,723,390

The notes to the financial statements are an integral part to this statement.

CITY OF

Oxnard

"The City That Cares"

CALIFORNIA

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Oxnard, California (City) was incorporated as a general law city on June 30, 1903, and operates under the council-manager form of government. The City is governed by a four-member City Council elected at large for four-year alternating terms and by a Mayor who is directly elected for a two-year term. Other elected positions include the City Clerk and City Treasurer. The accompanying basic financial statements present the financial position and results of operations of the City (the primary government) and its component units. The component units discussed below are included in the City's reporting entity because of the significance of their operational and financial relationships with the City. Although these entities are legally separate, the City's elected officials have a continuing financial responsibility and accountability for fiscal matters of these other entities. Financial accountability includes the appointment of governing bodies, budget authority, approval of tax levies and responsibility for funding deficits.

Blended Component Units

City of Oxnard Community Development Commission

The Redevelopment Agency of the City of Oxnard (RDA) was established pursuant to the California Community Redevelopment Law, codified in Part 1 of Division 24 of the California Health and Safety Code. The RDA was activated in 1960 by Ordinance No. 2365 of the City Council. On January 24, 1995, the RDA became the Community Development Commission (CDC). The CDC has continued the RDA's principal activities such as business retention, employment creation, the acquisition of real property for the purpose of removing or preventing blight, for construction or improvements and loaning money for rehabilitation and restoration of properties. The City Council acts as the Board of Directors of the CDC. The City is financially accountable for the operations of the CDC through budgetary authority and fiscal management and the City is able to significantly influence operations of the CDC. The funds of CDC have been included in the City's governmental activities in the accompanying government-wide financial statements. The CDC prepares a separate Comprehensive Annual Financial Report (CAFR) and a copy can be obtained from the Finance Department.

City of Oxnard Financing Authority

The Oxnard Financing Authority (Authority) is a separate government entity whose purpose is to assist with the financing or refinancing of certain public capital facilities within the City. The Authority has the power to purchase bonds issued by any local agency at public or negotiated sales and may sell such bonds to public or private purchasers at public or negotiated sales. The Authority is controlled by the City and has the same governing body as the City, which also performs all accounting and administrative functions of the Authority. The debt service of the Authority is included in the Golf Course Enterprise Fund, Solid Waste Enterprise Fund and Debt Service Fund.

Housing Authority of the City of Oxnard

The Housing Authority of the City of Oxnard (the Authority) was established in April 1945 when City Council adopted an ordinance which was added to the City Code. The Authority is a public entity which was organized under the laws of the State of California's Health and Safety Code for the purpose of providing safe, decent and sanitary housing for qualified economically disadvantaged and elderly individuals in areas where a shortage of such housing exists. To accomplish this purpose, the Authority has entered into Annual Contributions Contracts with the U.S. Department of Housing and Urban Development (HUD) to operate assisted housing programs (such as Local Housing Authority Owned Housing, Section 8 and Modernization). City Council and two tenant representatives serve as the governing board and is therefore responsible for the fiscal and administrative activities of the Authority. The Authority's operations have been included in the City's business-type activities in the accompanying government-wide financial statements. The Authority prepares separate financial statements and a copy can be obtained from the Authority's Financial Services Division.

New Pronouncements

In April 2004, GASB issued Statement No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans. This statement establishes uniform financial reporting standards for other postemployment benefits (OPEB) plans. The approach followed in this statement generally is consistent with the approach adopted for defined benefit pension plans with modifications to reflect differences between pension plans and OPEB plans. The statement applies for OPEB trust funds included in the financial reports of plan sponsors or employers, as well as for the stand-alone financial reports of OPEB plans or the public employee retirement systems, or other third parties, that administer them. This statement is effective for the City's fiscal year ending June 30, 2006. The City does not expect GASB Statement No. 43 to have any significant affect on the City's financial statement.

In July 2004, GASB issued Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, which addresses how state and local governments should account for and report their costs and obligations related to postemployment healthcare and other nonpension benefits. Collectively, these benefits are commonly referred to as other postemployment benefits, or OPEB. The statement generally requires that employers account for and report the annual cost of OPEB and the outstanding obligations and commitments related to OPEB in essentially the same manner as they currently do for pensions. Annual OPEB cost for most employers will be based on actuarially determined amounts that, if paid on an ongoing basis, generally would provide sufficient resources to pay benefits as they come due. This statement's provisions may be applied prospectively and do not require governments to fund their OPEB plans. An employer may establish its OPEB liability at zero as of the beginning of the initial year of implementation; however, the unfunded actuarial liability is required to be amortized over future periods. This statement also establishes disclosure requirements for information about the plans in which an employer participates, the funding policy followed, the actuarial valuation process and assumptions, and, for certain employers, the extent to which the plan has been funded over time. The City has an actuarial valuation of post-employment medical program prepared by a private consulting agency and the City's unfunded actuarial accrued liability as of July 1, 2007, is $21,810,777. This statement is effective for the City's fiscal year ending June 30, 2008.

In September 2006, GASB issued Statement No. 48, Sales and Pledges of Receivable ad Future Revenues and Intra-Entity Transfers of Assets and Future Revenues. This Statement establishes accounting and financial reporting standards for transactions in which government receives or is entitled to, resources in exchange for future cash flow generated by collecting specific receivables or specific future revenues. This statement also includes disclosure requirements for future revenues that are pledged or sold. The requirements of the new statement become effective for fiscal periods beginning after December 15, 2006. This statement is effective for the City's fiscal year ending June 30, 2008.

In November 2006, GASB issued Statement No. 49, Accounting and Financial Reporting for Pollution Remediation Obligations. This Statement addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. The requirement of the new statement became effective for fiscal periods beginning after December 15, 2007. This statement is effective for the City's fiscal year ending June 30, 2009.

Financial Statements Presentation

In accordance with Governmental Accounting Standards Board Statement No. 34, the City's basic financial statements consist of the following:

- Government-wide financial statements;
- Fund financial statements; and
- Notes to the basic financial statements.

Government-Wide Financial Statements

The City's Government-Wide Financial Statements include a Statement of Net Assets and a Statement of Activities. These statements present summaries of governmental and business-type activities for the City, accompanied by a total column. Fiduciary activities of the City are not included in these statements.

All of the City's basic services are considered to be governmental activities, including general government, public safety, transportation, community development, culture and leisure, and library services. Property tax, sales tax, transient occupancy tax, franchise tax, business license tax, and development fees financially support most of these activities.

The City's enterprise operations are classified as business-type activities. These operations consist of water, wastewater collection and treatment, environmental resources, housing, the River Ridge Golf Course and the Performing Arts and Convention Center.

The statement of activities demonstrates the degree to which expenses (direct and indirect) of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Indirect expenses are allocated based on the City's cost allocation plan. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) operating grants and contributions, including special assessments, that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes, development growth fees, and other items not properly included among program revenues are reported instead as general revenues.

These statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all the City's assets and liabilities, including capital assets and long-term liabilities, are included in the accompanying Statement of Net Assets. The Statement of Activities presents changes in net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned, while expenses are recognized in the period in which the liability is incurred. The types of transactions reported as program revenues for the City are reported in three categories: (1) charges for services; (2) grants and other contributions; and, (3) capital grants and contributions.

Certain eliminations have been made as prescribed by GASB 34 in regards to interfund activities, payables and receivables. All internal balances in the Statement of Net Assets have been eliminated, with the exception of those representing balances between the governmental activities and the business-type activities, which are presented as internal balances. In the Statement of Activities, net internal service fund transactions have been allocated back to the governmental and business-type activities generating the net income or loss. In the Statement of Net Assets, internal service assets and liabilities have been combined with the governmental funds and presented as governmental activities.

In accordance with GASB 34, a reconciliation of the difference between the fund financial statements and the government-wide financial statements is provided.

The City applies all applicable Governmental Accounting Standards Board (GASB) pronouncements (including all NCGA Statements and Interpretations currently in effect), as well as the following pronouncements issued on or before November 30, 1989, to the business type activities, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARB) of the Committee on Accounting Procedure. The City applies all applicable FASB Statements and Interpretations issued after November 30, 1989, except those that conflict with or contradict GASB pronouncements.

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Fund Financial Statements

Governmental Fund Financial Statements

Governmental Fund Financial Statements include a Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances for the major governmental funds and non-major governmental funds aggregated. In accordance with GASB 34 and based on the direction of management and the sole purpose for which a fund is established, the following funds have been determined by management to be the City's major governmental funds:

- ❖ **General Fund:** This fund is always a major fund and is used to account for all financial resources traditionally associated with government activities which are not required legally to be accounted for in another fund.

- ❖ **Development Fees Fund:** This fund includes fees that the City collects on new development to provide resources for special projects such as parks, storm drainage facilities, traffic improvements, utility undergrounding and community developments. They are reported as general revenue in the Statement of Activities because they are not restricted to meeting the operational or capital requirements of a particular function.

- **HUD and CDBG Grants Fund:** This fund is used to account for resources to develop viable urban communities, providing decent housing and expanding economic opportunities.

- **State and Federal Grants Fund:** This fund accounts for the receipts and expenditures of monies received from State and federal grants-in-aid.

- **Debt Service Fund:** This fund accounts for the accumulation of resources and payments of principal and interest of the City's general long-term debt.

- **Capital Outlay Fund:** This fund accounts for financing and construction of general government capital projects.

- **Community Development Commission Fund:** This fund accounts for expenditures incurred on the redevelopment projects, financed primarily from tax increments.

Governmental funds are accounted for using a "current financial resources" measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. The City considers revenues available if they are collected within 60 days after year-end. The primary revenue sources, which have been treated as susceptible to accrual by the City are property tax, sales tax, intergovernmental revenues and other taxes. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met. Expenditures are recorded in the accounting period in which the related fund liability is incurred and if paid within 60 days of year end, except for unmatured principal and interest on long-term debt, which is recognized when due.

Proprietary Fund Financial Statements

Proprietary Fund Financial Statements include a Statement of Net Assets, Statement of Revenues, Expenses and Changes in Fund Net Assets, and a Statement of Cash Flows for each major fund and in the aggregate for the enterprise funds. A column representing Internal Service Funds in total is also presented in these statements.

The proprietary funds are used to account for operations that are financed and operated in a manner similar to private business enterprises wherein the cost of goods and services to the general public are financed or recovered primarily through user charges. In accordance with GASB 34 and based on the direction of management and the sole purpose for which a fund is established, the following enterprise funds have been determined by management to be the City's major funds:

- **Water Fund:** This fund is used to account for all activities of the City's water distribution and treatment system. Revenues are derived mainly from metered water services, connection fees, and installation charges.

- **Wastewater Fund:** This fund is used to account for all sewer activities related to conveyance and treatment services. Revenues are derived mainly from sewer service charges, connection fees, and treatment plant charges.

- **Solid Waste Fund:** This fund is used to account for the activities related to collection and disposal of refuse throughout the City.

- **Performing Arts and Convention Center Fund:** This fund is used to account for the operations and maintenance of the City's Performing Arts and Convention Center.

- **Oxnard Housing Authority:** This fund is used to account for the receipts and disbursements of funds received from the U.S. Department of Housing and Urban Development (HUD) to provide rental assistance programs for low income residents and senior citizens under Section 8 of the Federal Housing Act of 1937, as amended.

- **Municipal Golf Course Fund:** This fund is used to account for the operation and maintenance of the City's River Ridge Golf Course.

Proprietary funds are accounted for using the "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or non-current) are included within the Statement of Net Assets. The Statement of Revenues, Expenses and Changes in Fund Net Assets presents increases (revenues) and decreases (expenses) in total net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned, while expenses are recognized in the period in which the liability is incurred.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary funds principal ongoing operations. All other revenues are reported as nonoperating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as nonoperating expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

Internal Service Funds

Internal service funds account for the financing of workers' compensation, public liability and property damage, utility customer services, information systems, facilities maintenance and equipment maintenance services to other departments on a cost-recovery basis.

Fiduciary Fund Financial Statements

Fiduciary Fund Financial Statements include a Statement of Net Assets. The City's fiduciary funds consist of agency funds, which are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City's fiduciary funds are as follows:

- **Artworks Fund:** This fund is used to report resources held by the City in a custodial capacity (assets equal liabilities). This fund involves the receipt and remittance of fiduciary resources to private organizations or other agencies.

- **Improvement Districts Fund:** This fund is used to account for various limited obligation improvement bonds issued by the City, wherein bond proceeds are used to finance land acquisition and public improvements of the various assessment districts within the City. Neither the faith and credit nor the taxing power of the City or any of its political subdivisions is pledged to the payment of the bonds. Property owners within the assessment district are assessed through the County tax bills and the money collected is used to pay off the annual debt service requirements.

B. Cash and Investments

Investment Policy

The City Council's investment policy is intended to provide guidelines for the prudent investment of surplus funds of the City, and to outline the policies for maximizing the efficiency of the City's cash management system. The policy of the City Council is to invest public funds in a manner which will provide high investment return with the maximum security while meeting the daily cash flow demands of the City and conforming to all state and local statutes governing the investment of public funds.

The investment policy applies to the City's pooled investment fund which encompasses all monies under the direct oversight of the City Treasurer. These include the General Fund, Special Revenue Funds, Capital Project Funds, Enterprise Funds, Internal Service Funds and Fiduciary Funds.

Investments shall be made with care—under circumstances then prevailing—which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.

Investments

In accordance with GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and External Investment Pools," the City's investments are stated at fair value.

The City Treasurer's investment pool is comprised of pooled deposits and investments and the State of California Local Agency Investment Fund (LAIF) investments. The City Treasurer's pooled investments are carried at fair value. The fair value is determined utilizing SunGard Securities Systems, the vendor providing investment reporting capability for the City Treasurer's Office, which provides pricing data from multiple industry sources. The fair value of LAIF is determined by allocating the City's share of LAIF's fair value as reported by LAIF.

The LAIF is part of the Pooled Money Investment Account (PMIA). The PMIA began in 1953 and has oversight provided by the Pooled Money Investment Board (PMIB) and an in-house Investment Committee. The PMIB members are the State Treasurer, Director of Finance, and State Controller.

The LAIF has oversight by the Local Agency Investment Advisory Board. The board consists of five members as designated by statute. The Chairman is the State Treasurer or his designated representative. Two members qualified by training and experience in the field of investment or finance, and two members who are treasurers, finance or fiscal officers, or business managers employed by any county, city or local district, or municipal corporation of this state, are appointed by the State Treasurer. LAIF is required to invest in accordance with state statute.

Interest Income

Interest income earned on pooled cash and investments is allocated monthly to the General Fund and those other funds for which such allocation is a legal contractual requirement based on the month-end cash balances. Interest income from cash and investments with fiscal agents is credited directly to the related fund. Changes in the fair value of investments are recognized in interest income at the end of each year.

Income from nonpooled investments is recorded based on the specific investments held by the trustee of the fund. The interest income is recorded in the fund that earned the interest.

Cash and Cash Equivalents

For reporting purposes, cash and cash equivalents include cash in bank and investments held by the City Treasurer in a cash management pool as the amounts are readily available for use by the respective funds.

C. Utility Revenue

Utility revenue is recorded when earned. Customers are billed bimonthly. The estimated value of services provided but unbilled at year-end has been included in the accompanying basic financial statements.

D. Properties Held for Resale

In the Capital Outlay Fund, properties acquired for the Heritage Square office complex are included as properties held for resale, which are carried at the lower of cost or estimated fair value. At June 30, 2007, properties held for resale amounted to $4,646,071.

E. Capital Assets

The City's assets for governmental and business-type activities are capitalized at historical cost or estimated historical cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. City policy has set the capitalization threshold at $5,000. Gifts or contributions of capital assets are recorded at fair market value when received. Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets as follows:

Buildings	45 years
Improvements:	
Paving, curbs, lighting	40 years
Parks Improvements	25 years
Sports Courts	40 years
Landscaping	50 years
Equipment and Machinery	5-20 years
Infrastructure Assets:	
Roadway network	25-100 years
Waterways/seawalls	75 years
Storm drain system	50-100 years

In accordance with GASB 34, requires that states, local governments and other public agencies annually report the net value of all capital assets, including infrastructure assets, in order to achieve generally accepted accounting principles. GASB 34 defines infrastructure assets as "long lived capital assets that are stationary in nature and normally can be preserved for a significant greater number of years than most capital assets. Examples of infrastructure assets include roads, bridges, tunnels, drainage systems, water and sewer systems, dams and lighting systems." In addition, land to be valued at original cost without depreciation. Infrastructure Assets (assets) have been included in compliance with GASB 34 using the basic approach methodology.

F. Risk Management

The City provides workers' compensation benefits under a self-insurance program with a self-insured retention of $1,000,000 and purchase of excess insurance of $200 million per year. The City is self-insured for general and property damage liabilities to the extent of the first $1,000,000 per occurrence and has excess insurance in the layer of $1 million to $25 million in Fiscal Year 2006-2007. The City contracts with outside service agencies to assist in administration of the self-insurance programs. Estimated liabilities related to outstanding workers' compensation and public liability claims (including estimates for incurred but not reported claims) are based upon actuarial studies and are recorded in an internal service fund.

In August 1988, the City adopted a resolution to execute a Joint Powers Agreement (JPA) creating the Big Independent Cities Excess Pool Joint Powers Authority (BICEP), a risk management pool. Through the BICEP insurance pool, the five cities share the cost of catastrophic general liability losses incurred by the members for claims between $1 million and $25 million, thereby eliminating the need for individual excess commercial insurance protection. The purpose of this agreement is to jointly develop and fund excess insurance for comprehensive liability, the purchase of reinsurance, and the provision of necessary administrative services. Such administrative services may include, but shall not be limited to, risk management consulting, loss prevention and control, centralized loss reporting, actuarial consulting, claims adjusting and legal defense service. BICEP is governed by a five-member Board of Directors representing each member city, appointed by the member's City Council and serving at the pleasure of such City Council.

The agreement with BICEP may be terminated at any time provided that no bonds or other obligations of BICEP are outstanding. Upon termination of this agreement, all assets of BICEP shall (after payment of all unpaid costs, expenses and charges incurred under the agreement) be distributed among the parties in accordance with the respective contributions of each participating city.

G. Compensated Absences

Vacation leave and annual leave compensation time pay is recorded as a liability when incurred within the government-wide and proprietary funds financial statements. Sick leave, which does not vest, is recorded in all funds when leave is taken. In accordance with GASB Statement No. 6, a liability for these amounts is reported in the governmental funds financial statements only if they have matured and are paid by the City subsequent to year-end.

The accrual for compensated absences comprised the following at June 30, 2007:

	Governmental Activities	Business Type	Total
Beginning Balance	$ 13,041,117	$ 2,424,865	$ 15,465,982
Additions	5,836,602	1,523,745	7,360,347
Payments	(4,465,132)	(1,436,581)	(5,901,713)
Ending Balance	14,412,587	2,512,029	16,924,616
Current Portions	$ 5,160,500	$ 1,370,000	$ 6,530,500

Compensated absences are liquidated by the fund that has recorded the liability. The long-term portion of governmental activities compensated absences is liquidated primarily by the General Fund.

H. Property Taxes

Calendar

Property taxes are assessed and collected each fiscal year according to the following property tax calendar:

Valuation Date	March 1
Lien/Levy Date	July 1 to June 30
Due Dates	November 1 (first installment) and February 1 (second installment)
Delinquent Dates	December 10 (first installment) and April 10 (second installment), August 3 (unsecured)

Property taxes in the State of California are administered for all local agencies at the county level, and consist of secured, unsecured and utility tax rolls. The following is a summary of major policies and practices relating to property taxes:

Property Valuation

Valuations are established by the Assessor of the County for the secured and unsecured property tax rolls; the utility property tax roll is valued by the State Board of Equalization. Under the provisions of Article XIIIA of the State Constitution, properties are assessed at 100 percent of full value. The value of real taxable property is based on fiscal year 1976 levels. From this base of assessment, subsequent annual increases in valuation are limited to a maximum of 2 percent. However, increases to full value are allowed for property improvements or upon change in ownership. Personal property is excluded from these limitations, and is subject to annual reappraisal.

Tax Levies

The County-wide tax levy for general revenue purposes is limited to 1 percent of full value, for a tax rate of $1.00 per $100 of assessed valuation. Tax rates for voter-approved indebtedness prior to passage of Proposition 13 are excluded from this limitation. Taxes are levied in September for both real and unsecured personal property based upon the assessed valuation as of the previous January 1 (lien date).

Under GASB Statement No. 33, *Accounting and Reporting for Nonexchange Transactions*, property taxes are recognized as revenue in the period for which the taxes are levied. Therefore, the City recognizes revenue and a receivable, less any allowance for doubtful accounts deemed appropriate, for the entire tax levy in the period for which the taxes are levied. Accordingly, at June 30, 2007, the City has recorded property taxes receivable of $989,141, which is included in due from other governments in the accompanying balance sheet.

Tax Lien Dates

All lien dates attach annually on March 1 preceding the fiscal year for which the taxes are levied. The fiscal year begins July 1 and ends June 30 of the following year. Liens against real estate, and taxes on personal property, are not relieved by subsequent renewal or change in ownership.

Tax Collections

The County Treasurer-Tax Collector is responsible for all property tax collections. Taxes and assessments on the secured and utility rolls, which constitute a lien against the property, may be paid in two installments: the first installment is due on November 1 of the fiscal year and is delinquent if not paid by December 10; the second installment is due on February 1 of the fiscal year and is delinquent if not paid by April 10. Unsecured personal property taxes do not constitute a lien against real property unless the taxes become delinquent. Payment must be paid in one installment, which is delinquent if not paid by August 31 of the fiscal year. Significant penalties are imposed for late payments.

Tax Apportionments and Special District Augmentation Fund (SDAF)

Due to the nature of the County-wide maximum levy, it is not possible to identify general purpose tax rates for specific entities. Apportionments to local agencies are made by the County Auditor-Controller based primarily on the ratio that each agency represented of the total County-wide levy for the three years prior to fiscal year 1979. The SDAF was established in order to provide greater flexibility in the allocation of the total levy to special districts under this basic apportionment method. Each special district makes a contribution from its base tax levy apportionment to the SDAF. Oversight governments of the special districts (cities or the County) can then reallocate this pool among special districts based on financing needs.

I. Use of Estimates

The preparation of the City's basic financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the basic financial statements, and revenues and expenses during the reported period. Actual results could differ from those estimates.

2. CASH AND INVESTMENTS

The City's cash and cash equivalents and investments consist of the following at June 30, 2007:

Deposits	$ (2,017,123)
Investments	199,478,121
Cash and cash equivalents	197,460,998
Investments with Fiscal Agents	143,551,873
Total	$ 341,012,871

The City's deposits and investments are reflected in the accompanying basic financial statements as follows:

	Governmental Activities	Business-Type Activities	Internal Service Funds	Fiduciary Funds	Grand Total
Cash and cash equivalents	$ 114,460,098	$ 48,303,203	$ 24,677,376	$ 10,020,321	$ 197,460,998
Cash with fiscal agents:	39,912,999	74,935,805	—	28,703,069	143,551,873
Total	$ 154,373,097	$ 123,239,008	$ 24,677,376	$ 38,723,390	$ 341,012,871

Deposits

Custodial Credit Risks. Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City's deposit policy requires deposits to be covered by federal depository insurance and collateral having a market value of 110 percent of the uninsured deposit. As of June 30, 2007, the City has a bank balance of $11,784,471 (carrying amount of $3,583,290); of the bank balance, $100,000 was insured and the balance was secured by collateral held by the City's agent in the agent's name. Deposits held by the Oxnard Housing Authority are also insured or secured by collateral held by the Authority's agent in the agent's name.

Authorized Investments

The City's investments are managed by the City Treasurer, Fiscal agents (Bond trustees acting in accordance with bond covenants), and authorized representatives of the Oxnard Housing Authority. Investments managed by the City Treasurer and the Authority are invested in accordance with its respective investment policies. Investments managed by bond trustees are invested in accordance by provisions of the respective bond agreements.

The City's investments by investments manager are as follows:

City Treasurer	$ 199,478,121
Fiscal Agents (Bond trustees for the City and its component units)	140,233,589
Oxnard Housing Authority (includes fiscal agents)	3,318,284
	$ 343,029,994

The City Treasurer has direct oversight over the City's pooled investment fund which covers cash and cash equivalents of the City's governmental funds, proprietary funds, and trust and agency funds which are invested in accordance with the City's investment policy. Allowable investments are detailed as follows:

Investment Types Authorized by Section 53601	Authorized by Investment Policy	Maximum Maturity (Years)	Maximum Percentage of Portfolio	Maximum Investment in One Issuer	Minimum Ratings
U.S. Treasury and Agencies	Yes	5	None	None	None
Local Agency bonds, notes	Yes	5	None	None	None
Other Bonds, Notes or Evidences of Indebtedness	Yes	N/A	15%	None	None
Bankers acceptances	Yes	180 days	40%	30%	None
Commercial Paper	Yes	270 days	15%	10%	P1/A1
Negotiable CDs	Yes	N/A	30%	None	Aa/AA-
Certificate of Deposits (CDs)	Yes	N/A	40%	15%	A
Repurchase Agreements	Yes	90 days	None	None	None
Medium Term Notes	Yes	5	30%	None	A
Mutual Funds	Yes	N/A	15%	None	None
Local Agency Investment Funds	Yes	N/A	None	None	None

The Oxnard Housing Authority investment policy and related disclosures regarding its investments at June 30, 2007 is more fully disclosed in its separate financial statements. Financial statements for the Oxnard Housing Authority may be obtained from the Authority's Financial Services Division.

Investments with fiscal agents are investments held by the bond trustee on behalf of the City or its component units. The City and its investment advisor selects the investment under the terms of the applicable trust agreement, directs the bond trustee to acquire the investment, and the bond trustee then holds the investment on behalf of the City and/or its component units. Proceeds of bonds administered by bond trustees are also generally covered under the City Treasurer's investment policy; however, specific provisions of each issuance are usually used in managing such investments. Several of the major differences are as follows:

- Allowance of investments in guaranteed investment contracts
- Allowance of investment maturities in excess of five years

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Normally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways the City manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations or debt service requirements.

Information about the sensitivity of the fair values of the City's investment (including investments held by bond trustees) to market interest rate fluctuation is provided by the following table above that shows the distribution of the City's investments by maturity.

	Investment Maturities (In Years)			
	Less Than 1	**1-5**	**More than 5**	**Total**
Federal Agency Securities	$ 45,984,636	$ 77,616,323	$ —	$ 123,600,959
U.S. Treasury Notes	7,969,964	—	—	7,969,964
Deposit Notes	—	5,949,462	—	5,949,462
California Local Agency Investment Fund	64,725,049	—	—	64,725,049
Held by Trustee:				
Investment Agreement	19,824,203	44,029,960	9,459,497	73,313,660
California Local Agency Investment Fund	—	—	34,151,161	34,151,161
Money Market Fund	33,362,004	—	—	33,362,004
Total Investments	$171,865,856	$127,595,745	$ 43,610,658	343,072,259
Accrued discount				(42,265)
Total investments (net of accrued discount)				343,029,994
Cash in Banks and on hand				(2,017,123)
Total Cash and Investments				$ 341,012,871

The investment agreements listed on the previous page are guaranteed investment contracts (GIC) held by fiscal agents (bond trustees) and are restricted for construction projects and debt service requirements. The maturities of a GIC are normally pegged to the maturities of the related debt; however, the City may incur a loss if the debt is paid prior to its normal maturity.

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The City's investments that are not rated include California Local Agency Investment Fund, which an external investment pool managed by the California State Treasurer in accordance with the California Government Code and Guaranteed Investment Contracts (GIC) which are contracts that guarantee repayment of principal and a fixed or floating interest rate for a predetermined period of time. Although GIC's are not rated, the City has only entered into GIC's with institutions that carry a high credit rating. Presented below are the actual ratings for each investment type as of June 30, 2007:

Investment Type	AAA	Total
Federal agency securities	$ 123,600,959	$ 123,600,959
Money Market Fund	33,362,004	33,362,004
Totals	$ 156,962,963	156,962,963
Not rated:		
California Local Agency Investment Fund		98,876,210
Guaranteed investment contracts		79,263,122
Exempt from credit rating disclosure:		
U.S. Treasury Notes		7,969,964
Less accrued deposit		(42,265)
Total Investments		343,029,994
Cash in Banks and on hand		(2,017,123)
Total Cash and Investments		$ 341,012,871

Concentration of Credit Risk

Investments in the securities of any individual issuer, other than U.S. Treasury securities, mutual funds, and external investment funds that represent 5-percent or more of total entity-wide investments are as follows at June 30, 2007:

Issuer	Type of Investments	Amounts
Federal Home Loan Bank	Federal Agency Securities	53,584,011
FSA Capital Management Services, LLC	Investment Agreement	46,956,187
Federal Farm Credit Bank	Federal Agency Securities	45,972,015
Wells Fargo Bank, N.A. South Dakota	Money Market Fund	33,362,004
Federal Home Loan Mortgage Corporation	Federal Agency Securities	20,033,272

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Of the City's investments, certain U.S. agency bonds and Local Agency Investment Funds in the amount of $579,685 held by the City are subject to custodial risks as they are uninsured or unregistered investments, acquired by the broker or dealer or by its trust department or agent. To minimize its custodial credit risk with respect to investments with fiscal agents, the City and its component units require that they meet certain credit ratings from either Standard & Poor's or Moody's Investor Service.

3. INTERFUND RECEIVABLES AND PAYABLES

Total interfund receivables and payables at June 30, 2007, which are included in the Fund Financial Statements as due from/to other funds and advances to/from other funds, before eliminations consist of the following:

Fund	Interfund Receivables	Interfund Payables	Interfund Balance
Governmental Funds:			
General fund	$ 2,404,770	$ —	$ 2,404,770
HUD & CDBG funds	—	292,889	(292,889)
Capital outlay	—	129,226	(129,226)
State and federal grant funds	292,889	—	292,889
Community development commission fund	—	2,000,000	(2,000,000)
Total governmental funds	2,697,659	2,422,115	275,544
Business type activities:			
Water	74,057	—	74,057
Wastewater	4,912,302	—	4,912,302
Environmental resources	55,169	4,912,302	(4,857,133)
Golf course	—	48,035	(48,035)
Performing arts and convention center	—	356,735	(356,735)
Total business type activities	5,041,528	5,317,072	(275,544)
Total	$ 7,739,187	$ 7,739,187	$ —

The interfund balances at June 30, 2007, are loans to cover temporary cash deficits in various funds. All interfund balances outstanding at June 30, 2007, are expected to be repaid within one year, except for the advance from the General Fund to the Golf Course Fund in the amount of $48,035, which will be paid in future annual installments of $25,000.

4. RECEIVABLES AND PAYABLES

Accounts and other receivables as of June 30, 2007, included in the accompanying Statement of Net Assets primarily consist of the following:

Accounts Receivables	**Governmental Activities**	**Business-Type Activities**
Accrued interest receivable	$ 2,114,155	$ —
Utilities receivables	12,162	8,825,642
Grants receivable	6,430,910	282,853
Accounts receivable billed and accrued	1,181,913	4,911,855
Other receivables	6,166,524	368,085
Subtotal	15,905,664	14,388,435
Allowance for uncollectible receivables	(641,041)	(230,667)
Total	$ 15,264,623	$ 14,157,768

Accounts payable and other liabilities as of June 30, 2007, primarily consist of the following:

Accounts Payable and Other Liabilities	**Governmental Activities**	**Business-Type Activities**
Accounts payable (due to vendors)	$ 7,160,553	$ 7,994,296
Other liabilities:		
Accrued payroll	—	—
Other accrued expenses	1,383,313	1,268,095
Other payables	12,328,948	1,072,746
Total other liabilities	13,712,261	2,340,841
Total	$ 20,872,814	$ 10,335,137

Governmental activities record deferred revenue for revenues that are not yet earned as of year end. At June 30, 2007, unearned revenues are comprised of the following:

Governmental funds:		
Community development charges for services	$	510,340
Development and traffic impact fees		149,192
Federal grant drawdowns prior to meeting all eligibility requirements		5,790,741
State grants		3,200,649
Transportation development act		172,430
Total	$	9,823,352

5. INTERFUND TRANSFERS

The net transfers of $2,166,406 from governmental activities to business-type activities and internal services in the Statement of Activities primarily relates to operational subsidies from the General Fund to the Golf Course and Performing Arts and Convention Center Enterprise Funds. Transfers are indicative of funding for capital projects, lease payments or debt service and subsidies of various City operations.

The following Transfers In and Out are reflected in the Fund Financial Statements for the year ended June 30, 2007:

Fund	Description	Transfers In	Transfers Out
Governmental Funds:			
General fund	Program support	$ 211,566	$ 2,085,777
General fund	For capital assets	—	5,308,805
General fund	For debt service	—	2,452,690
Development fees fund	For debt service	—	1,210,505
Development fees fund	Program support	—	210,104
State and federal grant funds	Program support	92,600	80,000
Debt service fund	For debt service	3,138,504	345,772
Capital outlay fund	For capital assets	5,308,805	—
Capital outlay fund	Program support	345,772	—
Non-major governmental funds	Program support	430,000	—
Internal service fund	Program support	486,500	—
Total governmental funds		10,013,747	11,693,653

Fund	Description	Transfers In	Transfers Out
Business-type Activities:			
Environmental resources	Program support	210,104	36,750
Environmental resources	For debt service	—	25,309
Performing arts and convention center	Program support	981,861	—
Municipal golf course	For debt service	550,000	—
Total business-type activities		1,741,965	62,059
Total		$ 11,755,712	$ 11,755,712

The interfund transfers generally fall within one of the following categories: 1) debt service payments made from a debt service fund but funded from an operating fund; 2) subsidy transfers; or 3) transfers to fund internal service equipment replacement funds. There were no transfers during Fiscal Year 2006-2007 that were either non-routine in nature or inconsistent with the activities of the fund making the transfer.

6. CAPITAL ASSETS

Changes in the City's capital assets for the year ended June 30, 2007, consisted of the following:

	Balance July 1, 2006	Increases	Decreases	Balance June 30, 2007
GOVERNMENTAL ACTIVITIES				
Capital assets, not being depreciated:				
Land	$ 977,520,331	$ 10,810,537	$ —	$ 988,330,868
Construction in progress	54,474,235	35,449,987	(14,117,513)	75,806,709
Total capital assets, not being depreciated	1,031,994,566	46,260,524	(14,117,513)	1,064,137,577
Capital assets, being depreciated:				
Buildings	35,625,090	7,833,728	—	43,458,818
Other improvements	60,489,599	3,320,324	—	63,809,923
Equipment and machinery	34,984,541	2,518,153	(344,215)	37,158,479
Infrastructure	446,640,544	10,774,568	—	457,415,112
Total capital assets, being depreciated	577,739,774	24,446,773	(344,215)	601,842,332
Less accumulated depreciation for:				
Buildings	(17,579,069)	(892,457)	—	(18,471,526)
Other improvements	(9,404,270)	(1,576,387)	—	(10,980,657)
Equipment and machinery	(24,955,613)	(3,435,069)	327,002	(28,063,680)
Infrastructure	(198,000,720)	(12,843,776)	—	(210,844,496)
Total accumulated depreciation	(249,939,672)	(18,747,689)	327,002	(268,360,359)
Total capital assets, being depreciated, net	327,800,102	5,699,084	(17,213)	333,481,973
Governmental activities capital assets, net	$ 1,359,794,668	$ 51,959,608	$ (14,134,726)	$ 1,397,619,550

	Balance July 1, 2006	Increases	Decreases	Balance June 30, 2007
BUSINESS-TYPE ACTIVITIES				
Capital assets, not being depreciated:				
Land	$ 24,101,995	$ —	$ —	$ 24,101,995
Construction in progress	164,686,693	68,042,331	(2,641,583)	230,087,441
Total capital assets, not being depreciated	188,788,688	68,042,331	(2,641,583)	254,189,436
Capital assets, being depreciated:				
Buildings	73,970,335	443,332	(84,064)	74,329,603
Other improvements	252,368,832	2,684,199	—	255,053,031
Municipal golf course improvements	5,803,242	—	—	5,803,242
Equipment and machinery	42,293,216	820,180	(93,040)	43,020,356
Total capital assets, being depreciated	374,435,625	3,947,711	(177,104)	378,206,232
Less accumulated depreciation for:				
Buildings	(40,297,340)	(2,523,046)	—	(42,820,386)
Other improvements	(93,533,910)	(5,713,472)	—	(99,247,382)
Municipal golf course improvements	(1,423,857)	(9,966)	—	(1,433,823)
Equipment and machinery	(35,241,203)	(2,190,794)	114,332	(37,317,665)
Total accumulated depreciation	(170,496,310)	(10,437,278)	114,332	(180,819,256)
Total capital assets, being depreciated, net	203,939,315	(6,489,567)	(62,772)	197,386,976
Business-type activities capital assets, net	392,728,003	61,552,764	(2,704,355)	451,576,412
Total	$ 1,752,522,671	$ 113,512,372	$ (16,839,081)	$ 1,849,195,962

For the year ended June 30, 2007, depreciation expense on capital assets was charged to the governmental functions as follows:

Governmental Activities:	
Legislative	$ 187,477
Administration and support services	5,061,875
Public safety	8,781,187
Transportation (highways and streets)	374,954
Community development	562,431
Culture and leisure	1,312,338
Libraries	374,954
Capital improvement projects, including depreciation of general infrastructure assets	1,874,769
Capital assets held by the city's internal service fund	217,704
Total governmental activities depreciation expense	$ 18,747,689

For the year ended June 30, 2007, depreciation expense on capital assets was charged to the business-type functions as follows:

Business-type Activities:	
Water	$ 2,262,555
Wastewater	4,630,981
Environmental resources	1,703,149
Performing arts and convention center	2,446
Oxnard housing authority	1,756,025
Municipal golf course	82,122
Total business-type activities depreciation expense	$ 10,437,278

Internal Service Funds predominantly serve the governmental funds. Accordingly, their capital assets are included within governmental activities.

	Balance July 1, 2006	Increases	Decreases	Balance June 30, 2007
Internal service funds:				
Capital assets, not being depreciated				
Land	$ 595,500	$ —	$ —	$ 595,500
Construction in progress	—	141,640	—	141,640
Total capital assets, not being depreciated	$ 595,500	$ 141,640	$ —	$ 737,140
Capital assets, being depreciated:				
Equipment and machinery	2,246,570	138,700	(16,237)	2,369,033
Total capital assets, being depreciated	2,246,570	138,700	(16,237)	2,369,033
Less accumulated depreciation for:				
Equipment and machinery	(1,524,027)	(217,704)	16,237	(1,725,494)
Total accumulated depreciation	(1,524,027)	(217,704)	16,237	(1,725,494)
Total capital assets, being depreciated, net	$ 722,543	$ (79,004)	$ —	$ 643,539
Total	$ 1,318,043	$ 62,636	$ —	$ 1,380,679

The following is a summary of changes in capital assets for each major enterprise fund for the year ended June 30, 2007:

	Balance July 1, 2006	Increases	Decreases	Balance June 30, 2007
Water fund				
Capital assets, not being depreciated:				
Land	$ 2,814,394	$ —	$ —	$ 2,814,394
Construction in progress	60,918,386	27,142,661	(2,461,247)	85,599,800
Total capital assets, not being depreciated	63,732,780	27,142,661	(2,461,247)	88,414,194
Capital assets, being depreciated:				
Buildings	4,707,026	—	—	4,707,026
Other improvements	82,881,226	2,461,247	—	85,342,473
Equipment and machinery	2,722,928	72,218	—	2,795,146
Total capital assets being depreciated	90,311,180	2,533,465	—	92,844,645
Less accumulated depreciation for:				
Buildings	(1,675,098)	(104,601)	—	(1,779,699)
Other improvements	(36,259,043)	(1,849,058)	—	(38,108,101)
Equipment and machinery	(1,943,939)	(308,896)	—	(2,252,835)
Total accumulated depreciation	(39,878,080)	(2,262,555)	—	(42,140,635)
Total capital assets, being depreciated, net	$ 50,433,100	$ 270,910	$ —	$ 50,704,010
Total	$ 114,165,880	$ 27,413,571	$ (2,461,247)	$ 139,118,204
Wastewater fund				
Capital assets, not being depreciated:				
Land	$ 4,273,655	$ —	$ —	$ 4,273,655
Construction in progress	86,341,053	35,814,827	(180,337)	121,975,543
Total capital assets, not being depreciated	90,614,708	35,814,827	(180,337)	126,249,198
Capital assets, being depreciated:				
Buildings	6,380,938	—	—	6,380,938
Other improvements	168,621,581	180,336	—	168,801,917
Equipment and machinery	17,384,184	433,484	(19,951)	17,797,717
Total capital assets being depreciated	192,386,703	613,820	(19,951)	192,980,572
Less accumulated depreciation for:				
Buildings	(4,158,933)	(141,799)	—	(4,300,732)
Other improvements	(57,253,217)	(3,840,632)	—	(61,093,849)
Equipment and machinery	(17,600,967)	(648,550)	19,951	(18,229,566)
Total accumulated depreciation	(79,013,117)	(4,630,981)	19,951	(83,624,147)
Total capital assets, being depreciated, net	$ 113,373,586	$ (4,017,161)	$ 0	$ 109,356,425
Total	$ 203,988,294	$ 31,797,666	$ (180,337)	$ 235,605,623

		Balance July 1, 2006		Increases		Decreases		Balance June 30, 2007
Environmental resources								
Capital assets, not being depreciated:								
Land	$	3,811,166	$	—	$	—	$	3,811,166
Construction in progress		4,814,734		376,917		—		5,191,651
Total capital assets, not being depreciated		8,625,900		376,917		—		9,002,817
Capital assets, being depreciated:								
Buildings		22,859,740		—		—		22,859,740
Other improvements		866,026		—		—		866,026
Equipment and machinery		20,452,527		48,125		(17,155)		20,483,497
Total capital assets being depreciated		44,178,293		48,125		(17,155)		44,209,263
Less accumulated depreciation for:								
Buildings		(5,925,528)		(507,994)		—		(6,433,522)
Other improvements		(21,650)		(21,651)		—		(43,301)
Equipment and machinery		(14,125,864)		(1,173,504)		17,155		(15,282,213)
Total accumulated depreciation		(20,073,042)		(1,703,149)		17,155		(21,759,036)
Total capital assets, being depreciated, net	$	24,105,251	$	(1,655,024)	$	—	$	22,450,227
Total	$	32,731,151	$	(1,278,107)	$	—	$	31,453,044
Performing arts and convention center fund								
Capital assets, not being depreciated:								
Construction in progress	$	—	$	—	$	—	$	—
Total capital assets, not being depreciated		—		—		—		—
Capital assets, being depreciated:								
Buildings		42,615		—		—		42,615
Equipment and machinery		8,728		—		—		8,728
Total capital assets being depreciated		51,343		—		—		51,343
Less accumulated depreciation for:								
Other improvements		—		(2,131)		—		(2,131)
Equipment and machinery		(4,272)		(315)		—		(4,587)
Total accumulated depreciation		(4,272)		(2,446)		—		(6,718)
Total capital assets, being depreciated, net	$	47,071	$	(2,446)	$	—	$	44,625
Total	$	47,071	$	(2,446)	$	—	$	44,625

	Balance July 1, 2006	Increases	Decreases	Balance June 30, 2007
Oxnard housing authority fund				
Capital assets, not being depreciated:				
Land	$ 8,920,208	$ —	$ —	$ 8,920,208
Construction in progress	7,008	—	—	7,008
Total capital assets, not being depreciated	8,927,216	—	—	8,927,216
Capital assets, being depreciated:				
Buildings	36,732,983	656,993	(255,110)	37,134,866
Equipment and machinery	1,724,849	210,419	—	1,935,268
Total capital assets being depreciated	38,457,832	867,412	(255,110)	39,070,134
Less accumulated depreciation for:				
Buildings	(27,362,692)	(1,696,496)	—	(29,059,188)
Equipment and machinery	(1,566,161)	(59,529)	77,226	(1,548,464)
Total accumulated depreciation	(28,928,853)	(1,756,025)	77,226	(30,607,652)
Total capital assets, being depreciated, net	$ 9,528,979	$ (888,613)	$ (177,884)	$ 8,462,482
Total	$ 18,456,195	$ (888,613)	$ (177,884)	$ 17,389,698
Municipal golf course fund				
Capital assets, not being depreciated:				
Land	$ 4,282,572	$ —	$ —	$ 4,282,572
Construction in progress	12,605,513	4,707,926	—	17,313,439
Total capital assets, not being depreciated	16,888,085	4,707,926	—	21,596,011
Capital assets, being depreciated:				
Buildings	3,247,033	—	—	3,247,033
Golf course improvements	5,803,242	—	—	5,803,242
Total capital assets being depreciated	9,050,275	—	—	9,050,275
Less accumulated depreciation for:				
Buildings	(1,175,089)	(72,156)	—	(1,247,245)
Golf course improvements	(1,423,857)	(9,966)	—	(1,433,823)
Total accumulated depreciation	(2,598,946)	(82,122)	—	(2,681,068)
Total capital assets, being depreciated, net	$ 6,451,329	$ (82,122)	$ —	$ 6,369,207
Total	$ 23,339,414	$ 4,625,804	$ —	$ 27,965,218

7. LONG-TERM LIABILITIES

The following is a summary of changes in the City’s long-term liabilities. Certain long-term liabilities provide financing to both governmental and business-type activities. Balances and activity are reported for the City’s fiscal year ended June 30, 2007, and for the City of Oxnard Community Development Commission, Financing Authority and Housing Authority component units’ fiscal years ended June 30, 2007.

		Balance July 1, 2006	Additions	Reductions	Balance June 30, 2007	Amounts Due Within One Year
Governmental activities:						
Revenue bonds:						
Lease revenue refunding bonds, series 2003		$ 6,225,756	$ —	$ 516,006	$ 5,709,750	$ 538,383
Adjustable rate lease revenue bonds, series 2003B		13,750,000	—	340,000	13,410,000	350,000
Variable rate demand lease revenue bonds, series 2006		—	24,205,000	215,000	23,990,000	475,000
1999 certificates of participation		7,620,000	—	225,000	7,395,000	235,000
Tax allocation refunding bonds, series 2004A		18,030,000	—	620,000	17,410,000	640,000
2006 tax allocation bond financing		—	20,530,000	—	20,530,000	260,000
Capital lease:						
LaSalle national leasing		1,086,013	—	336,102	749,911	256,440
Compensated absences		13,041,117	5,836,602	4,465,132	14,412,587	5,160,500
Unamortized discounts		(78,587)	(459,485)	(55,772)	(482,300)	—
Total governmental activities		$ 59,674,299	$ 50,112,117	$ 6,661,468	$ 103,124,948	$ 7,915,323
Business-type activities:						
Revenue bonds:						
Lease revenue refunding bonds, series 2003 - golf		$ 8,864,567	$ —	$ 734,307	$ 8,130,260	$ 766,618
Water revenue refunding bonds, series 2001		11,160,000	—	265,000	10,895,000	275,000
Water revenue project bonds, series 2004		46,065,000	—	940,000	45,125,000	960,000
Water revenue project bonds, series 2006		54,600,000	—	—	54,600,000	—
Wastewater revenue refunding bonds, series 2003		36,530,000	—	1,950,000	34,580,000	2,035,000
Wastewater revenue bonds, series 2004A		80,000,000	—	—	80,000,000	—
Wastewater revenue bonds, series 2004B		23,975,000	—	—	23,975,000	—
Wastewater revenue bonds, series 2006		12,575,000	—	185,000	12,390,000	225,000
Solid waste revenue refunding bonds, series 2005		19,380,000	—	1,645,000	17,735,000	1,715,000
2004 capital fund revenue bonds - housing authority		5,410,000	—	215,000	5,195,000	220,000
Unamortized bond premium		2,930,813	—	179,525	2,751,288	—
Unamortized discounts		(838,123)	—	(89,292)	(748,831)	—
Unamortized gain or loss on refunding		(3,143,782)	—	(130,991)	(3,012,791)	—
Subtotal		297,508,475	—	5,893,549	291,614,926	6,196,618
Capital lease:						
Residential trash collection vehicles		367,636	—	241,812	125,824	125,824
Del Norte Blvd Improvement		492,512	—	64,505	428,007	71,461
Fifth and Del Norte improvement		835,189	—	100,056	735,133	109,818
LaSalle national leasing - solid waste		315,339	—	67,515	247,824	69,729
Compensated absences		2,424,865	1,523,745	1,436,581	2,512,029	1,370,000
Total business-type activities		301,944,016	1,523,745	7,804,018	295,663,743	7,943,450
Total		$ 361,618,315	$ 51,635,862	$ 14,465,486	$ 398,788,691	$ 15,858,773

Internal Service Funds predominantly serve the governmental funds. Accordingly, their long-term obligations are included as part of the above totals for the governmental activities. Changes in long-term obligations for the internal service funds for the year ended June 30, 2007, are as follows:

	Balance July 1, 2006	Additions	Reductions	Balance June 30, 2007	Amounts Due Within One Year
Internal Service Funds:					
Compensated absences	$ 752,543	$ 661,943	$ 662,253	$ 752,233	$ 660,500
Total	$ 752,543	$ 661,943	$ 662,253	$ 752,233	$ 660,500

The following is a summary of changes in long-term obligations for each major enterprise fund for the year ended June 30, 2007:

	Balance July 1, 2006	Additions	Reductions	Balance June 30, 2007	Amounts Due Within One Year
Water fund					
Revenue refunding bonds, series 2001	$ 11,160,000	$ —	$ 265,000	$ 10,895,000	$ 275,000
Water revenue refunding, series 2004	46,065,000	—	940,000	45,125,000	960,000
Water revenue project bonds, series 2006	54,600,000	—	—	54,600,000	—
Add: Unamortized bond premium	1,994,695	—	75,512	1,919,183	—
Less: Unamortized loss on refunding	(3,143,782)	—	(130,991)	(3,012,791)	—
Unamortized discounts	(165,275)	—	(6,888)	(158,387)	—
Subtotal	110,510,638	—	1,142,633	109,368,005	1,235,000
Compensated absences	438,202	204,848	175,534	467,516	175,000
Total	$ 110,948,840	$ 204,848	$ 1,318,167	$ 109,835,521	$ 1,410,000
Wastewater fund					
Wastewater revenue refunding bonds, series 2003	$ 36,530,000	$ —	$ 1,950,000	$ 34,580,000	$ 2,035,000
Wastewater revenue bonds, series 2004A	80,000,000	—	—	80,000,000	—
Wastewater revenue bonds, series 2004B	23,975,000	—	—	23,975,000	—
Wastewater revenue bonds, series 2006	12,575,000	—	185,000	12,390,000	225,000
Less: Unamortized discounts	(550,262)	—	(68,783)	(481,479)	—
Subtotal	152,529,738	—	2,066,217	150,463,521	2,260,000
Compensated absences	655,635	417,248	424,556	648,327	425,000
Total	$ 153,185,373	$ 417,248	$ 2,490,773	$ 151,111,848	$ 2,685,000

	Balance July 1, 2006	Additions	Reductions	Balance June 30, 2007	Amounts Due Within One Year
Environmental resources fund					
Solid waste revenue refunding bonds, series 2005	$ 19,380,000	$ —	$ 1,645,000	$ 17,735,000	$ 1,715,000
Less: Unamortized bond premium	936,118	—	104,013	832,105	—
Less: Unamortized discounts	(122,587)	—	(13,622)	(108,965)	—
Subtotal	20,193,531	—	1,735,391	18,458,140	1,715,000
Capital lease					
Residential trash collection vehicles	367,636	—	241,812	125,824	125,824
Del Norte Blvd. improvement	492,512	—	64,505	428,007	71,461
Fifth and Del Norte improvement	835,189	—	100,056	735,133	109,818
LaSalle national leasing	315,339	—	67,515	247,824	69,729
Compensated absences	607,087	406,327	376,623	636,791	375,000
Total	$ 22,811,294	$ 406,327	$ 2,585,902	$ 20,631,719	$ 2,466,832
Performing arts and convention center fund					
Compensated absences	$ 65,820	$ 46,638	$ 38,228	$ 74,230	$ 40,000
Total	$ 65,820	$ 46,638	$ 38,228	$ 74,230	$ 40,000
Oxnard housing authority fund					
2004 capital fund revenue bonds	$ 5,410,000	$ —	$ 215,000	$ 5,195,000	$ 220,000
Compensated absences	658,121	448,684	421,640	685,165	355,000
Total	$ 6,068,121	$ 448,684	$ 636,640	$ 5,880,165	$ 575,000
Municipal golf course					
Lease revenue refunding bonds, series 2003	$ 8,864,567	$ —	$ 734,307	$ 8,130,260	$ 766,618
Total	$ 8,864,567	$ —	$ 734,307	$ 8,130,260	$ 766,618

Lease Revenue Refunding Bonds 2003, Series A

The Lease Revenue Refunding Bonds 2003 Series A are a thirteen-year bond issue with a net interest cost of 3.5904 percent. The bonds were issued to refinance the outstanding Lease Revenue Refunding Bonds Series 1993 for the 1988 Civic Center Library bonds, the 1986 River Ridge Golf Course bonds, the land acquisition bonds, the 1966 Auditorium Authority bonds and the 1972 parking authority, and to prepay the Zions Bank leases for the Old Oxnard High School and 300 West Third Street. The refunding resulted in an economic gain of $921,361 and an overall cash savings of $4,922,193. The bonds were issued on May 22, 2003, with an original amount of $18,640,000, maturing in various amounts through June 1, 2016. The total balance outstanding as of June 30, 2007, is $13,840,000, of which $5,709,750 is recorded within governmental activities and $8,130,260 is recorded within business-type activities in the accompanying statement of net assets.

Adjustable Rate Lease Revenue Bonds, Series 2003 B

The Adjustable Rate Lease Revenue Bonds 2003 Series B were issued on December 1, 2003, with an original amount of $14,750,000. These bonds are a thirty-year bond issue with a base interest of 1.45 to a maximum of 4 percent maturing in various amounts through June 1, 2033. These bonds were issued to finance the Downtown Parking Structure and a new Library. The balance outstanding as of June 30, 2007, is $13,410,000.

1999 Certificates of Participation

The 1999 Certificates of Participation are thirty-year bonds that were issued on January 26, 1999, with an original amount of $8,980,000 and a net interest cost of 5.04 percent. The balance outstanding and recorded as governmental activities as of June 30, 2007, is $7,395,000.

Tax Allocation Refunding Bonds, Series 2004A

The Tax Allocation Refunding Bonds, Series 2004 A are a twenty-two-year bond issued on May 4, 2004, with an interest rate of 4.643 percent and an original amount of $19,185,000. The bonds were issued to refinance the Tax Allocation Refunding Bonds Series 1994A and to finance additional redevelopment activities within the Central City Revitalization and Downtown Project Area. The balance outstanding as of June 30, 2007, is $17,410,000.

Water Revenue Refunding and Project Bonds, Series 2001

On July 17, 2001, the Oxnard Financing Authority issued $12,410,000 of Water Revenue Refunding and Project Bonds, Series 2001 with interest rate of 5.1057 percent, maturing on June 1, 2030. The proceeds from the sale of the bonds were used to refund the total outstanding principal amount of $5,391,884 of the Water Revenue Bonds Series 1993 and the Water Capital Appreciation Bonds and to finance the cost of construction of the 2001 project. The advance refunding resulted in an economic gain of $1,373,201 (difference between the present value of the old bonds and the present value of the new bonds), which is being amortized over the life of the original bonds, and cash flow savings of $5,796,073. The outstanding balance on the new bonds as of June 30, 2007, is $10,895,000.

The 2001 Project includes improvements to the City's Blending Station No. 1 Disinfection System; replacement of cast iron pipe in the City's downtown area; an upgrade of the City's Blending Station No. 1 to improve its energy efficiency; improvements to the City's Automated Meter Reading Program; replacement and upgrade of existing pipeline corrosion protection systems; and, the rehabilitation of certain water wells.

Water Revenue Project Bonds, Series 2004

On February 1, 2004, the Oxnard Financing Authority issued $47,895,000 of Water Revenue Project Bonds, Series 2004 with an interest rate of 2 through 5 percent, maturing on June 30, 2034. The proceeds from the sale of the bonds were used to pay for the costs of improvements to the Water System, including Cast Iron Pipe Replacement (Hydraulic Improvement), Hydrant Upgrades, Hydraulic Deficiencies, Blending Station No. 3 Water Conditioning II, Blending Station No. 5, SCADA Upgrades, Phase I of the Groundwater Recovery Enhancement and Treatment Program, Automated Meter Reading Retrofit Program, and Water Well Improvement Program. The balance outstanding as of June 30, 2007, is $45,125,000.

Water Revenue Project Bonds, Series 2006

On April 20, 2006, the Oxnard Financing Authority issued $54,600,000 of Water Revenue Project Bonds, Series 2006 with an interest rate of 1 through 5 percent, maturing on June 1, 2036. The proceeds from the sale of the bonds were used to pay for the costs of reconstruction, repair or replacement to the water system, including SCADA system improvement, industrial lateral reconnection, aquifer storage and recovery wells, Blending Station No. 3 expansion project, downtown cast iron replacement, hydraulic deficiencies and GREAT Program. The balance outstanding as of June 30, 2007, is $54,600,000.

Wastewater Revenue Refunding Bonds, Series 2003

The Wastewater Revenue Refunding Bonds Series 2003 are a seventeen-year bond issue with a net interest cost of 4.183 percent. The bonds were issued to refinance the Wastewater Revenue Refunding Bonds Series 1993 outstanding balances related to the 1986 Wastewater Treatment Plant Expansion Bonds, 1985 Wastewater Treatment Plant Expansion Land Bonds and the 1977 Oxnard Port Hueneme Regional Wastewater Treatment Authority bonds. The bonds were issued on April 1, 2003, with an original amount of $43,785,000, maturing in various amounts through June 1, 2020. The outstanding balance as of June 30, 2007, is $34,580,000. The current refunding resulted in an economic gain of $3,923,503 (difference between the present value of the old bonds and the present value of the new bonds) and a cash flow savings of $4,922,193.

Wastewater Revenue Bonds, Series 2004A

On June 22, 2004, the Oxnard Financing Authority issued $80,000,000 of Wastewater Revenue Bonds, Series 2004 A, with a fixed interest rate of 5 percent, maturing on June 30, 2034. The purpose of these bonds is to pay for the costs of the Redwood Trunk Sewer and Headworks Projects. The balance outstanding as of June 30, 2007, is $80,000,000.

Wastewater Revenue Bonds, Series 2004B

On November 1, 2004, the Oxnard Financing Authority issued $23,975,000 of Variable Rate Demand Wastewater Revenue Bonds, Series 2004 B, with an interest rate of 2.45 to 4.45 percent, maturing on June 1, 2033. The bond proceeds were used to finance the cost of certain capital improvements to the City's wastewater system (Headworks and Septic System Conversion Projects). The balance outstanding as of June 30, 2007, is $23,975,000.

Wastewater Revenue Bonds, Series 2006

On April 27, 2006, the Oxnard Financing Authority issued $12,575,000 of Wastewater Revenue Bonds (Headworks Project), Series 2006, with an interest rate of 4.25 to 5 percent, maturing on June 1, 2036. The proceeds from the sale of the bonds were used to finance the cost of certain capital improvements to the City's wastewater system (the "Headworks Project"), which is being implemented to address master-planned incrases in sewer capacity needs in the north and northwest portions of the City, and to correct existing wastewater system deficiencies. The balance outstanding as of June 30, 2007, is $12,390,000.

Solid Waste Revenue Refunding Bonds, Series 2005

On April 15, 2005, the Oxnard Financing Authority issued Solid Waste Revenue Refunding Bonds Series 2005 in the amount of $20,955,000 with an interest rate of 3.97 to 5.00 percent maturing in various amounts on May 1, 2016. The proceeds of the bonds were used to refund the Solid Waste Revenue Bonds, Series 1995 and the additional fund of $4,120,000 was to fund various Solid Waste equipment such as: commercial front-end loader trucks, green waste collection, refuse tractors, trailers, compactors, pickup truck and others. The bonds were issued to finance the reconstruction of the Del Norte Regional Recycling and Transfer Station. The purchase of certain solid waste transfer and materials recovery equipment and the purchase of rolling stock to be used in transferring solid waste from the Del Norte station site to a landfill for disposal. The refunding of the 1995 Bonds provided a net present value savings of $1,200,000. The outstanding balance as of June 30, 2007, is $17,735,000.

2004 Capital Fund Revenue Bonds

On April 25, 2004, the Affordable Housing Agency issued Affordable Housing Agency Certificates of Participation, Series 2004 (Oxnard's Santa Clara Projects) in the amount of $10,370,000, evidencing a proportionate ownership interest in debt service payments to be made with respect to certain Capital Fund Revenue Bonds, Series 2004, issued by the Oxnard and Santa Clara Housing Authorities in the amounts of $5,820,000 and $4,550,000, respectively. Each certificate represents a proportionate ownership interest of the holder in the right to receive debt service payments made with respect to the bonds. The obligation of the housing authorities under their respective bond indentures are independent and neither is obligated for the payment of principal or interest on the bonds of the other housing authority. The bonds were issued to finance certain capital projects of the Housing Authority, with interest ranging from 2.00 percent to 4.95 percent, maturing on or after April 1, 2012. The outstanding balance as of June 30, 2007, is $5,195,000.

2006 Tax Allocation Bond Financings

On December 1, 2006, the City of Oxnard Financing Authority issued Local Obligation Revenue Bonds (2006 Tax Allocation Bond Financings) in the amount of $20,530,000 to purchase the following obligations being issued simultaneously by the Oxnard Community Development Commission: i) the Oxnard Community Development Commission Ormond Beach Project Area Tax Allocation Bonds, Series 2006 in the amount of $5,750,000, ii) the Oxnard Community Development Commission Southwinds Project Area Tax Allocation Bonds, Series 2006 in the amount of $3,290,000, iii) the Oxnard Community Development Commission Historic Enhancement and Revitalization of Oxnard (HERO) Project Area Tax Allocation Bonds, Series 2006 in the amount of $11,490,000. The bonds were issued to finance rcdevelopment activities (street improvement projects) in the Ormond Beach Project Area, Southwinds Project Area and the Historic Enhancement and Revitalization of Oxnard Redevelopment Project Areas. The interest rates of the bonds vary from 3.25 percent to 4.375 percent, maturing on September 1, 2036. The outstanding balance as of June 30, 2007, is $20,530,000.

Variable Rate Demand Lease Revenue Bonds (Civic Center Phase 2 Project), Series 2006

On December 1, 2006, the City of Oxnard Financing Authority issued Variable Rate Demand Lease Revenue Bonds (Civic Center Phase 2 Project), Series 2006 in the amount of $24,205,000 to finance the acquisition, construction, and improvement of certain public facilities constituting the Civic Center Phase 2 Project. The City entered into an interest rate exchange agreement with respect to the Bonds with Royal Bank of Canada (the "Swap Provider") consisting of an International Swap Dealers Association, Inc. (ISDA) Master Agreement, dated December 1, 2006, including related schedule, Credit Support Annex, and Confirmation pertaining to the "Swap Agreement." The Swap Agreement terminates by its term on June 1, 2036. As of March 3, 2007, the swap rate was 3.53 percent. The outstanding balance as of June 30, 2007, is $23,990,000.

Interest Rate Swaps

The City of Oxnard entered into three interest rate swaps in Fiscal Year 2006-2007. Specifics for each interest rate swap are discussed below.

1. **City of Oxnard Financing Authority Variable Rate Demand Lease Revenue Bonds (Civic Center Phase 2 Project), Series 2006**

   Objective of the interest rate swap. As a means to lower its borrowing costs, when compared against fixed-rate bonds at the time of issuance in December 2006, the City entered into an interest rate swap in connection with its $24,205,000 City of Oxnard Financing Authority Variable Rate

Demand Lease Revenue Bonds (Civic Center Phase 2 Project), Series 2006. The intention of the swap was to effectively change the City's variable interest rate on the bonds to a synthetic fixed rate of 3.53 percent.

Terms. The bonds and the related swap agreement mature on June 1, 2036, and the swap's notional amount of $24,205,000 matches the $24,205,000 variable-rate bonds. The swap was entered at the same time the bonds were issued (December 2006). Starting in Fiscal Year 2007, the notional value of the swap and the principal amount of the associated debt decline. Under the swap, the City pays the counterparty a fixed payment of 3.53 percent and receives a variable payment computed as 68 percent of the London Interbank Offered Rate. Conversely, the bond's variable rate coupons track The Bond Market Association Municipal Swap Index (BMA).

Fair Value. Because interest rates have increased since execution of the swap, the swap had a positive fair value of $714,788 as of June 30, 2007. However, the goal of the swap is to effectively fix the cost of debt over the term of the bonds, not for speculative purposes such as capturing the positive fair value at any point in time. Because the coupons on the City's variable-rate bonds adjust to changing interest rates, the bonds do not have a corresponding fair value increase. The fair value was estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swap.

Credit Risk. As of June 30, 2007, the City's exposure to credit risk was $714,788, the fair value of the swap. The swap counterparty carries a senior debt rating of "Aaa" by Moody's and "AA-" by Standard and Poor's as of June 30, 2007. To mitigate the potential for credit risk, if the counterparty's credit falls below "AA-" by Standard and Poor's or "Aa" by Moody's, then the fair value of the swap will be collateralized by the counterparty with U.S. government securities. Collateral would be posted with a third-party custodian.

Basis Risk. The swap exposes the City to basis risk should the relationship between LIBOR and BMA converge, potentially changing the synthetic rate on the bonds. If a change occurs in which 68 percent of LIBOR is greater than BMA, the expected cost savings may be reduced. As of June 30, 2007, the BMA rate was 3.73 percent, whereas 68 percent of LIBOR was 3.62 percent.

Termination Risk. The City or the counterparty may terminate the swap if the other party fails to perform under the terms of the contract. The swap may be terminated by the City in the event that the swap counterparty's credit rating falls below investment grade (e.g., "BBB" by Standard & Poor's or "Baa" by Moody's). If the swap is terminated, the variable-rate bond. would no longer carry a synthetic interest rate. Also, if at the time of termination the swap has a negative fair value, the City would be liable to the counterparty for a payment equal to the swap's fair value.

Swap payments and associated debt. Using rates as of June 30, 2007, debt service requirements of the variable-rate debt and net swap payments, assuming current interest rates remain the same for their term, are included in the debt service requirement schedules shown on page 69. As rates vary, variable-rate bond interest payments and net swap payments will vary.

2. City of Oxnard Financing Authority Variable Rate Demand Wastewater Revenue Bonds (Headworks and Septic System Conversion Program), 2004 Series B

Objective of the interest rate swap. As a means to lower its borrowing costs, when compared against fixed-rated bonds at the time of execution of the swap in June 2007, the City entered into an interest rate swap in connection with its $23,975,000 City of Oxnard Financing Authority Variable Rate Demand Wastewater Revenue Bonds (Headworks and Septic System Conversion Program), 2004 Series B. The intention of the swap was to effectively change the City's variable interest rate on the bonds to a synthetic fixed rate of 4.017 percent.

Terms. The bonds and the related swap agreement mature on June 1, 2034, and the swap's notional amount of $23,975,000 matches the $23,975,000 variable-rate bonds. The swap was entered into on June 21, 2007, after the bonds were issued in November 2004. Starting in Fiscal Year 2009, the notional value of the swap and the principal amount of the associated debt decline. Under the swap, the City pays the counterparty a fixed payment of 4.017 percent and receives a variable payment computed as 68 percent of the London Interbank Offered Rate. Conversely, the bond's variable rate coupons track The Bond Market Association Municipal Swap Index (BMA).

Fair Value. The swap had a negative fair value of $469,869 as of June 30, 2007. However the goal of the swap is to effectively fix the cost of debt over the term of the bonds, not for speculative purposes such as capturing the positive fair value at any point in time. Because the coupons on the City's variable-rate bonds adjust to changing interest rates, the bonds do not have a corresponding fair value decrease. The fair value was estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swap.

Credit Risk. As of June 30, 2007, the City had no exposure to credit risk since the fair value of the swap was negative. The swap counterparty carries a senior debt rating of "Aaa" by Moody's and "AA" by Standard & Poor's as of June 30, 2007. To mitigate the potential for credit risk, if the counterparty's credit quality falls below "AA-" by Standard & Poor's or "Aa" by Moody's, then the fair value of the swap will be collateralized by the counterparty with U.S. government securities. Collateral would be posted with a third-party custodian.

Basis Risk. The swap exposes the City to basis risk should the relationship between LIBOR and BMA converge, potentially changing the synthetic rate on the bonds. If a change occurs in which 68 percent of LIBOR is greater than BMA, the expected cost savings may be reduced. As of June 30, 2007, the BMA rate was 3.73 percent, whereas 68 percent of LIBOR was 3.62 percent.

Termination Risk. The City or the counterparty may terminate the swap if the other party fails to perform under the terms of the contract. The swap may be terminated by the City in the event that the swap counterparty's credit rating falls below investment grade (e.g., "BBB" by Standard & Poor's or "13aa" by Moody's). If the swap is terminated, the variable-rate bond would no longer carry a synthetic interest rate. Also, if at the time of termination the swap has a negative fair value, the City would be liable to the counterparty for a payment equal to the swap's fair value.

Swap payments and associated debt. Using rates as of June 30, 2007, debt service requirements of the variable-rate debt and net swap payments, assuming current interest rates remain the same for their term, are included in the debt service requirement schedules shown on page 68. As rates vary, variable-rate bond interest payments and net swap payments will vary.

3. City of Oxnard Financing Authority Variable Rate Demand Lease Revenue Bonds 2003 Series B

Objective of the interest rate swap. As a means to lower its borrowing costs, when compared against fixed-rated bonds at the time of execution of the swap in June 2007, the City entered into an interest rate swap in connection with its $13,750,000 City of Oxnard Financing Authority Variable Rate Demand Lease Revenue Bonds 2003 Series B. The intention of the swap was to effectively change the City's variable interest rate on the bonds to a synthetic fixed rate of 4.037 percent.

Terms. The bonds and the related swap agreement mature on June 1, 2033, and the swap's notional amount of $13,410,000 matches the $13,410,000 variable-rate bonds. The swap was entered into on June 21, 2007, after the bonds were originally issued in December 2003. The notional value of the swap and the principal amount of the associated debt decline every year, which commenced in 2004. Under the swap, the City pays the counterparty a fixed payment of 4.037 percent and receives a variable payment computed as 68 percent of the London Interbank Offered Rate. Conversely, the bond's variable rate coupons track The Bond Market Association Municipal Swap Index (BMA).

Fair Value. Because interest rates have increased since execution of the swap, the swap had a negative fair value of $285,334 as of June 30, 2007. However, the goal of the swap is to effectively fix the cost of debt over the term of the bonds, not for speculative purposes such as capturing the positive fair value at any point in time. Because the coupons on the City's variable-rate bonds adjust to changing interest rates, the bonds do not have a corresponding fair value decrease. The fair value was estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swap.

Credit Risk. As of June 30, 2007, the City had no exposure to credit risk since the fair value of the swap was negative. The swap counterparty carries a senior debt rating of “Aaa” by Moody’s and “AA-” by Standard & Poor’s as of June 30, 2007. To mitigate the potential for credit risk, if the counterparty’s credit quality falls below “AA-” by Standard & Poor’s or “Aa” by Moody’s, then the fair value of the swap will be collateralized by the counterparty with U.S. government securities. Collateral would be posted with a third-party custodian.

Basis Risk. The swap exposes the City to basis risk should the relationship between LIBOR and BMA converge, potentially changing the synthetic rate on the bonds. If a change occurs in which 68 percent of LIBOR is greater than BMA, the expected cost savings may be reduced. As of June 30, 2007, the BMA rate was 3.73 percent, whereas 68 percent of LIBOR was 3.62 percent.

Termination Risk. The City or the counterparty may terminate the swap if the other party fails to perform under the terms of the contract. The swap may be terminated by the City in the event that the swap counterparty’s credit rating falls below investment grade (e.g., “BBB” by Standard & Poor’s or “Baa” by Moody’s). If the swap is terminated, the variable-rate bond would no longer carry a synthetic interest rate. Also, if at the time of termination the swap has a negative fair value, the City would be liable to the counterparty for a payment equal to the swap’s fair value.

Swap payments and associated debt. Using rates as of June 30, 2007, debt service requirements of the variable-rate debt and net swap payments, assuming current interest rates remain the same for their term, are included in the debt service requirement schedules shown on page 70. As rates vary, variable-rate bond interest payments and net swap payments will vary.

Arbitrage

The Tax Reform Act of 1986 instituted certain arbitrage restrictions with respect to the issuance of tax exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of all tax exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the Internal Revenue Service (IRS) at least every five years. During the current year, the City performed calculations of excess investment earnings on various bonds and financings. Liabilities were calculated for the issues and rebate payments were made as appropriate.

The annual debt service requirements are shown below for all long-term debt except installment purchase obligations:

	Governmental Activities		Business-Type Activities	
Fiscal Year	**Principal**	**Interest**	**Principal**	**Interest**
2008	$ 2,754,882	$ 3,422,992	$ 6,573,389	$ 14,157,888
2009	2,928,613	3,321,266	8,259,907	13,930,569
2010	3,030,785	3,222,307	8,562,505	13,608,356
2011	3,016,435	3,550,195	8,837,003	13,458,265
2012	3,032,467	3,007,245	9,192,657	13,022,975
2013-2017	16,126,469	13,334,768	46,758,719	57,537,716
2018-2022	15,625,000	10,355,023	42,659,999	47,206,088
2023-2027	18,410,000	7,043,337	52,325,000	36,039,758
2028-2032	13,605,000	3,874,075	65,180,000	21,871,162
2033-2036	10,665,000	1,316,716	45,812,869	5,010,480
Totals	$ 89,194,651	$ 52,447,924	$ 294,162,048	$ 235,843,257

	Wastewater Revenue Refunding Bonds, Series 2003		Wastewater Revenue Bonds, Series 2004A		Wastewater Revenue Bonds, Series 2004B			
Fiscal Year	**Principal**	**Interest**	**Principal**	**Interest**	**Principal**	**Interest**	**Interest Rate Swaps, Net**	**Total**
2008	$ 2,035,000	$ 1,631,613	$ —	$ 4,087,725	$ —	$ 1,138,813	$ 87,248	$ 1,226,061
2009	2,100,000	1,565,563	—	4,087,725	820,000	1,138,813	87,248	2,046,061
2010	2,175,000	1,492,063	—	4,087,725	840,000	1,099,863	84,264	2,024,127
2011	2,240,000	1,426,813	—	4,087,725	865,000	1,059,963	81,208	2,006,171
2012	2,355,000	1,314,813	—	4,087,725	885,000	1,018,875	78,060	1,981,935
2013-2017	13,685,000	4,652,200	—	20,438,625	4,840,000	4,437,450	339,968	9,617,418
2018-2022	9,990,000	1,015,250	8,350,000	20,234,875	4,740,000	3,240,213	248,240	8,228,453
2023-2027	—	—	24,815,000	15,990,875	4,130,000	2,227,275	170,636	6,527,911
2028-2032	—	—	31,715,000	9,086,400	4,760,000	1,188,450	91,052	6,039,502
2033-2036	—	—	15,120,000	1,201,118	2,095,000	149,863	11,480	2,256,343
Totals	$ 34,580,000	$ 13,098,315	$ 80,000,000	$ 87,390,518	$ 23,975,000	$ 16,699,578	$ 1,279,404	$ 41,953,982

Fiscal Year	Wastewater Revenue Bonds, Series 2006		Water Revenue Refunding Bonds, Series 2001		Tax Allocation Bonds, Series 2006	
	Principal	Interest	Principal	Interest	Principal	Interest
2008	$ 225,000	$ 571,313	$ 275,000	$ 531,196	$ 260,000	$ 922,620
2009	235,000	563,325	285,000	520,196	410,000	911,283
2010	240,000	554,865	300,000	508,796	420,000	897,233
2011	250,000	546,105	310,000	496,496	435,000	882,508
2012	260,000	536,730	325,000	483,321	450,000	867,020
2013-2017	1,465,000	2,519,050	1,855,000	2,180,628	2,495,000	4,080,314
2018-2022	1,800,000	2,184,563	2,350,000	1,680,563	3,000,000	3,569,926
2023-2027	2,245,000	1,744,373	3,005,000	1,030,563	3,635,000	2,904,510
2028-2032	2,840,000	1,147,250	2,190,000	228,062	4,475,000	2,050,978
2033-2036	2,830,000	362,500	—	—	4,950,000	849,815
Totals	$ 12,390,000	$ 10,730,074	$ 10,895,000	$ 7,659,821	$ 20,530,000	$ 17,936,207

Fiscal Year	Water Revenue Refunding Bonds, Series 2006		Solid Waste Revenue Refunding Bonds, Series 2005		Variable Rate Demand Lease Revenue Bonds, Series 2006			
	Principal	Interest	Principal	Interest	Principal	Interest	Interest Rate Swaps, Net	Total
2008	$ —	$ 2,656,385	$ 1,715,000	$ 869,600	$ 475,000	$ 846,847	$ (77,296)	$ 1,244,551
2009	775,000	2,656,385	1,785,000	801,000	490,000	830,080	(75,764)	1,244,316
2010	800,000	2,625,385	1,875,000	711,750	510,000	812,783	(74,188)	1,248,595
2011	840,000	2,593,385	1,965,000	618,000	525,000	794,780	(72,544)	1,247,236
2012	875,000	2,551,385	2,065,000	519,750	545,000	776,247	(70,852)	1,250,395
2013-2017	5,065,000	12,075,450	8,330,000	994,250	3,060,000	3,576,596	(326,456)	6,310,140
2018-2022	6,350,000	10,796,830	—	—	3,670,000	2,995,558	(273,416)	6,392,142
2023-2027	7,980,000	9,164,513	—	—	4,415,000	2,296,971	(209,656)	6,502,315
2028-2032	11,790,000	6,974,000	—	—	5,305,000	1,457,184	(133,008)	6,629,176
2033-2036	20,125,000	2,871,750	—	—	4,995,000	449,016	(40,980)	5,403,036
Totals	$ 54,600,000	$ 54,965,468	$ 17,735,000	$ 4,514,350	$ 23,990,000	$ 14,836,062	$ (1,354,160)	$ 37,471,902

	Lease Revenue Refunding Bonds, Series 2003A		Water Revenue Project Bonds, Series 2004		Adjustable Lease Revenue Bonds, Series 2003B			
Fiscal Year	**Principal**	**Interest**	**Principal**	**Interest**	**Principal**	**Interest**	**Interest Rate Swaps, Net**	**Total**
2008	$ 1,305,000	$ 549,960	$ 960,000	$ 2,065,133	$ 350,000	$ 334,021	$ 51,484	$ 735,505
2009	1,355,000	497,760	980,000	2,043,534	360,000	324,414	50,140	734,554
2010	1,405,000	450,335	1,005,000	2,020,014	370,000	315,472	48,756	734,228
2011	1,475,000	380,085	1,030,000	1,993,884	385,000	306,281	47,336	738,617
2012	1,545,000	306,335	1,065,000	1,962,984	395,000	297,530	45,860	738,390
2013-2017	6,755,000	659,580	5,955,000	9,169,779	2,150,000	1,331,394	205,664	3,687,058
2018-2022	—	—	7,310,000	7,822,400	2,485,000	1,047,965	161,876	3,694,841
2023-2027	—	—	9,310,000	5,819,500	2,875,000	720,678	111,316	3,706,994
2028-2032	—	—	11,885,000	3,247,000	3,320,000	341,925	52,788	3,714,713
2033-2036	—	—	5,625,000	425,250	720,000	17,885	2,764	740,649
Totals	$ 13,840,000	$ 2,844,055	$ 45,125,000	$ 36,569,478	$ 13,410,000	$ 5,037,565	$ 777,984	$ 19,225,549

	1999 Certificates of Participation		Tax Allocation Refunding Bonds, Series 2004A		2004 Capital Fund Revenue Bonds, Housing Authority	
Fiscal Year	**Principal**	**Interest**	**Principal**	**Interest**	**Principal**	**Interest**
2008	$ 235,000	$ 344,348	$ 640,000	$ 728,499	$ 220,000	$ 218,233
2009	245,000	334,713	665,000	702,399	225,000	211,632
2010	255,000	324,423	690,000	680,129	235,000	204,882
2011	265,000	313,585	710,000	660,509	240,000	386,450
2012	275,000	302,058	730,000	637,996	250,000	351,290
2013-2017	1,580,000	1,308,870	4,055,000	2,765,451	1,415,000	677,020
2018-2022	1,835,000	904,638	4,635,000	1,836,937	1,770,000	231,395
2023-2027	2,200,000	442,938	5,285,000	678,241	840,000	62,660
2028-2032	505,000	23,988	—	—	—	—
Totals	$ 7,395,000	$ 4,299,561	$ 17,410,000	$ 8,690,161	$ 5,195,000	$ 2,343,562

Capital Lease Obligations

On September 12, 2000, the City entered into a Lease Purchase Agreement with Municipal Finance Corporation in the amount of $1,490,000 for the acquisition of twelve residential trash collection vehicles. The lease bears an interest rate of 5.4 percent with final maturity on September 12, 2007. The outstanding balance as of June 30, 2007, is $125,824.

On October 28, 2002, the City entered into a Lease Purchase Agreement, line of credit with Zions Bank in the amount of $715,575, for the purpose of Del Norte Boulevard improvements, with variable interest rate, based upon a projected interest rate of 5.0 percent, final maturity on December 1, 2012. The outstanding balance as of June 30, 2007, is $428,007.

On February 7, 2003, the City entered into a Lease Purchase Agreement with Zions Bank in the amount of $1,118,330 for the purpose of purchasing Fifth /Del Norte Land Purchase, with an interest rate of 5.00 percent, final maturity on June 1, 2013. The outstanding balance as of June 30, 2007, is $735,133.

On November 20, 2003, the City entered into a Lease Purchase Agreement with LaSalle National Leasing Corporation in the amount of $2,390,000 for various Parks equipment ($524,000) amortized over a 4-year term at an interest rate of 2.57 percent, Fire equipment ($1,383,000) and Solid Waste equipment ($480,000) amortized over a 7-year period at a rate of 3.23 percent, final maturity on November 25, 2010. The outstanding balance as of June 30, 2007, is $997,735.

The annual debt service requirements by year for the capital leases are as follows:

	Residential Trash Collection Vehicles		Fifth Street/Del Norte Land Boulevard Purchase		Del Norte Boulevard Improvement		Equipment Lease Purchase LaSalle National Leasing - Total	
Fiscal Year	**Principal**	**Interest**	**Principal**	**Interest**	**Principal**	**Interest**	**Principal**	**Interest**
2008	$ 125,824	$ 3,397	$ 109,818	$ 34,152	$ 71,461	$ 20,303	$ 326,168	$ 26,722
2009	—	—	113,109	28,620	73,857	16,700	271,555	17,695
2010	—	—	116,500	22,923	76,332	12,976	280,457	9,049
2011	—	—	119,991	17,055	78,892	9,128	119,555	711
2012	—	—	123,587	11,010	81,537	5,151	—	—
2013	—	—	152,128	4,785	45,928	1,042	—	—
Totals	$ 125,824	$ 3,397	$ 735,133	$ 118,545	$ 428,007	$ 65,300	$ 997,735	$ 54,177

Management believes the City complies with all significant covenants related to its debt issues as of June 30, 2007.

Compensated Absences

The long-term portion of the liability was $9,252,087 for governmental activities and $1,142,029 for business-type activities at June 30, 2007, which is expected to be paid in future years from future resources.

Special Assessment Bonds

There are various 1915 Act Improvement Districts and Mello-Roos Community Facilities Districts, within the City, which have issued special assessment or special tax debt. The debt is secured by liens of special assessments or special taxes on the properties in the districts and is paid by the property owners. The City is not liable under any circumstance for the repayment of the debt, but is only acting as agent for the property owners in collecting the assessments and special taxes, forwarding the collections to fiscal agents to pay the bondholders, and initiating foreclosure proceedings, if appropriate.

Accordingly, such special assessment debt is not reflected in the accompanying basic financial statements. Special assessment debt outstanding at June 30, 2007, is as follows:

Mandalay Bay Assessment District:		
1915 Act Improvement Bonds issued April 24, 1987; original amount $6,250,000; maximum rate 7.4%; due 2007	$	1,235,000
Rice Avenue/Highway 101 Assessment District:		
1915 Act Limited Obligation Bonds issued August 27, 2002 with original amount $15,125,000; maximum rate of 5.70%; maturing in varying amounts through 2032		14,390,000
Rose Avenue/Highway 101 Assessment District:		
1915 Act Improvement Bonds issued November 1, 1996; original amount $8,560,000; average rate of 5.50%; maturing in 2016		5,460,000
City of Oxnard Community Facilities District I (Westport):		9,620,000
City of Oxnard Community Facilities District 88-1:		1,375,000
Oxnard Boulevard Interchange Community Facilities District 2000-03:		9,770,000
Oxnard Boulevard/Highway 101 Interchange Assessment District 2000-01:		
1915 Act Improvement Limited Obligation Bonds issued on August 14, 2003; original amount $2,335,000; interest rate varies; the maximum rate of 6.15%; maturing in 2033		2,230,000
Community Facilities District No. 3 - Seabridge/Mandalay Bay		32,275,000
Total	$	66,585,000

8. DEFINED BENEFIT PENSION PLAN

A. Retirement Plan Description - PERS

The City contributes to the California Public Employees' Retirement System ("PERS"), an agent multiple-employer, public employee defined benefit plan, that acts as a common investment and administrative agent for participating public entities within the State of California. The City's membership is reported within three plans classified into two categories: safety members (police and fire) and miscellaneous members (all other regular employees). The City's payroll for employees covered by PERS for the year ended June 30, 2007, was $82,253,167; the City's total payroll was $87,549,380. PERS issues a separate comprehensive annual financial report. Copies of PERS' annual financial report may be obtained from the PERS Executive Office, 400 "P" Street, Sacramento, CA 95814.

All personnel are eligible to participate in PERS. Benefits vest after five years of service. Employees who retire at or after age 50 with five years of credited service are entitled to retirement benefits. Monthly retirement benefits are payable for life in an amount equal to a specified percentage (ranging from 1.426 percent for employees who retire at age 50 to 2.418 percent for employees who retire at age 63 or over) for miscellaneous employees and 3 percent for police employees at age 50 and fire employees at age 55. The benefits are calculated at the highest consecutive 12 months for miscellaneous employees and safety employees.

Required employee contributions to PERS are 7 percent of compensation for miscellaneous employees and 9 percent of compensation for safety employees, which the City currently pays for regular employees. The City is required to contribute the remaining amounts necessary to fund the benefits for its members, using the actuarial basis recommended by the PERS actuaries and actuarial consultants and adopted by the PERS Board of Administration.

PERS uses a modification of the entry age normal actuarial cost method, which is a projected benefit cost method. That is, it takes into account those benefits that are expected to be earned in the future as well as those already accrued.

Annual Pension Cost

For Fiscal Year 2006-2007, the City's annual pension cost (APC) of $21,118,764 for Public Employees Retirement System was equal to the City's required and actual contribution. The required contribution was determined as part of the June 30, 2006, revised actuarial assumptions and retain the entry age actuarial cost method.

Significant actuarial assumptions across all three plans included (a) 8.25 percent investment rate of return (net of administrative expenses), (b) projected annual salary increases ranging from 3.75 percent to 14.2 percent (for miscellaneous employees) and from 4.27 percent to 11.59 percent (for safety employees) and that vary based on the duration of service and type of employment, and (c) 3.75 percent per year across-the-board real salary increases. Both (a) and (b) included an inflation component of 3.5 percent. The actuarial value of PERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a three-year period (smoothed market value). PERS unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2007, was five years for prior service unfunded and sixteen years for remaining unfunded.

Trend Information by Plan

	Fiscal Year Ending June 30	Actuarial Valuation Date	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
Police	2005	6/30/05	7,493,998	100%	$ —
Police	2006	6/30/06	9,051,159	100%	—
Police	2007	6/30/07	8,395,608	100%	—
Fire	2005	6/30/05	2,452,730	100%	$ —
Fire	2006	6/30/06	2,913,733	100%	—
Fire	2007	6/30/07	3,099,184	100%	—
Miscellaneous	2005	6/30/05	6,015,206	100%	$ —
Miscellaneous	2006	6/30/06	9,778,224	100%	—
Miscellaneous	2007	6/30/07	9,623,972	100%	—

Contributions to PERS for the Fiscal Year ended June 30, 2007, are shown below:

	City Contributions	Employee Contributions	Total
Safety employees:			
Police	$ 6,484,240	$ 1,911,368	$ 8,395,608
Fire	2,321,685	777,499	3,099,184
Total safety employees	8,805,925	2,688,867	11,494,792
Miscellaneous employees	5,957,592	3,666,380	9,623,972
Total	$ 14,763,517	$ 6,355,247	$ 21,118,764

B. Public Agency Retirement System, Retirement Enhancement Plan (PARS-REP)

Plan Description - The City established a Public Agency Retirement System Retirement Enhancement Plan (PARS-REP) for selected group of miscellaneous employees (non-safety), Service Employees International Union (SEIU), International Union of Operating Engineers (IUOE), Management, and one of the two groups of Confidential employees, effective January 1, 2003. PARS is a defined benefit 401 (a) tax-qualified multiple agency trust. It meets the requirements of a pension trust under California Government code. The plan provides supplemental retirement benefits in addition to PERS. Phase II systems is the PARS Trust Administrator. Upon meeting the eligibility requirements, Plan provides a benefit equal to the “3.0% at 60” plan factor (formula is a static 3.0% at age 60 and older), less the CalPERS “2% at 55” plan factors for all years of City service plus any military service purchased through CalPERS (prior to July 1, 2003) while an employee of the City of Oxnard. Eligibility for an immediate benefit is defined as reaching age 50, completing five years of Oxnard service, and retiring concurrently from both the City and CalPERS after leaving City employment. In addition, a deferred benefit would be available to participants who complete five years of service. The City has full discretionary authority to control, amend, modify or terminate this plan at any time.

Funding Policy – Employees and the City contribute a total of 8 percent of eligible employees’ gross wages. Current employee/city contributions by employee groups are as follows: IUOE 6.65%/City 1.35%; SEIU 5%/City 3%; management and confidential employees 5%/City 3%. In addition, the City is required to contribute the remaining amounts necessary to fund the benefit to its members using the actuarial basis recommended by PARS actuarial consultants. This contribution for the fiscal year ended June 30, 2007, was 3.44 percent of eligible employee gross wages. The City’s payroll for employees covered by PARS for the year ended June 30, 2007, was $40,094,230. PARS issues a separate comprehensive annual financial report. Copies of PARS annual financial report may be obtained from the PARS Executive Office, 3961 MacArthur Boulevard, Suite 200, Newport Beach, CA 92660.

PARS uses an entry age normal actuarial cost method, which is a projected benefit cost method. The chief characteristics of project benefits methods is that the actuarial present value of all plan benefits is determined as of the valuation date and then allocated between the period before and after the valuation date. The present value of plan benefits earned prior to the valuation date is called the actuarial liability. The present value of plan benefits to be earned after the valuation date is called the present value of future normal costs.

Trend Information by Plan

	Fiscal Year Ending June 30	Actuarial Valuation Date	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
Miscellaneous	2005	6/30/05	3,545,825	100%	$ —
Miscellaneous	2006	6/30/05	4,002,936	100%	—
Miscellaneous	2007	6/30/05	4,264,587	100%	—

Annual Pension Costs

For Fiscal Year 2006-2007, the City's annual pension cost (APC) of $4,264,587, for Public Agency Retirement System was equal to the City's required actual contribution. The required contribution was determined as part of the June 30, 2005, actuarial assumptions and retain the entry age actuarial cost method.

Contributions to PARS for the fiscal year ended June 30, 2007, are shown below:

	City Contributions	Employee Contributions	Total
Miscellaneous employees	$ 1,055,114	$ 3,209,473	$ 4,264,587

9. POSTEMPLOYMENT HEALTH CARE BENEFITS

In addition to providing pension benefits, the City provides postemployment health care benefits to all retired employees that separate from the City, as provided under the City's contractual agreement with its recognized employee organizations. The City's maximum payment of $48.40 increased in January 2007 to $80.80 per month per retiree, as long as the retiree remains in a City-sponsored health plan. The benefits are funded on a pay-as-you-go basis. Postemployment health care benefits for the year ended June 30, 2007, totaled $181,347. Currently, 209 retirees are enrolled and eligible to receive this benefit.

10. COMMITMENT AND CONTINGENCIES

There are various lawsuits and claims pending against the City. In the opinion of the City Attorney and management, none of these cases, nor the aggregate thereof, represents any substantial exposure to the City. At June 30, 2007, the City has recorded a general litigation reserve of $1,000,000 to cover any potential exposure, which has been recorded within self-insurance claims liabilities in the accompanying basic financial statements.

The City has received several federal and State grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to request for reimbursements to grantor agencies for expenditures disallowed under terms of the grant. Based upon prior experience, the City believes such disallowance, if any, would be immaterial.

11. FUND BALANCE, RESERVES AND DESIGNATIONS - GOVERNMENTAL FUNDS

The following is a summary of reserved and unreserved fund balances. Reserved fund balances are not available for spending for the subsequent year's budget. The unreserved fund balances are further categorized into designated and undesignated. Designated fund balances represent amounts set aside for authorized projects and for management intended future use of resources. Undesignated fund balance amounts are available for current spending.

The restricted revenues of $21,755,599 are restricted for capital improvements related to development and Community Development Commission. The following is a summary of reserved and unreserved fund balances at June 30, 2007:

	General Fund	Development Fees Fund	HUD and CDBG Fund	State and Federal Grants Fund	Debt Services Fund	Capital Outlay Fund	Community Development Commission Fund	Non-Major Governmental Funds	Total
Reserved fund balance:									
Encumbrances	$ 3,520,840	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ 3,520,840
Receivables	—	—	—	—	—	—	1,265,469	—	$ 1,265,469
Repayment of debt	—	—	—	—	1,303,640	—	1,230,241	—	2,533,881
Advances	48,035	—	—	—	—	—	—	—	48,035
Restricted revenue	117,389	—	—	—	—	—	21,755,599	—	21,872,988
Carryover savings	177,498	—	—	—	—	—	—	—	177,498
Properties held for resale	—	—	—	—	—	—	4,646,071	—	4,646,071
Total reserved	**3,863,762**	**---**	**---**	**---**	**1,303,640**	**---**	**28,897,380**	**---**	**34,064,782**
Unreserved fund balance:									
Designated for authorized projects	—	16,316,533	—	11,961,199	—	27,158,528	24,298,236	4,148,961	83,883,457
Designated for community development	2,242,700	—	—	—	—	—	—	—	2,242,700
Undesignated and available for future operation	18,891,189	12,276,070	—	(24,025)	—	(4,326,125)	835,408	6,837,765	34,490,282
Total unreserved	**21,133,889**	**28,592,603**	**—**	**11,937,174**	**—**	**22,832,403**	**25,133,644**	**10,986,726**	**120,616,439**
Fund balances - unreserved:									
Designated for existing council-authorized projects	$ —	$ 16,316,533	$ —	$ 11,961,199	$ —	$ 27,158,528	$ 24,298,236	$ 4,148,961	$ 83,883,457
Undesignated but restricted as to purpose:									
General fund:									
Administration, public safety, parks and street maintenance, recreation, and transportation services and community development									
Community development	2,242,700	—	—	—	—	—	—	—	2,242,700
Operating reserves and economic contingencies	18,891,189	—	—	—	—	—	—	—	18,891,189
Undesignated and available for future operations	—	—	—	—	—	—	—	—	—
Development fees funds:									
Quimby fees restricted solely for acquisition and development of parks	—	326,734	—	—	—	—	—	—	326,734
Parks acquisition fees restricted to acquire land and improve parks	—	83,149	—	—	—	—	—	—	83,149

	General Fund	Development Fees Fund	HUD and CDBG Fund	State and Federal Grants Fund	Debt Services Fund	Capital Outlay Fund	Community Development Commission Fund	Non-Major Governmental Funds	Total
Storm drain facilities fees restricted for storm drain constructions	—	4,369,952	—	—	—	—	—	—	4,369,952
Impact fees solely for traffic signals and synchronization systems	—	1,603,170	—	—	—	—	—	—	1,603,170
Capital growth fees restricted to each residential/commercial neighborhoods	—	13,843	—	—	—	—	—	—	13,843
Capital growth fees restricted to each nonresidential/noncommercial neighborhoods	—	(219,405)	—	—	—	—	—	—	(219,405)
Utilities undergrounding fees solely for construction of underground lines	—	711,560	—	—	—	—	—	—	711,560
CUPA permit fees solely to manage hazardous materials disposal	—	(41,504)	—	—	—	—	—	—	(41,504)
Housing in-lieu fees and affordable housing fees solely for low-cost housing	—	5,428,571	—	—	—	—	—	—	5,428,571
State and Federal Grants Fund:									
State grants:									
Air pollution buy-down solely for transit projects, bicycle lanes and paths	—	—	—	1,037,628	—	—	—	—	1,037,628
Traffic congestion relief fund for improving traffic congestion in the freeway and City streets	—	—	—	(93,249)	—	—	—	—	(93,249)
Public safety retirement restricted for uniformed police and fire department	—	—	—	7,013,565	—	—	—	—	7,013,565
State assets seizure restricted to police activities	—	—	—	53,656	—	—	—	—	53,656
Library grants fund for library building	—	—	—	79,690	—	—	—	—	79,690
Parks and recreation for parks improvement	—	—	—	(5,162,788)	—	—	—	—	(5,162,788)
Water resources grant for GREAT recycled water	—	—	—	(3,087,000)	—	—	—	—	(3,087,000)

	General Fund	Development Fees Fund	HUD and CDBG Fund	State and Federal Grants Fund	Debt Services Fund	Capital Outlay Fund	Community Development Commission Fund	Non-Major Governmental Funds	Total
Federal grants:									
Federal assets seizure restricted to police activities	—	—	—	134,473	—	—	—	—	134,473
Capital outlay fund:									
This fund is solely for the acquisition and construction of street projects, civic center improvements	—	—	—	—	—	(4,326,125)	—	—	(4,326,125)
Community development commission fund:									
This fund is solely for the development of blighted areas in the city and to construct capital improvement projects, provide low-cost housing to low/moderate income buyers and to grant loans	—	—	—	—	—	—	835,408	—	835,408
Non-major governmental funds:									
State gas tax restricted for street improvements and maintenance	—	—	—	—	—	—	—	216,944	216,944
Traffic safety fund restricted to maintenance of traffic signals, equipment and devices	—	—	—	—	—	—	—	85,380	85,380
Transportation development (TDA) restricted for street maintenance and improvements	—	—	—	—	—	—	—	258,622	258,622
Landscape maintenance districts restricted to waterways and landscape maintenance to various assessment districts	—	—	—	—	—	—	—	6,276,819	6,276,819
Subtotals	**$ 21,133,889**	**$ 28,592,603**	**$ —**	**$ 11,937,174**	**$ —**	**$ 22,832,403**	**$ 25,133,644**	**$ 10,986,726**	**$ 120,616,439**
Total fund balances	**$ 24,997,651**	**$ 28,592,603**	**$ —**	**$ 11,937,174**	**$ 1,303,640**	**$ 22,832,403**	**$ 54,031,024**	**$ 10,986,726**	**$ 154,681,221**

12. NET ASSETS - PROPRIETARY FUNDS AND GOVERNMENTAL ACTIVITIES

The following is a summary of net assets (restricted and unrestricted) which are included in the Fund Financial Statements for proprietary funds at June 30, 2007:

	Enterprise Funds							
	Water	**Wastewater**	**Environmental Resources**	**Performing Arts and Convention Center**	**Housing Authority**	**Municipal Golf Course**	**Total**	**Governmental Activities - Internal Service Funds**
Invested in capital assets (net of related debt)	**$ 74,761,389**	**$ 100,075,752**	**$ 15,307,485**	**$ 44,625**	**$ 15,287,616**	**$ 19,834,958**	**$ 225,311,825**	**$ 1,388,494**
Restricted:								
Repayment of debt	8,521,465	—	2,130,600	—	—	1,856,400	12,508,465	—
Total restricted	**8,521,465**	**—**	**2,130,600**	**—**	**—**	**1,856,400**	**12,508,465**	**—**
Unrestricted:								
Capital assets replacements	—	—	—	—	—	—	—	—
Authorized projects	41,745,856	26,101,114	2,921,047	—	—	—	70,768,017	2,287,339
Undesignated	(27,683,379)	(1,092,535)	(8,489,794)	(461,609)	389,963	10,513,871	(26,823,483)	7,938,149
Total unrestricted	14,062,477	25,008,579	(5,568,747)	(461,609)	389,963	10,513,871	43,944,534	10,225,488
Total net assets	$ 97,345,331	$ 125,084,331	$ 11,869,338	$ (416,984)	$ 15,677,579	$ 32,205,229	$ 281,764,824	$ 11,613,982

13. RISK MANAGEMENT

General Liability

The City is self-insured for general liability claims up to $1 million. The City is covered through BICEP for claims between $1 million and $25 million. Self-insured general liability claims are administered through a claims adjuster, with the City Attorney's approval for larger settlements. Litigated claims are settled directly through the City Attorney's Office.

The City's contribution to the Big Independent Cities Excess Pool (BICEP) for general liability coverage in Fiscal Year 2006-2007 was $949,558 which includes a pure premium adjustment of $47,064. Information concerning a pooled liability insurance program for medium to large cities can be obtained at 801 South Figueroa Street, Suite 1050, Los Angeles, CA 90017, telephone number (213) 896-8900.

Workers' Compensation

The City is self-insured for workers' compensation claims up to $1,000,000. For claims over $1,000,000, the City has purchased excess workers' compensation insurance through BICEP. The claims are processed by a third party administrator similar to general liability claims.

Within the City's self-insured program for workers' compensation, there has been an average of 291 claims per year filed for the past four years, with an average of approximately $2,769,185 per year in total reported losses as of June 30, 2007 (at an average of $9,516 per claim). During the same four-year period, the average claims filed each year for general liability amounted to 241 claims totaling $1,407,825 per year (at an average of $5,842 per claim). In addition, there have been no insurance settlements that have exceeded the City's insurance coverage for each of the past three years.

All funds of the City participate in the program and make payments to an internal service fund on the basis of loss experience and exposure. The total unpaid claims and claims adjustment expense liability (long-term obligations) of $13,263,417 (Workers' Compensation-$9,278,822 and Public Liability and Property Damage-$3,984,595) recorded at June 30, 2007, is based on results of actuarial studies and includes an estimate for claims incurred but not reported at the balance sheet date. Claims liabilities are calculated considering the effects of inflation, recent claims settlement trends including frequency and amount of payouts and other economic and societal factors. General liability and workers' compensation liabilities are carried at present value using a discount rate of 3.0 percent. In addition, the City is in compliance with the requirements of GASB Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

The following schedule presents the changes in self-insurance claims liabilities for the past two years for the Workers' Compensation Fund and Public Liability and Property Damage Fund:

	Workers' Compensation		Public Liability and Property Damage		Total	
	FY 06-07	**FY 05-06**	**FY 06-07**	**FY 05-06**	**FY 06-07**	**FY 05-06**
Unpaid claims and claims adjustment expenses - July 1	**$ 11,809,973**	**$ 12,381,899**	**$ 4,790,033**	**$ 4,044,440**	**$ 16,600,006**	**$ 16,426,339**
Incurred claims and claims adjustment expenses:						
Increase/decrease in provision for insured events	(1,064,688)	(676,236)	(486,258)	(404,004)	(1,550,946)	(1,080,240)
Increase/Decrease in actuarially incurred but not reported claims (IBNR)	(1,466,355)	104,310	(430,306)	1,149,597	(1,896,661)	1,253,907
Total incurred claims and claims adjustment expenses	**(2,531,043)**	**(571,926)**	**(916,564)**	**745,593**	**(3,447,607)**	**173,667**
Unpaid claims and claims adjustment expenses - June 30	**$ 9,278,930**	**$ 11,809,973**	**$ 3,873,469**	**$ 4,790,033**	**$ 13,152,399**	**$ 16,600,006**
Claims and judgements due within one year	**$ 3,448,416**	**$ 2,262,580**	**$ 2,090,340**	**$ 2,551,422**	**$ 5,538,756**	**$ 4,814,002**

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF

Oxnard

"The City That Cares"

CALIFORNIA

Required Supplementary Information
Schedule of Funding Progress (Dollars in Thousands)
For the Year Ended June 30, 2007

Actuarial Valuation Date	Actuarial Asset Value	Entry Age Actuarial Accrued Liability	Unfunded/ (Overfunded) Actuarial Accrued Liability	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Payroll
Police						
06/30/04	$ 113,060	$ 137,184	$ 24,124	82.4%	$ 16,902	142.7%
06/30/05	124,301	153,698	29,397	80.9%	18,959	155.1%
06/30/06	137,524	167,434	29,910	82.1%	20,296	147.4%
Fire						
06/30/04	4,424,587	5,383,922	959,335	82.2%	575,296	166.8%
06/30/05	5,295,150	6,367,049	1,071,899	83.2%	664,168	161.4%
06/30/06	6,102,616	7,278,050	1,175,434	83.9%	754,730	155.7%
Miscellaneous						
06/30/04	175,702	197,607	21,905	88.9%	42,957	51.0%
06/30/05	189,556	217,734	28,179	87.1%	46,873	60.1%
06/30/06	207,208	237,646	30,438	87.2%	52,304	58.2%

Budgets and Budgetary Accounting

The City develops a two-year budget with the City Council approving a one-year budget and capital improvement plan. Budgeted operating and capital improvement expenditures are adopted through the passage of a resolution. At mid-term, the City adopts the Operating and Capital Improvement budget on an annual basis. This resolution constitutes the authorized expenditures for the next year.

The City's annual budget is the legally adopted expenditure control document of the City. Budgets are prepared on the modified accrual basis of accounting consistent with generally accepted accounting principles (GAAP) in the United States of America. Encumbrances are estimations of costs related to unperformed contracts for goods and services. These commitments are recorded for budgetary control purposes in the General, Special Revenue and similar governmental funds. Encumbrances outstanding at year end are reported as a reservation of fund balance. They represent the estimated amount of expenditure ultimately to result if unperformed contracts in process at year end are completed. They do not constitute expenditures or estimated liabilities.

The City Council generally reauthorizes appropriations for continuing projects and activities. Project length budgets are adopted for the capital project funds. The City Council has the legal authority to amend the budget of any fund at any time during the fiscal year. The budgetary legal level of control (the level on which expenditures may not legally exceed appropriations) is generally at the fund level. For budgeting purposes, the General Fund is composed of several departments while all other budgeted funds (special revenue funds included) are considered a single department. Budgeted expenditures may be reallocated within a division and between divisions within a department without City Council approval. During Fiscal Year 2007, supplementary budget appropriations of approximately $45,535,514 were made.

Budgets for governmental funds are adopted on a basis which conforms with the generally accepted accounting principles (GAAP). The Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual presents comparisons of the legally adopted budget and actual data on a GAAP basis. During the year, several supplementary appropriations were necessary. Individual amendments were not material in relation to the original appropriations.

Budgetary comparison statements are required to be presented for the General Fund and all major special revenue funds and are presented as required supplementary information found on pages 87 through 98. These statements compare the original adopted budget, the budget as amended throughout the fiscal year, and the actual expenditures prepared on a budgetary basis.

GENERAL FUND

The General Fund is used to account for all financial resources traditionally associated with government activities which are not required legally to be accounted for in another fund. Principal sources of revenues are property taxes, sales tax, license and permits, state shared revenues, and billings for outside and interfund services. Primary expenditures in the General Fund are made for general administration, police and fire protection, parks maintenance, streets and transportation services, and community development.

General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual
For the Year Ended June 30, 2007

	Original Budget	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Over (Under)
REVENUES				
Taxes:				
Property tax	$ 36,292,900	$ 36,292,900	$ 38,827,948	$ 2,535,048
Sales tax	26,535,000	26,535,000	25,783,808	(751,192)
Transient occupancy tax	3,000,000	3,022,500	3,550,903	528,403
Other taxes:				
Franchise tax	4,675,000	4,675,000	3,686,627	(988,373)
Business license (net of refund)	4,550,000	4,550,000	4,504,455	(45,545)
Deed transfer tax	1,210,000	1,210,000	880,370	(329,630)
Penalties/interest on delinquencies	190,000	190,000	129,679	(60,321)
Total taxes	76,452,900	76,475,400	77,363,790	888,390
Licenses and permits	3,006,692	3,006,692	2,848,615	(158,077)
Intergovernmental:				
State shared revenue	2,800,500	2,896,575	3,595,338	698,763
Local share revenue	7,858,390	7,858,390	8,009,381	150,991
Charges for services:				
General government	168,330	168,330	218,689	50,359
Public safety	2,212,467	2,212,467	2,124,241	(88,226)
Community development	2,385,562	2,643,116	2,844,249	201,133
Parks and recreation	552,313	612,313	678,461	66,148
Other current service charges	1,193,100	1,268,100	1,396,232	128,132
Miscellaneous service charges	513,450	588,450	579,393	(9,057)
Services to other programs	3,848,865	3,848,865	3,530,154	(318,711)
Fines and forfeitures	795,000	795,000	729,547	(65,453)
Investment earnings	2,004,990	2,004,990	2,166,964	161,974
Miscellaneous	6,174,131	6,675,381	4,978,041	(1,697,340)
Total revenues	**109,966,690**	**111,054,069**	**111,063,095**	**9,026**

General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Continued)
For the Year Ended June 30, 2007

	Original Budget	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Over (Under)
EXPENDITURES				
General government:				
Legislative				
City council	361,979	363,383	346,813	16,570
City treasurer	595,154	628,569	641,407	(12,838)
City clerk	489,039	512,094	478,227	33,867
Administrative and support services				
City manager	1,467,010	1,488,232	1,514,092	(25,860)
City attorney	1,629,268	1,889,123	1,632,272	256,851
Financial services	4,085,999	4,418,194	4,307,383	110,811
Human resources	1,107,888	1,132,797	1,121,114	11,683
Non-departmental	957,738	1,529,792	1,315,064	214,728
Public Safety:				
Police	42,585,011	45,775,517	46,235,541	(460,024)
Fire	12,304,641	13,302,568	13,615,603	(313,035)
Transportation:				
Transportation planning and engineering	2,036,771	2,065,109	2,127,485	(62,376)
Engineering services - design	1,092,847	1,137,923	1,094,699	43,224
Public services administration	408,692	417,416	417,416	—
Street lighting - SCE	1,293,726	1,293,820	1,006,299	287,521
Community development:				
Planning and environmental services	1,819,276	5,280,062	1,869,306	3,410,756
Economic development and tourism service	654,388	654,388	654,388	—
Development and construction services	3,577,384	3,675,564	3,365,399	310,165
Development support/public projects	479,364	529,625	465,038	64,587
Housing services	230,811	274,948	274,145	803
Neighborhood services	294,606	319,928	298,037	21,891
Human services	2,622,843	2,692,418	2,782,335	(89,917)

General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Continued)
For the Year Ended June 30, 2007

	Original Budget	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Over (Under)
Culture and leisure:				
Recreation services	2,621,260	2,767,678	2,965,562	(197,884)
Carnegie art museum	414,467	429,061	376,083	52,978
Parks and public grounds	7,059,935	8,708,974	9,327,621	(618,647)
Library services	4,183,762	4,599,507	4,396,845	202,662
Capital outlay	1,584,078	2,302,298	983,869	1,318,429
Total expenditures	95,957,937	108,188,988	103,612,043	4,576,945
Excess (deficiency) of revenues over expenditures and other financing uses	14,008,753	2,865,081	7,451,052	4,585,971
OTHER FINANCING SOURCES (USES):				
Transfers in	131,566	211,566	211,566	—
Transfers out	(5,253,687)	(9,847,272)	(9,847,272)	—
Total other financing sources (uses)	(5,122,121)	(9,635,706)	(9,635,706)	—
Net change in fund balances	8,886,632	(6,770,625)	(2,184,654)	4,585,971
Fund balances, July 1	**27,416,346**	**7,769,783**	**27,182,305**	**19,412,522**
Fund balances, budgetary basis, June 30	**$ 36,302,978**	**$ 999,158**	**$ 24,997,651**	**$ 23,998,493**

MAJOR SPECIAL REVENUE FUNDS

The Major Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than capital projects funds that are legally restricted to expenditures for particular purposes).

Park Fees Quimby Reserve Fund—As a result of the passage of the Quimby Act of 1965, the City requires that a developer set aside land or pay fees in lieu of land dedication. Park fees are earmarked primarily for the acquisition and development of neighborhood parks within the City.

Parks Acquisition and Development Fund—This fund is used to account for park and recreation facilities fees assessed on new developments on a per unit basis. Park development revenues are set aside for the acquisition of land and improvement of the City's park facilities.

Storm Drain Facilities Fund—This fund is used to account for revenue and expenditures related to the installation of storm drainage facilities from all new property developments.

Circulation System Improvement Fees—This fund is used to provide an additional funding source necessary to meet the need for circulation system improvements. This fee is assessed on new developments and calculated based on the expected number of trips daily. Funds collected from this fee can only be used to fund projects included in the 5-Year Circulation Improvement List.

Capital Growth Fee Funds—These funds were established to account for capital growth fees collected and to pay for community development expenditures designated to each community sector responsible for the growth:

- Capital Growth Fee Fund–Residential—Used to account for all developments/improvements in a residential area;
- Capital Growth Fee Fund–Non-Residential—Used to account for all developments/improvements in commercial and industrial areas.

Utility Undergrounding Fees Fund—This fund is used to account for utility undergrounding fees collected by the City in lieu of undergrounding existing overhead utility lines. These funds are restricted for the construction of utility undergrounding projects.

Housing In-Lieu Fees Fund—This fund is used to account for fees collected in lieu of the affordable housing requirement for housing development. This fund was created in April 1999.

Community Development Block Grants (CDBG) and HUD Home Loan—To account for Federal entitlements received by the City from CDBG for the purpose of developing a viable urban community, providing decent housing and a suitable living environment, and expanding economic opportunities, principally for persons of low and moderate income. Funds are allocated and administered by the U.S. Department of Housing and Urban Development (HUD).

State and Federal Grants Funds—These funds account for the receipt and expenditures of monies received from State and federal grants in aid.

Development Fees Special Revenue Funds
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual
For the Year Ended June 30, 2007

	Original Budget	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Over (Under)
REVENUES				
Licenses and permits	$ 665,908	$ 746,908	$ 586,112	$ (160,796)
Intergovernmental	—	—	814,035	814,035
Growth and development fees	9,308,000	9,308,000	4,968,544	(4,339,456)
Interest	591,421	591,421	1,423,154	831,733
Miscellaneous	113,810	113,810	35,099	(78,711)
Total revenues	10,679,139	10,760,139	7,826,944	(2,933,195)
EXPENDITURES				
General government	2,520	2,520	18,798	(16,278)
Public safety	731,908	812,908	716,493	96,415
Community development	—	1,830	1,854	(24)
Capital outlay	5,081,108	36,994,252	18,792,519	18,201,733
Total expenditures	5,815,536	37,811,510	19,529,664	18,281,846
Excess (deficiency) of revenues over (under) expenditures	4,863,603	(27,051,371)	(11,702,720)	15,348,651
OTHER FINANCING SOURCES (USES):				
Transfers out	(670,609)	(1,420,609)	(1,420,609)	—
Total other financing sources (uses):	(670,609)	(1,420,609)	(1,420,609)	—
Net change in fund balances	4,192,994	(28,471,980)	(13,123,329)	15,348,651
Fund balances, July 1	**8,521,791**	**(65,363,460)**	**41,715,932**	**107,079,392**
Fund balances, June 30	**$ 12,714,785**	**$ (93,835,440)**	**$ 28,592,603**	**$ 122,428,043**

HUD & CDBG Grants Special Revenue Funds
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2007

	Original Budget	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Over (Under)
REVENUES				
Intergovernmental	$ 4,797,607	$ 5,572,252	$ 4,139,244	$ (1,433,008)
Total revenues	**4,797,607**	**5,572,252**	**4,139,244**	**(1,433,008)**
EXPENDITURES				
General government	232,314	232,314	261,262	(28,948)
Public safety	243,118	243,118	201,042	42,076
Community development	2,014,434	2,593,702	1,829,482	764,220
Culture and leisure	42,854	42,854	49,860	(7,006)
Capital outlay	2,263,587	5,059,710	1,797,598	3,262,112
Total expenditures	**4,796,307**	**8,171,698**	**4,139,244**	**4,032,454**
Excess (deficiency) of revenues over (under) expenditures	1,300	(2,599,446)	—	2,599,446
Net change in fund balances	1,300	(2,599,446)	—	2,599,446
Fund balances, July 1	**481,255**	**(17,000,587)**	**—**	**17,000,587**
Fund balances, June 30	**$ 482,555**	**$ (19,600,033)**	**$ —**	**$ 19,600,033**

State and Federal Grants Special Revenue Funds
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2007

	Original Budget	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Over (Under)
REVENUES				
Taxes	$ 11,178,979	$ 11,178,979	$ 12,258,532	$ 1,079,553
Intergovernmental	241,406	12,294,300	8,188,771	(4,105,529)
Fines and forfeitures	—	—	129,263	129,263
Interest	—	—	323,101	323,101
Miscellaneous	119,404	168,743	859,262	690,519
Total revenues	**11,539,789**	**23,642,022**	**21,758,929**	**(1,883,093)**
EXPENDITURES				
Public safety	11,139,496	13,913,542	13,194,015	719,527
Transportation	148,050	400,481	159,505	240,976
Community development	301,683	760,932	844,049	(83,117)
Culture and leisure	39,483	1,068,402	182,888	885,514
Library services	80,600	165,070	162,019	3,051
Capital outlay	915,000	13,622,295	5,484,850	8,137,445
Total expenditures	**12,624,312**	**29,930,722**	**20,027,326**	**9,903,396**
Excess of revenues over (under) expenditures	(1,084,523)	(6,288,700)	1,731,603	(8,020,303)
OTHER FINANCING SOURCES (USES)				
Transfers in	80,600	92,600	92,600	—
Transfers out	—	(80,000)	(80,000)	—
Total other financing sources (uses)	**80,600**	**12,600**	**12,600**	—
Net change in fund balances	(1,003,923)	(6,276,100)	1,744,203	8,020,303
Fund balances, July 1	**(23,981,962)**	**(21,161,504)**	**10,192,971**	**31,354,475**
Fund balances, June 30	**$ (24,985,885)**	**$ (27,437,604)**	**$ 11,937,174**	**$ 39,374,778**

NON-MAJOR SPECIAL REVENUE FUNDS

Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2007

	State Gas Tax Fund	Traffic Safety Fund	Transportation Development Fund	Maintenance Assessment Districts Fund	Total
ASSETS					
Cash and cash equivalents	$ 368,081	$ 85,380	$ 5,340,549	$ 6,948,836	$ 12,742,846
Accounts and other receivables	2,379	—	1,123	—	3,502
Total assets	370,460	85,380	5,341,672	6,948,836	12,746,348
LIABILITIES					
Accounts payable	134,000	—	782,684	672,017	1,588,701
Other liabilities	226	—	(1,735)	—	(1,509)
Unearned revenues	—	—	172,430	—	172,430
Total liabilities	134,226	—	953,379	672,017	1,759,622
FUND BALANCES					
Unreserved:					
Designated for authorized projects	19,290	—	4,129,671	—	4,148,961
Undesignated	216,944	85,380	258,622	6,276,819	6,837,765
Total fund balances	236,234	85,380	4,388,293	6,276,819	10,986,726
Total liabilities and fund balances	**$ 370,460**	**$ 85,380**	**$ 5,341,672**	**$ 6,948,836**	**$ 12,746,348**

Combining Statements of Revenues, Expenditures and Changes in Fund Balances
Governmental Non-Major Funds
For the Year Ended June 30, 2007

	State Gas Tax Fund	Traffic Safety Fund	Transportation Development Fund	Maintenance Assessment Districts Fund	Total
REVENUES					
Intergovernmental	$ 3,477,995	$ —	$ 3,496,229	$ —	$ 6,974,224
Interest	17,346	—	141,354	181,675	340,375
Charges for services	—	13,458	20,033	—	33,491
Fines and forfeitures	—	524,970	—	—	524,970
Special assessments	—	—	—	7,696,146	7,696,146
Miscellaneous	227,543	—	134,885	5,374	367,802
Total revenues	3,722,884	538,428	3,792,501	7,883,195	15,937,008
EXPENDITURES					
General government	—	—	—	646,291	646,291
Public safety	—	332,352	—	1,520,532	1,852,884
Transportation	3,721,016	662,079	580,299	367,423	5,330,817
Culture and leisure	—	—	—	2,125,212	2,125,212
Capital outlay	427,504	—	1,496,279	—	1,923,783
Total expenditures	4,148,520	994,431	2,076,578	4,659,458	11,878,987
Excess (deficiency) of revenues over expenditures	(425,636)	(456,003)	1,715,923	3,223,737	4,058,021
OTHER FINANCING SOURCES (USES)					
Transfers in	—	430,000	163,862	—	593,862
Transfers out	—	—	(163,862)	—	(163,862)
Total other financing sources (uses)	—	430,000	—	—	430,000
Net change in fund balance	(425,636)	(26,003)	1,715,923	3,223,737	4,488,021
Fund balances, July 1	**661,870**	**111,383**	**2,672,370**	**3,053,082**	**6,498,705**
Fund balances, June 30	**$ 236,234**	**$ 85,380**	**$ 4,388,293**	**$ 6,276,819**	**$ 10,986,726**

Gas Tax - Non-major Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2007

	Original Budget	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Over (Under)
REVENUES				
Intergovernmental	$ 4,405,000	$ 4,405,000	$ 3,477,995	$ (927,005)
Interest	61,244	61,244	17,346	(43,898)
Miscellaneous	301,000	301,000	227,543	(73,457)
Total revenues	4,767,244	4,767,244	3,722,884	(1,044,360)
EXPENDITURES				
Transportation	3,467,244	3,467,244	3,721,016	(253,772)
Capital outlay	1,300,000	1,818,829	427,504	1,391,325
Total expenditures	4,767,244	5,286,073	4,148,520	1,137,553
Excess (deficiency) of revenues over expenditures	—	(518,829)	(425,636)	93,193
Net change in fund balances	—	(518,829)	(425,636)	93,193
Fund balance, July 1	**2,017,677**	**(11,024,684)**	**661,870**	**11,686,554**
Fund balance (deficit), June 30	**$ 2,017,677**	**$ (11,543,513)**	**$ 236,234**	**$ 11,779,747**

City of Oxnard, California

Traffic Safety - Non-major Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2007

	Original Budget	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Over (Under)
REVENUES				
Charges for services	$ —	$ —	$ 13,458	$ 13,458
Fines and forfeitures	550,000	550,000	524,970	(25,030)
Total revenues	**550,000**	**550,000**	**538,428**	**(11,572)**
EXPENDITURES				
Public safety	371,212	371,212	332,352	38,860
Transportation	608,788	608,788	662,079	(53,291)
Total expenditures	980,000	980,000	994,431	(14,431)
Excess (deficiency) of revenues and expenditures	(430,000)	(430,000)	(456,003)	26,003
OTHER FINANCING SOURCES (USES)				
Transfers in	430,000	430,000	430,000	—
Total other financing sources (uses)	430,000	430,000	430,000	—
Net change in fund balances	—	—	(26,003)	(26,003)
Fund balances, July 1	**1,461,370**	**805,525**	**111,383**	**(694,142)**
Fund balances (deficit), June 30	**$ 1,461,370**	**$ 805,525**	**$ 85,380**	**$ (720,145)**

Continued -

Transportation Development - Non-major Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2007

	Original Budget	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Over (Under)
REVENUES				
Intergovernmental	$ 2,704,066	$ 3,567,263	$ 3,496,229	$ (71,034)
Charges for services	—	—	20,033	20,033
Interest	54,934	54,934	141,354	86,420
Miscellaneous	165,000	165,000	134,885	(30,115)
Total revenues	2,924,000	3,787,197	3,792,501	5,304
EXPENDITURES				
Transportation	543,387	603,387	580,299	23,088
Capital outlay	2,249,000	7,340,429	1,496,279	5,844,150
Total expenditures	2,792,387	7,943,816	2,076,578	5,867,238
Excess (deficiency) of revenues over expenditures	131,613	(4,156,619)	1,715,923	(5,872,542)
OTHER FINANCING SOURCES (USES)				
Transfers in	—	—	163,862	—
Transfers out	—	—	(163,862)	—
Total other financing sources (uses)	—	—	—	—
Net change in fund balances	131,613	(4,156,619)	1,715,923	5,872,542
Fund balances, July 1	**(346,560)**	**(5,831,718)**	**2,672,370**	**8,504,088**
Fund balances (deficit), June 30	**$ (214,947)**	**$ (9,988,337)**	**$ 4,388,293**	**$ 14,376,630**

Continued -

Maintenance Assessment District - Non-major Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2007

	Original Budget	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Over (Under)
REVENUES				
Interest	$ 25,000	$ 25,000	$ 181,675	$ 156,675
Special assessments	2,479,582	3,823,451	7,696,146	3,872,695
Miscellaneous	—	—	5,374	5,374
Total revenues	2,504,582	3,848,451	7,883,195	5,378,613
EXPENDITURES				
General government	—	79,342	646,291	(566,949)
Public safety	—	1,933,511	1,520,532	412,979
Transportation	442,344	935,983	367,423	568,560
Culture and leisure	2,226,508	3,416,791	2,125,212	1,291,579
Capital outlay	25,000	150,000	—	150,000
Total expenditures	2,693,852	6,515,627	4,659,458	1,856,169
Excess (deficiency) of revenues over expenditures	(189,270)	(2,667,176)	3,223,737	5,890,913
Net change in fund balances	(189,270)	(2,667,176)	3,223,737	5,890,913
Fund balances, July 1	**4,362,927**	**123,894**	**3,053,082**	**2,929,188**
Fund balances (deficit), June 30	**$ 4,173,657**	**$ (2,543,282)**	**$ 6,276,819**	**$ 8,820,101**

DEBT SERVICE FUNDS

The Debt Service Funds are used to account for the accumulation of resources and payments of principal and interest of the City of Oxnard and related entities' general long-term debt.

Community Development Commission—Used to account for the payment of principal and interest on tax allocation bonds. Revenue is derived from the tax levies on properties within the redevelopment area.

COFA Debt Service—Used to account for the payment of principal and interest on certain certificate of participation bonds other than those accounted for in various enterprise funds (a blended Component Unit of the City of Oxnard).

Debt Service Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2007

	Original Budget	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Over (Under)
REVENUES				
Taxes increments	$ —	$ —	$ 1,514,801	$ 1,514,801
Interest	—	345,772	461,246	115,474
Total revenues	—	345,772	1,976,047	1,630,275
EXPENDITURES				
Debt service:				
Principal	2,216,796	1,641,796	2,251,795	(609,999)
Interest	1,021,708	1,701,708	2,411,174	(709,466)
Total expenditures	3,238,504	3,343,504	4,662,969	(1,319,465)
Excess (deficiency) of revenues over expenditures	(3,238,504)	(2,997,732)	(2,686,922)	(310,810)
OTHER FINANCING SOURCES (USES)				
Transfers in	2,388,504	3,343,504	3,138,504	(205,000)
Transfers out	—	(345,772)	(345,772)	—
Total other financing sources (uses)	2,388,504	2,997,732	2,792,732	(205,000)
Net change in fund balances	(850,000)	—	105,810	105,810
Fund balances, July 1	**(36,581)**	**1,135,360**	**1,197,830**	**62,470**
Fund balances (deficit), June 30	**$ (886,581)**	**$ 1,135,360**	**$ 1,303,640**	**$ 168,280**

INTERNAL SERVICE FUNDS

Internal Service Funds are established to account for goods and services provided by one City department to other City departments or related entities, generally on a cost recovery basis.

Workers' Compensation Fund—This fund is used to account for the City's self-insurance program for workers' compensation claims.

Public Liability and Property Damage—This fund is used to account for the City's self-insurance program of providing public liability and property damage insurance coverage and claims adjustment services to the City's operating funds.

Utility Customer Services Fund—This fund is used to account for the costs associated with administering the operation of the Customer Services Division and to distribute these costs to the various City utilities such as water, sewer and refuse.

Information Services Fund—This fund is used to account for the costs associated with the City's data/word processing and financial systems and to distribute these costs to the departments using the systems on a pro-rata basis. Included are costs for hardware and software maintenance, computer operation costs and some centralized supplies.

Facilities Maintenance Fund—This fund is used to account for the operation and maintenance of City facilities, properties and capital projects.

Equipment Maintenance Fund—This fund is used to account for automotive fleet maintenance and services provided to City departments.

Internal Service Funds
Combining Statement of Net Assets
June 30, 2007

	Workers' Compensation	Public Liability/Property Damage	Utility Customer Services	Information Services	Facilities Maintenance	Equipment Maintenance	Total
ASSETS							
Cash and cash equivalents	$ 12,944,000	$ 7,567,841	$ 638,244	$ 1,729,167	$ 1,161,913	$ 636,211	$ 24,677,376
Accounts and other receivables (net of allowance for uncollectibles)	60,000	10,795	—	—	18,976	—	89,771
Capital assets:							
Land	—	595,500	—	—	—	—	595,500
Machinery and equipment	64,460	56,414	48,632	1,019,266	565,690	614,571	2,369,033
Construction in progress	—	32,557	—	70,383	—	38,700	141,640
Total capital assets	64,460	684,471	48,632	1,089,649	565,690	653,271	3,106,173
Less: accumulated depreciation	(47,434)	(27,394)	(42,031)	(760,589)	(386,613)	(461,433)	(1,725,494)
Net capital assets	17,026	657,077	6,601	329,060	179,077	191,838	1,380,679
Total assets	13,021,026	8,235,713	644,845	2,058,227	1,359,966	828,049	26,147,826
LIABILITIES							
Current liabilities:							
Accounts payable	16,957	225,808	20,147	88,976	29,495	247,829	629,212
Compensated absences payable - current	3,500	—	181,000	145,000	151,000	180,000	660,500
Self-insurance claims - due within one year	3,448,416	2,090,340	—	—	—	—	5,538,756
Total current liabilities	3,468,873	2,316,148	201,147	233,976	180,495	427,829	6,828,468
Non-current liabilities:							
Compensated absences	14,982	—	(161,478)	62,538	100,429	75,262	91,733
Self-insurance claims	5,830,514	1,783,129	—	—	—	—	7,613,643
Total noncurrent liabilities	5,845,496	1,783,129	(161,478)	62,538	100,429	75,262	7,705,376
Total liabilities	9,314,369	4,099,277	39,669	296,514	280,924	503,091	14,533,844
NET ASSETS							
Invested in capital assets, net of related debt	17,026	657,077	6,601	331,060	182,817	193,913	1,388,494
Restricted, for authorized projects	—	967,935	—	1,099,126	12,478	207,800	2,287,339
Unrestricted	3,689,631	2,511,424	598,575	331,527	883,747	(76,755)	7,938,149
Total net assets	$ 3,706,657	$ 4,136,436	$ 605,176	$ 1,761,713	$ 1,079,042	$ 324,958	$ 11,613,982

City of Oxnard, California

Internal Service Funds
Combining Statement of Revenues, Expenses, and Changes in Net Assets
For the Year June 30, 2007

	Workers' Compensation	Public Liability/Property Damage	Utility Customer Services	Information Services	Facilities Maintenance	Equipment Maintenance	Total
OPERATING REVENUES							
Charges for services	$ 8,157,207	$ 4,725,988	$ 1,282,590	$ 3,678,818	$ 3,328,626	$ 7,258,886	$ 28,432,115
OPERATING EXPENSES							
Salaries and wages	422,011	39,947	532,936	1,681,774	2,022,913	3,058,084	7,757,665
Contractual services	388,533	189,216	51,189	176,371	69,768	37,083	912,160
Operating supplies	—	—	220,297	123,482	348,233	3,051,975	3,743,987
Utilities	4,657	3,882	15,566	1,116,601	569,200	18,320	1,728,226
Depreciation and amortization	7,670	14,258	1,152	110,353	39,588	44,682	217,703
General and administrative	474,199	187,256	401,375	169,750	86,332	127,888	1,446,800
Repairs and maintenance	18,556	—	20,716	332,007	139,308	977,458	1,488,045
Claims expenses	866,919	2,270,266	—	—	—	—	3,137,185
Total operating expenses	2,182,545	2,704,825	1,243,231	3,710,338	3,275,342	7,315,490	20,431,771
Net operating income (loss)	5,974,662	2,021,163	39,359	(31,520)	53,284	(56,604)	8,000,344
NONOPERATING REVENUES (EXPENSES)							
Interest income	428,349	261,531	27,071	—	48,821	25,051	—
Total nonoperating revenues (expenses)	428,349	261,531	27,071	—	48,821	25,051	790,823
Income (loss) before contributions and transfers	6,403,011	2,282,694	66,430	(31,520)	102,105	(31,553)	8,791,167
Transfers in	—	—	—	240,000	—	246,500	486,500
Net transfers	—	—	—	240,000	—	246,500	486,500
Change in net assets	6,403,011	2,282,694	66,430	208,480	102,105	214,947	9,277,667
Net assets - July 1	**(2,696,354)**	**1,853,742**	**538,746**	**1,553,233**	**976,937**	**110,011**	**2,336,315**
Net assets - June 30	**$ 3,706,657**	**$ 4,136,436**	**$ 605,176**	**$ 1,761,713**	**$ 1,079,042**	**$ 324,958**	**$ 11,613,982**

Internal Service Funds
Combining Statement of Cash Flows
For the Year Ended June 30, 2007

	Workers' Compensation	Public Liability/Property Damage	Utility Customer Services	Information Services	Facilities Maintenance	Equipment Maintenance	Total
Cash flows from operating activities:							
Receipts from customers	$ 8,157,207	$ 4,715,994	$ 1,282,590	$ 3,678,818	$ 3,327,902	$ 7,267,463	$ 28,429,974
Payments to suppliers	(1,049,303)	(190,886)	(708,230)	(1,852,644)	(1,229,028)	(4,223,130)	(9,253,221)
Payments to employees	(418,641)	(39,947)	(622,028)	(1,649,405)	(2,001,152)	(3,026,802)	(7,757,975)
Claims paid	(3,397,962)	(3,186,830)	—	—	—	—	(6,584,792)
Net cash flows from operating activities	3,291,301	1,298,331	(47,668)	176,769	97,722	17,531	4,833,986
Cash flows from noncapital financing activities:							
Transfers in	—	—	—	240,000	—	246,500	486,500
Transfers out	—	—	—	—	—	—	—
Net cash flows from noncapital financing activities	—	—	—	240,000	—	246,500	486,500
Cash flows from capital and related financing activities:							
Acquisition (disposal) of capital assets	—	(32,558)	—	(96,557)	(56,030)	(95,195)	(280,340)
Net cash flows from capital and related financing activities	—	(32,558)	—	(96,557)	(56,030)	(95,195)	(280,340)
Cash flows from investing activities:							
Interest on investments	428,349	261,531	27,071	—	48,821	25,051	790,823
Cash flows from investing activities	428,349	261,531	27,071	—	48,821	25,051	790,823
Net increase(decrease) in cash and cash equivalents	3,719,650	1,527,304	(20,597)	320,212	90,513	193,887	5,830,969
Cash and cash equivalents - July 1	9,224,350	6,040,537	658,841	1,408,955	1,071,400	442,324	18,846,407
Cash and investments at end of period	$ 12,944,000	$ 7,567,841	$ 638,244	$ 1,729,167	$ 1,161,913	$ 636,211	$ 24,677,376
Reconciliation of operating income (loss) to net cash flows from operating activities:							
Operating income (loss)	$ 5,974,662	$ 2,021,163	$ 39,359	$ (31,520)	$ 53,284	$ (56,604)	$ 8,000,344
Adjustments to reconcile operating income to net cash flows from operating activities:							
Depreciation	7,670	14,258	1,152	110,353	39,588	44,682	217,703
Change in assets and liabilities:							
Decrease (increase) in accounts receivable	—	(9,995)	—	—	(724)	8,577	(2,142)
Increase (decrease) in accounts payable	(163,358)	189,468	913	65,567	(16,187)	(10,406)	65,997
Increase (decrease) in self-insured claims liabilities	(2,531,043)	(916,563)	—	—	—	—	(3,447,606)
Increase (decrease) in compensated absences	3,370	—	(89,092)	32,369	21,761	31,282	(310)
Cash flows from operating activities	$ 3,291,301	$ 1,298,331	$ (47,668)	$ 176,769	$ 97,722	$ 17,531	$ 4,833,986

FIDUCIARY FUNDS

Fiduciary Funds
Combined Statement of Changes in Assets and Liabilities
For the Fiscal Year ended June 30, 2007

	Balance June 30, 2006	Additions	Deductions	Balance June 30, 2007
ARTWORKS FUND				
ASSETS				
Cash and cash equivalents	$ 48,403	$ 1,853	$ 3,002	$ 47,254
Total assets	$ 48,403	$ 1,853	$ 3,002	$ 47,254
LIABILITIES				
Trust and agency payables	$ 48,403	$ 1,853	$ 3,002	$ 47,254
Total liabilities	$ 48,403	$ 1,853	$ 3,002	$ 47,254
IMPROVEMENT DISTRICTS FUND				
ASSETS				
Cash and cash equivalents	$ 10,927,330	$ 11,157,361	$ 12,111,624	$ 9,973,067
Investments with fiscal agents	39,023,649	6,250,636	16,571,216	28,703,069
Total assets	$ 49,950,979	$ 17,407,997	$ 28,682,840	$ 38,676,136
LIABILITIES				
Trust and agency payables	$ 49,950,979	$ 17,407,997	$ 28,682,840	$ 38,676,136
Total liabilities	$ 49,950,979	$ 17,407,997	$ 28,682,840	$ 38,676,136
TOTAL - ALL FIDUCIARY FUNDS				
ASSETS				
Cash and cash equivalents	$ 10,975,733	$ 11,159,214	$ 12,114,626	$ 10,020,321
Investments with fiscal agents	39,023,649	6,250,636	16,571,216	28,703,069
Total assets	$ 49,999,382	$ 17,409,850	$ 28,685,842	$ 38,723,390
LIABILITIES				
Trust and agency payables	$ 49,999,382	$ 17,409,850	$ 28,685,842	$ 38,723,390
Total liabilities	$ 49,999,382	$ 17,409,850	$ 28,685,842	$ 38,723,390

STATISTICAL SECTION

The Statistical Section contains comprehensive statistical data which relates to physical, economic, social, and political characteristics of the City. It is intended to provide users with a broader and more complete understanding of the City and its financial affairs than is possible from the basic financial statements.

Statistical Section tables usually cover more than two fiscal years and often present data from outside the accounting records. The Statistical Section information is not subject to independent audit.

STATISTICAL SECTION

This part of the City's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health. In contrast to the financial section, the statistical section information is not subject to independent audit.

Contents

Financial Trends

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

Revenue Capacity

These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.

Debt Capacity

These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

Schedule X	–	Ratios of Outstanding Debt by Type
Schedule XI	–	Direct and Overlapping Governmental Activities Debt
Schedule XII	–	Legal Debt Margin Information
Schedule XIII	–	Pledged Revenue Coverage

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

Schedule XIV	–	Demographic and Economic Statistics
Schedule XV	–	Principal Employers

Operating Information

These schedules contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the City's provides and activities it performs.

Schedule XVI	–	Full-Time Equivalent City Government Employees by Function
Schedule XVII	–	Operating Indicators by Function
Schedule XVIII	–	Capital Assets by Function

Sources: Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Report for the relevant year. The City implemented Statement 34 in 2001. Schedules presenting government-wide information include information beginning in that year.

CITY OF

Oxnard

"The City That Cares"

CALIFORNIA

City of Oxnard, California

Schedule I
Net Assets by Component
Last Seven Fiscal Years
(Accrual Basis of Accounting)

	Fiscal Year						
	2001	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**
Governmental activities:							
Investments in capital assets, net of related debt	$ 53,182,282	$ 56,440,149	$ 105,248,878	$ 104,613,981	$ 131,874,401	$ 1,313,161,486	$ 1,315,371,114
Restricted	15,555,288	18,239,533	59,123,684	12,510,935	16,183,475	15,902,180	33,774,265
Unrestricted	48,584,003	71,775,592	16,356,191	91,002,589	80,742,442	95,688,754	108,501,203
Total governmental activities net assets	**$ 117,321,573**	**$ 146,455,274**	**$ 180,728,753**	**$ 208,127,505**	**$ 228,800,318**	**$ 1,424,752,420**	**$ 1,457,646,582**
Business-type activities:							
Investments in capital assets, net of related debt	$ 158,107,742	$ 161,339,177	$ 171,973,198	$ 59,252,770	$ 97,741,991	$ 154,777,148	$ 225,311,825
Restricted	5,841,492	2,931,639	2,714,603	7,380,620	7,696,523	13,405,164	12,508,465
Unrestricted	41,672,083	42,906,594	38,624,788	159,369,013	138,793,254	83,556,063	46,954,212
Total business-type activities net assets	**$ 205,621,317**	**$ 207,177,410**	**$ 213,312,589**	**$ 226,002,403**	**$ 244,231,768**	**$ 251,738,375**	**$ 284,774,502**
Primary government:							
Investments in capital assets, net of related debt	$ 211,290,024	$ 217,779,326	$ 277,222,076	$ 163,866,751	$ 229,616,392	$ 1,467,938,634	$ 1,540,682,939
Restricted	21,396,780	21,171,172	61,838,287	19,891,555	23,879,998	29,307,344	46,282,730
Unrestricted	90,256,086	114,682,186	54,980,979	250,371,602	219,535,696	179,244,817	155,455,415
Total primary government net assets	**$ 322,942,890**	**$ 353,632,684**	**$ 394,041,342**	**$ 434,129,908**	**$ 473,032,086**	**$ 1,676,490,795**	**$ 1,742,421,084**

The City of Oxnard implemented GASB 34 for the fiscal year ended June 30, 2001. Information prior to the implementation of GASB 34 is not available.

Source: Finance Department, City of Oxnard

City of Oxnard, California

Schedule II
Changes in Net Assets
Last Seven Fiscal Years
(Accrual Basis of Accounting)

	Fiscal Year						
	2001	2002	2003	2004	2005	2006	2007
EXPENSES							
Governmental activities:							
General government	$ 8,962,823	$ 11,561,786	$ 11,089,303	$ 12,911,930	$ 13,646,432	$ 18,360,819	$ 19,130,468
Public safety	43,221,741	47,675,795	51,798,458	58,758,103	68,542,046	75,789,982	80,579,263
Transportation	5,529,190	4,900,486	8,576,565	8,595,630	9,912,068	10,341,829	9,893,618
Community development	13,613,463	17,583,882	25,632,688	18,590,562	18,937,934	22,614,813	19,369,860
Culture and leisure	5,613,563	7,917,645	8,194,868	11,177,403	12,018,761	15,345,765	16,015,957
Libraries	2,629,171	2,908,754	3,115,118	3,940,974	3,919,671	4,654,234	5,025,580
Interest on long-term debt	2,542,778	1,811,687	2,076,882	2,305,762	2,299,356	1,904,516	3,263,821
Total governmental activities expenses	82,112,729	94,360,035	110,483,882	116,280,364	129,276,268	149,011,958	153,278,567
Business-type activities:							
Water	17,335,671	20,660,212	19,281,560	23,636,082	23,152,648	26,636,150	30,683,509
Wastewater	19,406,873	18,321,799	22,141,678	18,960,096	25,482,133	27,939,236	29,033,021
Environmental resources	30,287,398	29,770,148	28,693,531	35,070,009	37,117,879	38,535,592	39,817,351
Performing arts and convention center	1,113,265	1,250,372	1,284,733	1,402,812	1,565,920	1,590,321	1,761,156
Oxnard housing authority	17,685,407	20,103,955	22,800,927	24,462,843	25,507,125	24,724,889	23,494,108
Municipal golf course	4,318,642	3,901,301	2,052,025	3,130,165	4,028,435	3,983,695	4,433,702
Total business–type activities expenses	90,147,256	94,007,787	96,254,454	106,662,007	116,854,140	123,409,883	129,222,847
Total primary government expenses	$ 172,259,985	$ 188,367,822	$ 206,738,336	$ 222,942,371	$ 246,130,408	$ 272,421,841	$ 282,501,414
PROGRAM REVENUES							
Governmental activities:							
Charges for services:							
General government	8,279,046	8,609,967	12,172,573	8,044,319	8,516,015	7,864,784	17,237,868
Public safety	1,054,655	2,412,682	5,066,751	3,654,740	5,306,818	6,513,674	6,114,255
Transportation	21,323	204,005	2,079,319	1,455,304	2,468,510	4,369,882	4,217,846
Community development	13,502,510	12,780,422	16,018,715	16,712,568	23,822,460	24,448,745	11,095,658
Culture and leisure	1,216,114	1,337,193	2,343,267	1,772,109	2,725,055	928,054	3,903,705
Libraries	86,064	103,356	196,900	214,559	209,622	169,339	320,939
Operating grants and contributions	25,907,496	36,071,980	32,793,458	39,370,445	20,254,587	30,436,511	25,025,965
Capital grants and contributions	—	—	—	—	—	16,758,901	6,804,709
Total governmental activities program revenues	50,067,208	61,519,605	70,670,983	71,224,044	63,303,067	91,489,890	74,720,945

City of Oxnard, California

Schedule II
Changes in Net Assets
Last Seven Fiscal Years
(Accrual Basis of Accounting)

	Fiscal Year						
	2001	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**
Business-type activities:							
Charges for services:							
Water	16,226,461	17,206,345	20,465,812	28,401,190	34,334,436	32,150,667	36,855,486
Wastewater	18,254,171	20,495,040	22,130,759	23,532,305	33,709,319	26,139,278	24,503,133
Environmental resources	29,697,676	28,432,860	29,811,773	32,965,746	36,071,999	36,704,264	40,122,057
Performing arts and convention center	422,078	296,295	364,053	371,553	468,732	483,475	517,766
Oxnard housing authority	18,292,175	18,040,124	20,342,572	23,024,813	21,411,579	23,197,945	23,137,523
Municipal golf course	3,351,431	3,207,541	2,687,299	7,487,215	3,119,621	3,899,645	3,999,148
Operating grants and contributions	4,777,822	3,881,547	3,422,902	—	—	—	—
Capital grants and contributions	—	—	—	—	—	1,306,910	—
Total business–type activities program revenues	91,021,814	91,559,752	99,225,170	115,782,822	129,115,686	123,882,184	129,135,113
Total primary government program revenues	$ 141,089,022	$ 153,079,357	$ 169,896,153	$ 187,006,866	$ 192,418,753	$ 215,372,074	$ 203,856,058
Net expense (revenue):							
Governmental activities	(32,045,521)	(32,840,430)	(39,812,899)	(45,056,320)	(65,973,201)	(57,522,068)	(78,557,622)
Business-type activities	874,558	(2,448,035)	2,970,716	9,120,815	12,261,546	472,301	(87,734)
Total primary government net expense	$ (31,170,963)	$ (35,288,465)	$ (36,842,183)	$ (35,935,505)	$ (53,711,655)	$ (57,049,767)	$ (78,645,356)
GENERAL REVENUE AND OTHER CHANGES IN NET ASSETS							
Governmental activities:							
Taxes:							
Property taxes	23,484,567	25,873,406	30,115,989	35,245,432	49,096,920	58,537,770	68,429,117
Sales taxes	18,140,143	19,846,352	20,775,896	22,772,358	23,212,641	23,985,182	25,783,808
Transient occupancy taxes	2,328,218	2,321,758	2,247,831	2,222,553	2,445,468	3,309,716	3,550,903
Franchise taxes	4,807,104	7,085,201	2,830,462	3,718,917	4,572,206	3,914,317	3,686,627
Deed transfer taxes	583,617	555,249	573,234	1,159,215	1,196,393	1,230,768	880,370
Business license taxes	2,203,188	3,194,683	—	4,386,245	3,967,972	4,470,841	4,504,455
Penalties on delinquent taxes	90,164	182,230	190,546	181,655	126,250	132,403	129,679
Investment earnings	4,389,201	4,588,082	3,858,978	4,547,276	3,911,106	4,860,461	6,653,231
Sale of capital assets	—	—	—	—	—	7,146,270	—
Transfers	(1,463,398)	(1,672,830)	(1,236,947)	(1,778,579)	(1,882,942)	(2,280,393)	(2,166,406)
Total governmental activities	54,562,804	61,974,131	59,355,989	72,455,072	86,646,014	105,307,335	111,451,784

Schedule II
Changes in Net Assets
Last Seven Fiscal Years
(Accrual Basis of Accounting)

	Fiscal Year						
	2001	2002	2003	2004	2005	2006	2007
Business-type activities:							
Investment earnings	—	2,331,298	1,927,516	2,080,206	4,486,577	4,753,913	7,480,785
	—	—	—	—	—	—	23,476,670
Transfers	1,463,398	1,672,830	1,236,947	1,488,793	1,481,242	2,280,393	2,166,406
Total business–type activities	1,463,398	4,004,128	3,164,463	3,568,999	5,967,819	7,034,306	33,123,861
Total primary program	$ 56,026,202	$ 65,978,259	$ 62,520,452	$ 76,024,071	$ 92,613,833	$ 112,341,641	$ 144,575,645
Change in net assets:							
Governmental activities	22,517,283	29,133,701	19,543,090	27,398,752	20,672,813	47,785,267	32,894,162
Business-type activities	2,337,956	1,556,093	6,135,179	12,689,814	18,229,365	7,506,607	33,036,127
Total primary government program	$ 24,855,239	$ 30,689,794	$ 25,678,269	$ 40,088,566	$ 38,902,178	$ 55,291,874	$ 65,930,289

The City of Oxnard implemented GASB 34 for the fiscal year ended June 30, 2001. Information prior to the implementation of GASB 34 is not available.
Source: Finance Department, City of Oxnard

City of Oxnard, California

Schedule III
Fund Balances of Governmental Funds
Last Six Fiscal Years
(Accrual Basis of Accounting)

	Fiscal Year						
	2001	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**
General fund							
Reserved	$ 1,631,586	$ 1,870,298	$ 3,211,597	$ 1,180,342	$ 4,201,060	$ 3,658,849	$ 3,573,245
Unreserved	19,864,559	25,526,320	24,597,396	25,398,644	19,197,335	23,523,456	21,424,406
Total general fund	21,496,145	27,396,618	27,808,993	26,578,986	23,398,395	27,182,305	24,997,651
All other governmental funds							
Reserved	13,838,262	13,887,599	8,486,307	11,330,593	11,982,415	12,243,331	30,201,020
Unreserved, reported in:							
Special revenue funds	32,000,890	37,036,381	45,814,074	55,595,303	53,104,087	58,172,246	51,516,503
Capital projects funds	12,487,381	12,639,137	12,974,002	21,790,919	22,103,670	26,320,799	47,966,047
Total all other governmental funds	$ 58,326,533	$ 63,563,117	$ 67,274,383	$ 88,716,815	$ 87,190,172	$ 96,736,376	$ 129,683,570

The City of Oxnard implemented GASB 34 for the fiscal year ended June 30, 2001. Information prior to the implementation of GASB 34 is not available.
Source: Finance Department, City of Oxnard

City of Oxnard, California

Schedule IV
Changes in Fund Balances of Governmental Funds
Last Six Fiscal Years
(Modified Accrual Basis of Accounting)

	Fiscal Year						
	2001	2002	2003	2004	2005	2006	2007
REVENUES							
Taxes	$ 51,637,001	$ 59,058,879	$ 59,303,485	$ 69,686,376	$ 84,617,850	$ 95,580,997	$ 106,964,959
Licenses and permits	2,211,303	1,987,392	2,862,476	2,182,715	2,116,934	5,937,172	3,434,727
Intergovernmental	27,714,568	37,691,308	38,508,559	40,834,560	27,036,948	31,543,392	31,830,674
Growth and development fees	8,049,376	7,432,528	8,796,590	9,004,335	10,061,956	9,616,234	4,984,467
Charges for services	6,070,045	7,908,643	12,022,652	11,105,208	15,358,432	14,721,778	11,418,999
Fines and forfeitures	1,284,259	1,411,837	853,188	1,198,456	1,248,242	1,320,782	1,383,780
Interest	4,389,201	4,588,082	3,858,978	4,547,276	3,911,106	4,860,461	6,653,231
Special assessments	1,250,930	1,515,592	1,727,674	2,089,097	2,240,492	2,346,088	14,967,993
Contributions from property owners	—	—	—	—	—	1,085,000	—
Miscellaneous	3,486,727	3,572,305	3,055,944	4,809,675	5,240,064	10,352,424	6,700,305
Total revenues	**106,093,410**	**125,166,566**	**130,989,546**	**145,457,698**	**151,832,024**	**177,364,328**	**188,339,135**
EXPENDITURES							
General government	7,713,044	9,786,593	9,781,192	11,444,213	11,788,754	11,994,048	12,283,152
Public safety	40,353,308	44,560,812	48,494,541	55,856,590	64,312,956	69,405,713	75,815,578
Transportation	5,384,755	4,743,755	8,409,737	8,108,305	9,709,306	10,254,324	10,136,221
Community development	13,031,954	17,413,069	20,454,657	17,912,245	18,597,956	22,100,626	18,962,172
Culture and leisure	7,799,434	10,362,084	7,811,085	10,824,801	11,520,103	14,366,317	15,141,511
Library services	—	—	2,991,509	3,818,769	3,731,437	4,214,038	4,558,864
Capital outlay	16,294,274	23,794,668	22,199,380	31,640,247	29,924,300	41,227,891	56,309,445
Debt service:							
Principal	2,370,096	2,412,335	4,525,483	2,908,600	2,999,393	7,983,492	2,251,795
Interest	2,250,368	1,988,947	2,178,355	2,102,073	2,072,111	1,920,662	2,411,174
Total expenditures	95,197,233	115,062,263	126,845,939	144,615,843	154,656,316	183,467,111	197,869,912
Excess (deficiency) of revenues over expenditures	10,896,177	10,104,303	4,143,607	841,855	(2,824,292)	(6,102,783)	(9,530,777)
OTHER FINANCING SOURCES (USES)							
Proceeds from loans payable	—	2,705,584	7,435,000	—	—	—	—
Proceeds from financing sources	—	—	—	34,750,209	—	—	—
Payment to escrow agent	—	—	(6,380,000)	(13,601,060)	—	14,567,020	—
Proceeds from sale of property	—	—	—	—	—	1,885,649	—
Proceeds from sale of bonds	—	—	—	—	—	—	42,459,723
Transfers in	5,177,295	6,374,102	6,989,190	6,475,027	10,770,253	13,659,615	13,159,636
Transfers out	(6,640,693)	(8,046,932)	(8,064,156)	(8,253,606)	(12,653,195)	(10,679,387)	(15,326,042)
Total other financing sources (uses)	(1,463,398)	1,032,754	(19,966)	19,370,570	(1,882,942)	19,432,897	40,293,317
Net change in fund balances	$ 9,432,779	$ 11,137,057	$ 4,123,641	$ 20,212,425	$ (4,707,234)	$ 13,330,114	$ 30,762,540
Debt service as a percentage of noncapital expenditures	5 86%	4 82%	6 41%	4 44%	4 07%	6 96%	3 29%

Source: Finance Department, City of Oxnard

City of Oxnard, California

Schedule V
Governmental Activities Tax Revenue by Source
Last Seven Fiscal Years
(Modified Accrual Basis of Accounting)

Fiscal Year	Property Tax	Sales Tax	Transient Occupancy Tax	Franchise Tax	Deed Transfer Tax	Business License Tax	Penalties and Interest	Total
2001	$ 23,484,567	$ 18,140,143	$ 2,328,218	$ 4,807,104	$ 583,617	$ 2,203,188	$ 90,164	$ 51,637,001
2002	25,873,406	19,846,352	2,321,758	7,085,201	555,249	3,194,683	182,230	59,058,879
2003	30,115,989	20,775,896	2,247,831	2,830,462	849,413	3,366,003	190,546	60,376,140
2004	35,245,432	22,772,358	2,222,553	3,718,917	1,159,215	4,386,245	181,655	69,686,375
2005	49,096,920	23,212,641	2,445,468	4,572,206	1,196,393	3,967,972	126,250	84,617,850
2006	58,537,770	23,985,182	3,309,716	3,914,317	1,230,768	4,470,841	132,403	95,580,997
2007	68,429,117	25,783,808	3,550,903	3,686,627	880,370	4,504,455	129,679	106,964,959

The City of Oxnard implemented GASB 34 for the fiscal year ended June 30, 2001. Information prior to the implementation of GASB 34 is not available.
Source: Finance Department, City of Oxnard

City of Oxnard, California

Schedule VI
Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years

	Real Property							
Fiscal Year	**Residential**	**Commercial**	**Personal Property**	**Less: Tax Exempt Real Property**	**Total Taxable Assessed Value**	**Total Direct Tax Rate**	**Estimated Actual Taxable Value**	**Assessed Value as a Percentage of Actual Value**
1998	$ 4,594,240,080	$ 1,878,967,522	$ 94,844,935	$ 722,494,121	$ 5,845,558,416	1.14647%	$ 5,845,558,416	100.00%
1999	4,653,629,276	1,951,680,008	95,463,165	737,477,086	5,963,295,363	1.14497%	5,963,295,363	100.00%
2000	4,830,144,691	2,014,131,847	91,597,348	874,969,634	6,060,904,252	1.18067%	6,060,904,252	100.00%
2001	5,378,551,952	2,267,262,765	97,930,553	846,810,724	6,896,934,546	1.17277%	6,896,934,546	100.00%
2002	5,857,044,851	2,494,786,288	111,351,225	905,863,935	7,557,318,429	1.20417%	7,557,318,429	100.00%
2003	6,420,500,506	2,673,117,741	124,301,084	1,110,078,014	8,107,841,317	1.21447%	8,107,841,317	100.00%
2004	7,253,159,544	2,975,719,097	117,948,102	1,346,099,223	9,000,727,520	1.20384%	9,000,727,520	100.00%
2005	8,168,388,379	3,341,067,161	114,301,049	1,537,114,090	10,086,642,499	1.19624%	10,086,642,499	100.00%
2006	9,405,951,581	3,814,788,282	120,544,440	1,835,609,239	11,505,675,064	1.17614%	11,505,675,064	100.00%
2007	10,689,026,776	4,312,067,166	147,705,238	2,126,175,049	13,022,624,131	1.16564%	13,022,624,131	100.00%

Source: County of Ventura, Office of the Auditor-Controller
Finance Department, City of Oxnard

City of Oxnard, California

Schedule VII
Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years

	City Direct Rates			Overlapping Rates			
Fiscal Year	**Basic**	**Debt Service**	**Total Direct**	**School Districts**	**Water Districts**	**Total Overlapping**	**Total Direct & Overlapping Rates**
1998	1.00000%	0.14647%	1.14647%	0.02620%	0.06694%	0.09314%	1.23961%
1999	1.00000%	0.14497%	1.14497%	0.10040%	0.08362%	0.18402%	1.32899%
2000	1.00000%	0.18067%	1.18067%	0.14920%	0.06067%	0.20987%	1.39054%
2001	1.00000%	0.17277%	1.17277%	0.11070%	0.06399%	0.17469%	1.34746%
2002	1.00000%	0.20417%	1.20417%	0.10420%	0.05690%	0.16110%	1.36527%
2003	1.00000%	0.21447%	1.21447%	0.10790%	0.05120%	0.15910%	1.37357%
2004	1.00000%	0.20384%	1.20384%	0.09770%	0.04476%	0.14246%	1.34630%
2005	1.00000%	0.19624%	1.19624%	0.08410%	0.04224%	0.12634%	1.32258%
2006	1.00000%	0.17614%	1.17614%	0.09850%	0.03691%	0.13541%	1.31155%
2007	1.00000%	0.16564%	1.16564%	0.08220%	0.03272%	0.11492%	1.28056%

NOTE: (1) The passage of Proposition 13 on June 6, 1978, established a maximum countywide levy of 1% of market value or $1.00 per $100 of assessed value. Prior to fiscal year 1982, assessed valuation was stated at 25% of market value or $4.00 per $100 of assessed value.

Source: County of Ventura, Office of the Auditor-Controller

City of Oxnard, California

Schedule VIII
Principal Property Taxpayers
Current Year and Six Years Ago

Taxpayer	2007 Taxable Assessed Value	2007 Rank	2007 Percentage of Total Taxable Assessed Value	2001 Taxable Assessed Value	2001 Rank	2001 Percentage of Total Taxable Assessed Value
Proctor & Gamble Paper Products Company	$ 270,310,165	1	1.785%	$ 285,208,162	1	4.153%
St. John's Regional Medical Center	203,332,361	2	1.343%	146,803,106	2	2.138%
710 Del Norte LLC	94,600,000	3	0.063%			
Essex Tierra Vista Limited Partnership	78,010,211	4	0.515%			
SI VIII LLC	77,910,667	5	0.514%			
EF Oxnard LLC	75,276,100	6	0.497%			
DR Horton LA Holding Company	74,605,839	7	0.493%			
Standard Pacific Corporation	74,017,134	8	0.489%			
Fred Kavli	63,613,687	9	0.420%			
Duesenberg Investment Company	62,725,278	10	0.414%			
RiverPark A & B LLC	60,178,658	11	0.397%			
Haas Automation Inc.	57,975,700	12	0.383%			
Weyerhaeuser Company	51,828,300	13	0.342%			
Centro Watt Properties Owner 1 LLC	49,090,231	14	0.324%			
BMW of North America, Inc.	42,070,446	15	0.278%			
Willamette Industries Inc.				68,998,598	3	1.005%
CHW Central Coast				56,821,100	4	0.827%
Tiger Ventura County				51,687,562	5	0.753%
Channel Islands Harbor Investment Company				46,501,245	6	0.677%
AT&T Credit Corp Trust				43,778,328	7	0.638%
Ormond Beach Power				39,712,544	8	0.578%
Donwen Corporation				36,659,711	9	0.534%
Seminis Vegetable Seeds Inc.				32,215,842	10	0.469%
Other Taxpayers	13,808,289,724		91.181%	6,058,680,229		88.228%
Totals	$ 15,143,834,501		100.000%	$ 6,867,066,427		100.000%

Source: HDL Coren and Cone, Ventura County Assessor 2006-07 Combined Tax Rolls

City of Oxnard, California

Schedule IX
Property Tax Levies and Collections
Last Ten Fiscal Years

Year Ended June 30	Total Tax Levy for Fiscal Year	Collected Within the Fiscal Year of the Levy: Amount	Collected Within the Fiscal Year of the Levy: Percentage of Levy	Collections in Subsequent Years	Total Collections to Date: Amount	Total Collections to Date: Percentage of Levy
1998	$ 18,113,687	$ 17,712,334	97.78%	$ 250,440	$ 17,962,774	99.17%
1999	15,014,300	14,868,769	99.03%	189,551	15,058,320	100.29%
2000	17,038,470	17,317,763	101.64%	99,032	17,416,795	102.22%
2001	23,380,000	23,484,567	100.45%	90,164	23,574,731	100.83%
2002	25,900,000	25,718,029	99.30%	284,711	26,002,740	100.40%
2003	30,040,000	29,892,747	99.51%	190,546	30,083,293	97.32%
2004	35,432,169	35,281,916	99.58%	344,390	35,626,306	99.99%
2005	44,743,658	49,223,170	110.01%	126,250	49,349,420	110.29%
2006	54,511,910	58,537,770	107.39%	132,403	58,670,173	107.63%
2007	59,401,879	68,429,117	115.20%	129,679	68,558,796	115.42%

Source: Finance Department, City of Oxnard

City of Oxnard, California

Schedule X
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

	Governmental Activities				Business-Type Activities				
Fiscal Year	**Revenue Bonds**	**Certificates of Participation**	**Tax Allocation Bonds**	**Capital Leases**	**Revenue Bonds**	**Capital Leases**	**Total Primary Government**	**(1) Percentage of Personal Income**	**(1) Per Capita**
1998	$ 16,193,000	$ —	$ 16,630,000	$ 1,693,752	$ 96,662,129	$ —	$ 131,178,881	5.478%	841
1999	14,541,000	8,980,000	16,140,000	1,425,696	93,118,592	—	134,205,288	5.126%	848
2000	12,285,000	8,805,000	15,620,000	1,163,893	89,448,949	—	127,322,842	4.133%	794
2001	10,705,000	8,625,000	15,065,000	891,305	85,646,884	1,401,008	122,334,197	3.507%	688
2002	9,080,000	8,440,000	14,475,000	604,201	88,945,000	1,215,752	122,759,953	3.410%	674
2003	9,535,000	8,245,000	13,850,000	307,187	84,030,000	2,824,171	118,791,358	2.985%	653
2004	22,874,301	8,045,000	19,185,000	1,729,354	214,035,699	2,916,139	268,785,493	6.389%	1,444
2005	21,607,009	7,835,000	18,635,000	1,412,398	236,943,314	2,469,070	288,901,791	6.553%	1,530
2006	19,975,756	7,620,000	18,030,000	1,086,013	298,559,567	2,010,676	347,282,012	7.464%	1,828
2007	43,109,750	7,395,000	37,940,000	749,911	292,625,260	1,536,788	383,356,709	7.890%	1,986

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

1. See the Schedule of Demographic and Economic Statistics for personal income and population data.

Source: Finance Department, City of Oxnard

City of Oxnard, California

Schedule XI
Direct and Overlapping Governmental Activities Debt
As of June 30, 2006

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Overlapping Debt:			
Metropolitan Water District	$ 2,880,102	0.802%	$ 23,098
Ventura County Community College District	20,300,468	14.951%	3,035,123
Ventura County Superintendent of Schools - Certificates of Participation	1,988,831	14.948%	297,290
Ventura County General Fund Obligations	12,147,492	14.948%	1,815,807
Ventura County Pension Obligations	1,840,099	14.948%	275,058
Oxnard Union High School District	22,361,342	46.144%	10,318,418
Oxnard Union High School District - Certificates of Participation	10,447,002	46.144%	4,820,665
Oxnard School District	94,751,347	91.644%	86,833,924
Oxnard School District - Certificates of Participation	5,691,092	91.644%	5,215,544
Rio School District	15,115,318	83.852%	12,674,496
Rio School District - Certificates of Participation	6,989,064	83.852%	5,860,470
Hueneme School District	9,466,343	49.732%	4,707,802
Ocean View School District	3,623,842	41.534%	1,505,127
Ocean View School District - Certificates of Participation	855,600	41.534%	355,365
Subtotal - Overlapping Debt	208,457,942		137,738,188
City of Oxnard Direct Debt:			
City of Oxnard Financing Authority			58,635,000
City of Oxnard Pooled Insurance Obligations			389,719
Rio School District - Community Facilities District 1			30,725,000
City of Oxnard - Mandalay Bay Assessment District 85-5R			1,235,000
City of Oxnard - Rose Avenue/Hwy 101 Assessment District 96-1			5,460,000
City of Oxnard - Rice Avenue/Hwy 101 Assessment District 2001-1			14,390,000
City of Oxnard - Oxnard Blvd/Hwy 101 Assessment District 2000-1			2,230,000
City of Oxnard Community Facilities District 1			9,725,000
City of Oxnard Community Facilities District 3			32,275,000
City of Oxnard Community Facilities District 88-1			2,855,000
Oxnard Boulevard Interchange Community District			9,770,000
Subtotal - Direct Debt			167,689,719
Total direct and overlapping debt			**$ 305,427,907**

Source: California Municipal Statistics, Inc.

City of Oxnard, California

Schedule XII
Legal Debt Margin Information in Thousands
Last Ten Fiscal Years

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Debt limit	$ 985,208	$ 1,005,116	$ 1,040,381	$ 1,161,562	$ 1,269,477	$ 1,382,688	$ 1,534,332	$ 1,726,418	$ 1,983,111	$ 2,250,164
Total net debt applicable to limit	2,060	2,216	—	—	—	—	—	—	—	—
Legal debt margin	$ 983,148	$ 1,002,900	$ 1,040,381	$ 1,161,562	$ 1,269,477	$ 1,382,688	$ 1,534,332	$ 1,726,418	$ 1,983,111	$ 2,250,164
Total net debt applicable to the limit as a percentage of debt limit	0.21%	0.22%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Legal Debt Margin Calculation for Fiscal Year 2007

Assessed value	$ 12,874,919
Add back: exempt real property	2,126,175
Total assessed value	15,001,094
Debt limit (15% of total assessed value)	2,250,164
Debt applicable to limit:	
General obligation bonds	381,070
Less: assets in debt service funds for principal payments:	
Revenue bonds - governmental activities	(43,110)
Revenue bonds - business-type activities	(292,625)
Tax allocation bond - community development commission	(37,940)
Certificates of participation	(7,395)
Total net debt applicable limit	0
Legal debt margin	$ 2,250,164

Source: Finance Department

City of Oxnard, California

Schedule XIII
Pledged Revenue Coverage
Last Ten Fiscal Years

Fiscal Year	Gross Revenues	Less: Operating Expenses	Net Available Revenues	Principal	Interest	Coverage	Gross Revenues	Less: Operating Expenses	Net Available Revenues	Principal	Interest	Coverage
	Water Revenue Bonds						**Wastewater Revenue Bonds**					
1998	$ 13,508,174	$ 13,364,858	$ 143,316	$ 551,127	$ 157,283	0 20	$ 17,180,389	$ 9,964,354	$ 7,216,035	$ 1,615,000	$ 3,158,218	1 51
1999	14,980,803	13,780,587	1,200,216	543,537	128,855	1 78	18,371,484	11,561,115	6,810,369	1,685,000	2,843,492	1 50
2000	16,529,128	15,057,247	1,471,881	534,642	230,776	1 92	17,749,682	11,315,240	6,434,442	1,760,000	2,653,560	1 46
2001	16,226,461	15,347,727	878,734	522,065	224,747	1 18	18,254,171	11,591,100	6,663,071	1,840,000	2,568,810	1 51
2002	17,856,094	18,141,656	(285,562)	794,388	709,225	(0 19)	22,005,625	11,978,948	10,026,677	1,925,000	2,484,277	2 27
2003	20,602,479	16,782,851	3,819,628	225,000	730,142	4 00	23,515,790	16,445,581	7,070,209	1,805,000	1,883,286	1 92
2004	28,898,906	19,899,216	8,999,690	235,000	1,315,783	5 80	23,182,456	12,958,128	10,224,328	1,750,000	1,924,826	2 78
2005	34,609,573	18,351,471	16,258,102	1,150,000	2,682,330	4 24	36,892,293	14,715,076	22,177,217	1,815,000	5,969,101	2 85
2006	34,212,012	21,865,005	12,347,007	1,202,083	2,699,580	3 16	28,512,017	16,185,708	12,326,309	1,885,000	6,682,905	1 44
2007	40,719,155	22,674,000	18,045,155	1,205,000	2,625,730	4 71	27,322,064	16,956,481	10,365,583	2,135,000	7,259,743	1 10

Fiscal Year	Gross Revenues	Less: Operating Expenses	Net Available Revenues	Principal	Interest	Coverage	Gross Revenues	Less: Operating Expenses	Net Available Revenues	Principal	Interest	Coverage
	Environmental Resources Revenue Bonds						**Oxnard Housing Authority Revenue Bonds**					
1998	$ 21,661,953	$ 16,837,171	$ 4,824,782	$ 760,000	$ 1,369,880	2 27						
1999	26,475,373	20,914,785	5,560,588	790,000	1,339,478	2 61						
2000	28,438,658	25,275,245	3,163,413	820,000	1,306,299	1 49						
2001	32,195,190	28,050,828	4,144,362	860,000	1,403,617	1 83						
2002	29,697,676	26,728,446	2,969,230	1,096,492	1,303,060	1 24						
2003	28,714,969	26,240,998	2,473,971	1,012,756	1,570,081	0 96						
2004	30,031,391	25,682,146	4,349,245	1,617,980	1,499,922	1 39						
2005	33,200,540	30,574,399	2,626,141	1,433,833	1,216,797	0 99	$ 21,823,107	$ 22,305,475	$ (482,368)	$ —	$ 181,708	(2 65)
2006	36,529,711	34,228,035	2,301,676	19,001,588	1,155,331	0 11	21,515,845	23,235,370	(1,719,525)	205,000	231,660	(3 94)
2006	36,878,690	36,342,348	536,342	2,033,392	1,117,677	0 17	23,321,917	22,699,304	622,613	205,000	227,758	1 44
2007	40,322,484	38,170,528	2,151,956	2,142,556	1,036,405	0 68	22,616,071	21,496,289	1,119,782	215,000	243,407	2 44

NOTE: The above operating expense figures do not include depreciation and debt service expenses.

SOURCE: Finance Department, City of Oxnard

City of Oxnard, California

Schedule XIV
Demographic and Economic Statistics
Last Ten Fiscal Years

Fiscal Year	(1) Population	(2) Personal Income (in thousands)	(2) Per Capita Income	(3) Median Age	(4) School Enrollment	(5) Unemployment Rate
1998	156,000	$ 2,394,444	$ 15,349	34	38,073	7.00%
1999	158,300	2,617,965	16,538	34	38,793	6.40%
2000	160,300	3,080,485	19,217	32	40,238	6.38%
2001	177,700	3,488,251	19,630	30	39,865	4.90%
2002	182,027	3,599,948	19,777	30	42,106	5.20%
2003	181,800	3,979,057	21,887	30	41,936	7.40%
2004	186,122	4,207,288	22,605	30	42,276	5.60%
2005	188,941	4,408,869	23,346	30	38,372	4.90%
2006	189,990	4,652,855	24,490	28	37,196	4.00%
2007	192,997	4,858,838	25,176	31	37,956	4.70%

SOURCES:

(1) California Department of Finance, Demographic Research Unit
(2) Consumer Price Index of Urban Wage Earners
(3) US Census
(4) Oxnard School Districts (Elementary) and Oxnard Union High School District
(5) State Employment Development Department (data is based on annual average)

City of Oxnard, California

Schedule XV
Principal Employers
Current Year

Employer	**Employees**	**Rank**	**Percentage of Total City Employment**
St. John's Regional Medical Center	1,994	1	2.441%
Oxnard High School District	1,500	2	1.836%
Waterway Plastics	1,300	3	1.591%
City of Oxnard	1,186	4	1.428%
Haas Automation	996	5	1.219%
Aluminum Precision	700	6	0.857%
Total	7,676		9.372%

Source: Economic Development Corporation of Oxnard

City of Oxnard, California

Schedule XVI
Full-Time Equivalent City Government Employees by Function
Last Ten Fiscal Years

Function	**1998**	**1999**	**2000**	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**
General Government	174	176	178	196	197	200	207	211	217	214
Public safety										
Police										
Officers	195	196	198	200	202	208	220	229	235	236
Civilians	115	119	119	127	128	131	134	138	152	151
Fire										
Firefighters & officers	76	83	83	85	86	87	89	91	100	102
Civilians	3	2	3	2	2	4	5	4	4	5
Transportation	34	34	34	36	36	36	36	36	45	56
Community development	48	49	55	47	50	53	56	57	57	59
Culture and recreation	68	71	69	70	72	78	79	79	74	83
Utilities										
Water	29	35	34	34	41	45	44	44	48	47
Wastewater	70	70	71	67	67	67	67	72	72	72
Solid Waste	71	76	77	76	76	80	80	80	81	81
Housing	66	67	74	76	77	80	80	80	80	81
Total	949	978	995	1,016	1,034	1,069	1,097	1,121	1,165	1,187

Source: Finance Department, City of Oxnard

City of Oxnard, California

Schedule XVII
Operating Indicators by Function
Last Three Fiscal Years

Function	**2005**	**2006**	**2007**
Police			
Physical arrests	6,492	8,162	8,835
Parking violations	36,240	28,533	31,462
Traffic violations	30,985	19,590	20,525
Fire			
Numbers of calls answered	11,117	10,631	11,212
Inspections	2,829	3,109	3,693
Highways and streets			
Potholes repaired	18,333	10,545	12,200
Sanitation			
Total number of customers	43,617	44,941	45,731
Refuse collected (tons/day)	632	650	681
Recyclables collected (tons/day)	67	70	64
Culture and recreation			
Community center admissions	48,800	43,849	42,831
Water			
Total number of customers	37,276	38,053	38,816
Average daily consumption	29,000,000	29,000,000	29,000,000
Wastewater			
Total number of customers	34,694	35,188	35,646
Average daily sewerage treatment	23,000,000	23,000,000	23,000,000

Note: The City of Oxnard did not prepare the above schedule prior to implementation of GASB 44; therefore, information prior to that year is not available.

Source: Various departments, City of Oxnard

City of Oxnard, California

Schedule XVIII
Capital Assets by Function
Last Two Fiscal Years

Function	2005	2006	2007
Public safety			
Police			
Stations	1	1	1
Police vehicles	223	261	345
Fire			
Stations	6	7	7
Hydrants	4,180	5,200	5,000
Sanitation			
Collection trucks	48	48	57
Highways and streets			
Streets (miles)	403	400	400
Streetlights	650	650	650
Traffic signals	9,120	9,120	9,258
Culture and recreation			
Parks acreage	449	469	469
Parks	45	49	49
Ball diamonds	31	30	30
Basketball courts	20	19	19
Craft/Activity buildings	9	8	8
Gymnasium	2	3	3
Swimming pools	1	1	1
Tennis courts	33	31	31
Community centers	3	3	3
Library			
Number of books	336,518	361,713	433,008
Number of microfilms	8,299	8,394	8,473
Number of audiotapes	14,537	18,200	20,284
Number of videotapes	9,377	12,917	14,709
Number of CD-ROMS (data disk)	609	708	808
Water			
Water mains (miles)	500	525	600
Maximum daily treatment capacity	18,000,000	18,000,000	18,000,000
Sewer			
Miles of sewer lines	425	435	440

Note: The City of Oxnard did not prepare the above schedule prior to implementation of GASB 44; therefore, information prior to that year is not available.

Sources: Various City departments

CITY OF

Oxnard

"The City That Cares"

CALIFORNIA

CITY OF

Oxnard

"The City That Cares"

CALIFORNIA

MHM

Mayer Hoffman McCann P.C.
An Independent CPA Firm

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH THE PROPOSITION 111 2006-2007 APPROPRIATION LIMIT INCREMENT

Honorable Mayor and Members of the City Council
City of Oxnard

We have applied the procedures enumerated below to the Appropriations Limitation Worksheet for the City of Oxnard for the year ended June 30, 2007. These procedures, which were suggested by the League of California Cities and presented in their Article XIIIB Appropriations Limitation Uniform Guidelines were performed solely to assist you in meeting the requirements of Section 1.5 of Article XIIIB of the California Constitution. The sufficiency of the procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose. This report is intended for the information of management and the Honorable Mayor and Members of the City Council; however, this restriction is not intended to limit the distribution of this report, which is a matter of public record.

The procedures you requested us to perform and our findings were as follows:

A. We obtained the Appropriations Limitation Worksheet and determined that the 2006-2007 Appropriations Limit and annual adjustment factors were adopted by resolution of City Council. We also determined that the population and inflation options were selected by a recorded vote of the City Council.

B. We recomputed the 2006-2007 Appropriations Limit to be $155,966,709 by multiplying the 2005-2006 Prior Year Appropriations Limit by the annual adjustment factors. The City calculated a 2006-2007 appropriations limit of $155,966,438.

C. For the Appropriations Limitation Worksheet, we agreed the Per Capita Income, County and City Population Factors to California State Department of Finance Worksheets.

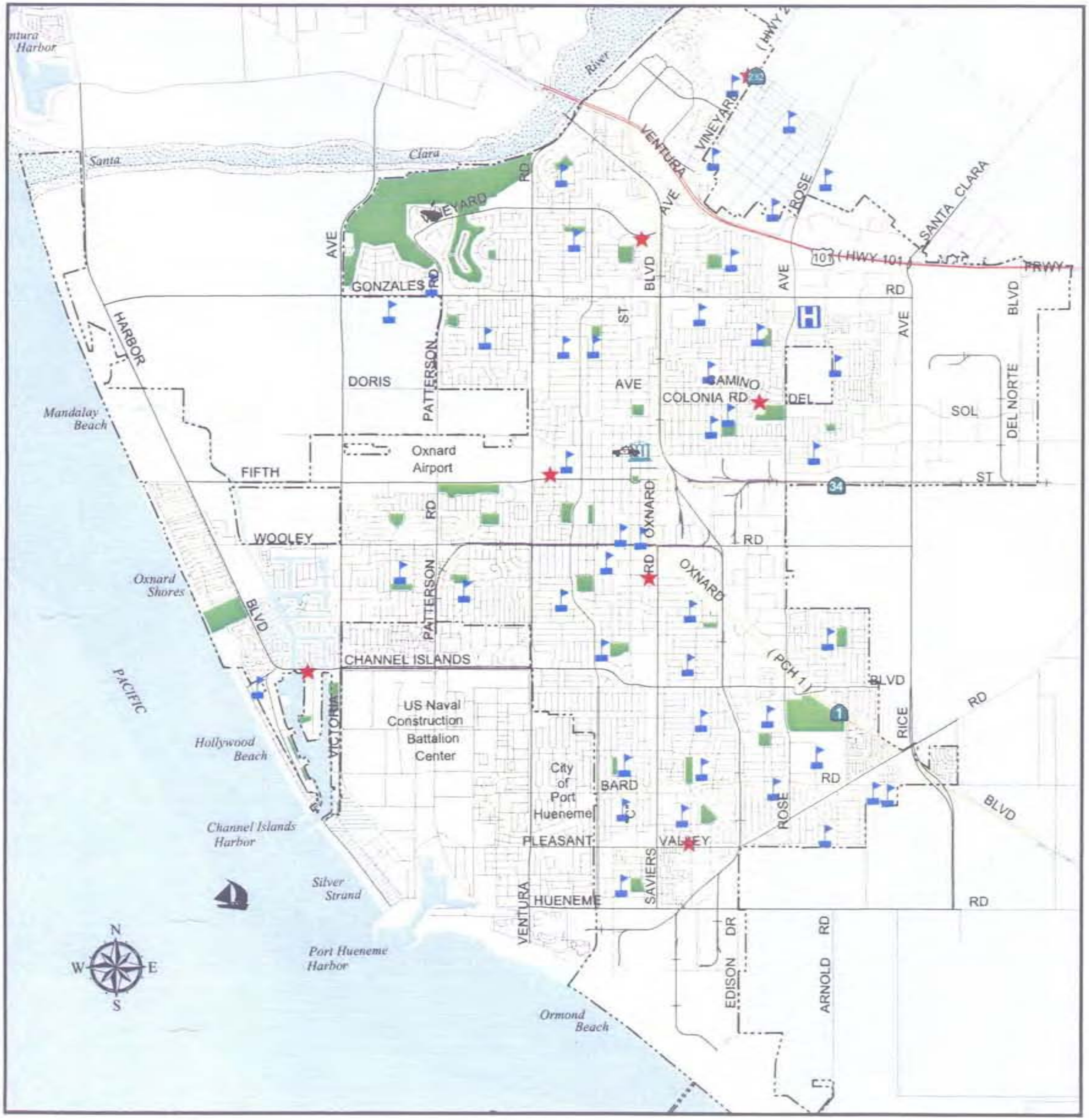
These agreed-upon procedures are substantially less in scope than an audit, the objective of which is the expression of an opinion on the Appropriations Limitation Worksheet. Accordingly, we do not express such an opinion.

Based on the application of the procedures referred to above, nothing came to our attention, which caused us to believe that the City's Appropriations Limitation Worksheet was not computed in accordance with Article XIIIB of the California Constitution, as interpreted in the California League of Cities Article XIIIB Appropriations Limit Uniform Guidelines. Had we performed additional procedures or had we made an audit of the Appropriations Limitation Worksheet and the other completed worksheets described above, matters might have come to our attention, which would have been reported to you.

Mayer Hoffman McCann P.C.

September 26, 2007
Oxnard, CA

SOUTHERN CALIFORNIA LOCATIONS
11601 WILSHIRE BOULEVARD, SUITE 2300 • LOS ANGELES, CA 90025 • PH 310.268.2000 • FAX 310.268.2001
5060 CALIFORNIA AVENUE, SUITE 800 • BAKERSFIELD, CA 93309 • PH 661.325.7500 • FAX 661.325.7004
300 ESPLANADE DRIVE, SUITE 250 • OXNARD, CA 93036 • PH 805.988.3222 • FAX 805.988.3220
2 VENTURE, SUITE 455 • IRVINE, CA 92618 • PH 949.450.4400 • FAX 949.450.0694



LEGEND

- PUBLIC SAFETY
- CITY HALL
- FIRE STATION
- HOSPITAL
- GOLF COURSE
- SCHOOL
- PARK
- CITY LIMIT
- RAILROAD

CITY OF OXNARD

November 8, 2007

The mapped data is created and designed by the City of Oxnard GIS Program, which is developed and operated solely for the convenience of the City. The map is for illustrative purposes only. The City does not warrant the accuracy of this map, and no decision involving a risk of injury or economic loss should be made in reliance thereon.

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APPENDIX D

FORM OF BOND COUNSEL OPINION

On December 14, 2006, Goodwin Procter LLP, Los Angeles, California, Bond Counsel, delivered its final approving opinion with respect to the Bonds in the following form:

December 14, 2006

Governing Board
City of Oxnard Financing Authority
300 West Third Street
Oxnard, California 93030

$24,205,000
City of Oxnard Financing Authority
Variable Rate Demand Lease Revenue Bonds
(Civic Center Phase 2 Project), Series 2006
(Final Opinion)

Ladies and Gentlemen:

We have acted as Bond Counsel to the City of Oxnard Financing Authority (the "Authority") in connection with the issuance by the Authority of $24,205,000 aggregate principal amount of the City of Oxnard Financing Authority Variable Rate Demand Lease Revenue Bonds (Civic Center Phase 2 Project), Series 2006 (the "Bonds"), pursuant to the Marks-Roos Local Bond Pooling Act of 1985 (Article 4 of Chapter 5 of Division 7 of Title 1 of the California Government Code) and the provisions of a Trust Agreement, dated as of December 1, 2006 (the "Trust Agreement"), by and among the Authority, the City of Oxnard (the "City"), and Wells Fargo Bank, National Association, as trustee (the "Trustee"). Capitalized terms not otherwise defined herein shall have the meanings ascribed to them in the Trust Agreement and in the Master Lease and Option to Purchase, dated as of December 1, 2006 (the "Lease"), by and between the Authority and the City, as applicable.

In such connection, we have reviewed the Trust Agreement, the Lease, the Property Lease, dated as of December 1, 2006 (the "Property Lease"), by and between the City and the Authority, the Tax Certificate of the City and the Authority, dated the date hereof (the "Tax Certificate"), opinions of the City Attorney, certifications of the City, the Authority, and others, and such other documents, opinions, and matters to the extent we deemed necessary to render the opinions set forth herein.

Certain agreements, requirements, and procedures contained or referred to in the Trust Agreement, the Lease, the Property Lease, the Tax Certificate, and other relevant documents may be changed and certain actions (including, without limitation, defeasance of the Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. No opinion is expressed herein as to any Bond or the interest thereon if any such change occurs or action is taken or omitted upon the advice or approval of counsel other than ourselves.

The opinions expressed herein are expressed only on and as of the date hereof and are based on an analysis of existing laws, regulations, rulings, and judicial decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. Changes to existing law may occur hereafter and could have retroactive effect. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur. Our engagement with respect to the Bonds has concluded with their issuance, and we disclaim any obligation to update this opinion. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the Authority and the City. We have not undertaken to verify independently, and have assumed, the accuracy of the factual matters represented, warranted, or certified in the documents, and of the legal conclusions contained in the opinion, referred to in the second paragraph hereof.

Furthermore, we have assumed compliance with all covenants and agreements contained in the Trust Agreement, the Lease, the Property Lease, and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions, or events will not cause interest on the Bonds to be included in gross income for federal income tax purposes. In addition, we call attention to the fact that the rights and obligations under the Bonds, the Trust Agreement, the Lease, the Property Lease, and the Tax Certificate may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium, and other similar laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases, and to the limitations on legal remedies against cities and joint powers authorities in the State of California.

We have not made or undertaken to make an investigation of the state of title to each of the Sites described in the Lease or of the accuracy or sufficiency of the description of such property contained therein, and we express no opinion with respect to such matters.

We undertake no responsibility for the accuracy, completeness, or fairness of the Official Statement or other offering material relating to the Bonds and express no opinion with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The obligation of the City to pay the Base Rental and Additional Rental payments under the Lease constitutes a valid and binding limited obligation of the City. The Bonds constitute the valid and binding limited obligations of the Authority.

2. The Trust Agreement creates a valid pledge, to secure the payment of the principal of and interest on the Bonds, of the Pledged Assets. The Lease creates a valid pledge, to secure the payment of the principal of and interest on the Bonds, of the Base Rental payments.

3. Interest on the Bonds is excludable from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and is exempt from State of California personal income taxes. Interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although we observe that such interest is included in adjusted current earnings in calculating corporate alternative minimum taxable income. We express no opinion regarding other tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds.

Except as stated in paragraph 3 above, we express no opinion as to federal or State of California tax consequences of the ownership of the Bonds, including whether interest on the Bonds is (a) included in the calculation of the amount subject to the "branch-level" tax imposed by Section 884 of the Code upon the earnings of certain foreign corporations engaged in a trade or business within the United States or (b) included in the income of certain Subchapter S corporations for purposes of the tax imposed thereon by Section 1375 of the Code. We also express no opinion as to any other federal, state, or local or any foreign tax consequences with respect to acquisition, ownership, or disposition of the Bonds.

Respectfully submitted,

APPENDIX E

FORM OF LETTER OF CREDIT

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<u>IRREVOCABLE LETTER OF CREDIT</u>

No. _________

August 26, 2008

Wells Fargo Bank, National Association
707 Wilshire Boulevard
Los Angeles, California 90017

Attention: Corporate Trust Department

Dear Sirs:

We hereby establish, at the request and for the account of the City of Oxnard (the "City") in your favor, as Trustee under that certain Trust Agreement dated as of December 1, 2006 as amended and restated in its entirety by that certain Amended and Restated Trust Agreement dated as of August 1, 2008 (as amended and restated, the "Trust Agreement") among City of Oxnard Financing Authority (the "Authority"), the City and you, pursuant to which $23,515,000.00 in aggregate principal amount of the Variable Rate Demand Lease Revenue Bonds (Civic Center Phase 2 Project), Series 2006 (the "Bonds"), were remarketed, our Irrevocable Letter of Credit No. _______, in the amount of $24,373,137.00, effective immediately and expiring at the close of banking business at our Monterey Park office referred to below on August 26, 2013, or on such later date to which such expiration date may be extended from time to time by amendment of this Letter of Credit (the "Expiration Date"), unless terminated earlier pursuant to the terms hereof.

We hereby irrevocably authorize you to draw on us, in an aggregate amount not to exceed the amount of this Letter of Credit as set forth above and in accordance with the terms and conditions and subject to the reductions in amount as hereinafter set forth:

(i) in one or more drawings by one or more of your drafts (in the form of <u>Exhibit 1</u> attached hereto), each drawn on us payable at sight on a Banking Day, and accompanied by your written and completed certificate signed by you in substantially the form of <u>Annex A</u> attached hereto (such draft accompanied by such certificate being your "Payment Draft"); and

(ii) in one or more drawings by one or more of your drafts (in the form of <u>Exhibit 1</u> attached hereto), each drawn on us payable at sight on a Banking Day, and accompanied by your written and completed certificate signed by you in substantially the form of <u>Annex B</u> attached hereto (any such draft accompanied by such certificate being your "Tender Draft").

The Payment Draft accompanied by a certificate substantially in the form of <u>Annex A</u> attached hereto with the box in paragraph (2), entitled "Interest Drawing," checked shall be hereinafter referred to as an Interest Draft; the Payment Draft accompanied by a certificate substantially in the form of Annex A attached hereto with the box in paragraph (3), entitled “Partial Prepayment Drawing,” checked shall be hereinafter referred to as a Partial Prepayment Draft; and the Payment Draft accompanied by a certificate substantially in the form of Annex A attached hereto with the box in paragraph (4), entitled “Final Draft,” checked shall be hereinafter referred to as a Final Draft.

1. REDUCTIONS AND REINSTATEMENTS.

If you shall draw on us by your Interest Draft under clause (i) of the immediately preceding paragraph and you shall not have received from us, by the close of business on the fifth (5^{th}) Banking Day following the date of such drawing, a notice to the effect that we have not been reimbursed for such drawing and that accordingly the Interest Portion of this Letter of Credit will not be reinstated for the amount of such drawing, your right to draw on us in a single drawing by your Interest Draft under said clause (i) shall be automatically reinstated along with the amount drawn on us by your Interest Draft and, effective on the earlier of the date on which reimbursement for such drawing is received by us or the sixth (6^{th}) Banking Day from the date of such drawing, you shall again be authorized to draw on us by your Interest Draft in accordance with said clause (i) and the other terms and conditions referred to or set forth in the immediately preceding paragraph; and this automatic reinstatement of your right to draw on us by your Interest Draft as well as the reinstatement of the amount drawn on us by your Interest Draft shall be applicable to successive drawings by your Interest Drafts under clause (i) of the immediately preceding paragraph so long as this Letter of Credit shall not have terminated as set forth below.

The amount of this Letter of Credit shall be decreased, upon our receipt of your written and completed certificate signed by you in substantially the form of Annex C attached hereto (relating to a redemption or defeasance of less than all the Bonds outstanding), by an amount equal to the amount stated in said certificate, and the amounts available to be drawn by you by any subsequent Payment Draft or Tender Draft shall be decreased, upon our receipt of such certificate, to the amounts stated in such certificate.

Upon our honoring any Tender Draft or Partial Prepayment Draft presented by you hereunder, the amount of this Letter of Credit and the amounts available to be drawn hereunder by you by any subsequent Tender Draft, Partial Prepayment Draft or Final Draft shall be automatically decreased by an amount equal to the amount of such Tender Draft or Partial Prepayment Draft. The amount of this Letter of Credit and the amounts from time to time available to be drawn by you hereunder by any subsequent Tender Draft, Partial Prepayment Draft or Final Draft shall be increased when and to the extent, but only when and to the extent, that we are reimbursed by the City or by you on behalf of the City for any amount drawn hereunder by any Tender Draft. Any amount received by us from or on behalf of the City in reimbursement of amounts drawn hereunder shall, if we also receive your certificate completed and signed by you in substantially the form of Annex D attached hereto, be applied to the extent of the amount indicated therein to reimburse us for amounts drawn hereunder by your Tender Drafts.

2. PRESENTMENT.

Funds under this Letter of Credit are available to you against (i) your Interest Draft referring thereon to the number of this Letter of Credit and accompanied by your written and completed certificate signed by you in substantially the form of Annex A attached hereto with the first box in paragraph (2), entitled "Interest Drawing," checked, (ii) your Tender Draft referring thereon to the number of this Letter of Credit and accompanied by your written and completed certificate signed by you in substantially the form of Annex B attached hereto, (iii) your Partial Prepayment Draft referring thereon to the number of this Letter of Credit and accompanied by your written and completed certificate signed by you in substantially in the form of Annex A attached hereto with the first box in Paragraph (3), entitled "Partial Prepayment Drawing," checked, and (iv) your Final Draft referring thereon to the number of this Letter of Credit and accompanied by your written and completed certificate signed by you in substantially in the form of Annex A attached hereto with the first box in paragraph (4), entitled "Final Draft," checked. Each such draft and certificate shall be presented at our office (the "Bank's Office") located at 1980 Saturn Street, Monterey Park, California 91755-7417, Attention: SC-TSO, Standby Letters of Credit (or at any other office which may be designated by us by written notice delivered to you) on or before the day (which shall be a Banking Day) of our making funds available to you hereunder, but in no event, later than 9:00 A.M. (Pacific Time) on the day of our making funds available to you. If we receive any of your drafts and certificates at such office, all in strict conformity with the terms and conditions of this Letter of Credit, not later than 9:00 A.M. (Pacific Time) on a Banking Day up to and including the Stated Termination Date, we will honor the same on the same day (not later than 11:00 A.M. Pacific Time). If we receive any of your drafts and certificates at such office, all in strict conformity with the terms and conditions of this Letter of Credit, after 9:00 A.M. (Pacific Time) on a Banking Day, but prior to 5:00 P.M. (Pacific Time), up to and including the Stated Termination Date, we will honor the same on the next succeeding Banking Day (not later than 10:00 A.M., Pacific Time) in accordance with your payment instructions. Your certificate may indicate a later date on which your draft is to be honored in which case, if your drafts and certificates are in strict conformity with the terms and conditions of this Letter of Credit, we will honor the same not later than 10:00 A.M. Pacific Time on the date you requested in accordance with your payment instructions, *provided* that such date is a Banking Day and occurs prior to the Expiration Date.

Drafts to be presented hereunder, including the required Annexes, may be presented by telecommunications through telefax number (323) 720-2773 and the Bank shall be entitled to rely thereon as if such Drafts and Annexes were presented in person, *provided*, that such Drafts, including the required Annexes, are in conformance with the requirements for the same as set forth herein, but for the requirement of an original signature, with originally executed Drafts and Annexes to follow immediately thereafter, via overnight mail or courier service. The Bank shall have no duty and will not examine original documents confirming presentation by telecommunications. In the event of presentation by telecommunications, the telecommunication is considered the sole original presentation.

All payments made by us under this Letter of Credit will be made in immediately available funds and will be disbursed from our own funds. If requested by you, payment under this Letter of Credit may be made by wire transfer of Federal Reserve Bank of San Francisco funds to your account in a bank on the Federal Reserve wire system.

3. EXPIRATION.

Upon the earliest of (i) the date on which we receive written notice from you that there are no longer any Bonds "Outstanding" within the meaning of the Trust Agreement, (ii) at the end of business on the date on which we receive written notice from you that a "Substitute Liquidity Facility" has been issued (within the meaning of the Trust Agreement), (iii) the date on which we honor a Final Draft, and (iv) the Expiration Date, this Letter of Credit shall automatically terminate ("Stated Termination Date").

4. TRANSFER.

This Letter of Credit is transferable in its entirety only to any transferee who you certify to us has succeeded or replaced you as Trustee under the Trust Agreement and, notwithstanding Article 48 of the UCP, defined below, may be successively transferred. Transfer of the available balance under this Letter of Credit to such transferee shall be effected by the presentation to us of this Letter of Credit and any amendments thereto, accompanied by a completed certificate in substantially the form of Annex E attached hereto. Upon such presentation we shall issue a letter of credit to your transferee with provisions therein consistent with this Letter of Credit, excepting only necessary changes as to:

(i) identity and address of your transferee, as beneficiary;

(ii) the date thereof; and

(iii) the amount.

5. GOVERNING LAW.

This Letter of Credit is subject to the Uniform Customs and Practice for Documentary Credits (2007 Revision), International Chamber of Commerce, Publication No. 600), except for Articles 32 and 38. For purposes of Article 6(d), the place of presentation for payment shall be the Bank's Office. In addition, the Bank agrees, notwithstanding the second sentence of Article 36, if the Expiration Date occurs upon a Banking Day on which the Bank's Office is closed by virtue of an interruption of the nature described in Article 36, the Expiration Date will be extended to the next Banking Day on which the Bank's Office is open. As to matters not governed thereby, this Letter of Credit shall be governed by the Uniform Commercial Code as in effect in the State of California.

6. GENERAL TERMS.

This Letter of Credit sets forth in full our undertaking and such undertaking shall not in any way be modified, amended, amplified or limited by reference to any document, instrument or agreement referred to herein (including, without limitation, the Bonds), except only the certificates and the drafts referred to herein; and any such reference shall not be deemed to incorporate herein by reference any document, instrument or agreement except for such certificates and such drafts.

For all purposes of this Letter of Credit, the term “Banking Day” means any day other than a Saturday, Sunday or other day on which banks are authorized or required to be closed in the State of California.

Communications with respect to this Letter of Credit shall be in writing and shall be addressed to us at 1980 Saturn Street, Monterey Park, California 91755-7417, Attention: SC-TSO, Standby Letters of Credit, with a copy to us at 445 South Figueroa Street, G08-268, Los Angeles, California 90071, specifically referring to the number of this Letter of Credit.

Very truly yours,

UNION BANK OF CALIFORNIA, N.A.

By:______________________________________

Name:____________________________________

Title:_____________________________________

EXHIBIT 1

FORM OF DRAFT

Date: _____________

Drawn under Union Bank of California, N.A.
Irrevocable Letter of Credit No. __________

Union Bank of California, N.A.
Southern California
International Operations Center
1980 Saturn Street, V01-519
Monterey Park, California 91755-7417
Attn: Standby Letter of Credit Section

This sight draft is presented to you for the amount of $___________ for the purposes set forth in the accompanying Certificate.

________________________, as trustee (the "Trustee") under the Amended and Restated Trust Agreement dated as of August 1, 2008 among the Trustee, City of Oxnard and City of Oxnard Financing Authority.

By: _____________________________

____
Title:____________________________

Annex A

PAYMENT DRAWING

To: Union Bank of California, N.A.
1980 Saturn Street
Monterey Park, California 91755-7417
Attention: SC-TSO, Standby Letters of Credit

Irrevocable Letter of Credit No. _____

The undersigned, a duly authorized officer of the undersigned Trustee (the "Trustee"), hereby certifies to Union Bank of California, N.A. (the "Bank"), with reference to Irrevocable Letter of Credit No. _________ (the "Letter of Credit"), issued by the Bank in favor of the Trustee, as follows:

1. The Trustee is the Trustee under the Trust Agreement for the holders of the Bonds.

*2. Interest Drawing.

☐ (i) The Trustee is making a drawing under the Letter of Credit with respect to a payment of interest on the Bonds, which payment is due on the day on which this certificate and the Interest Draft it accompanies are being presented to the Bank, if presented before 9:00 A.M. (Pacific Time), or on the next Banking Day after such day unless a later date is specified as follows for payment: ____________. None of such Bonds is held of record by the Authority or the City or by the undersigned for the account of the Authority or the City.

(ii) [The Interest Draft accompanying this certificate is the first Interest Draft presented by the Trustee under the Letter of Credit.]** [The Interest Draft last presented by the Trustee under the Letter of Credit was honored and paid by the Bank and the Trustee did not, within ten Banking Days, receive a notice from the Bank that the Bank has not been reimbursed.]***

---

* Please check a box as appropriate.

** To be used in the Draw Certificate relating to the first Interest Draft only.

*** To be used in each Draw Certificate relating to each Interest Draft other than the first Interest Draft.

(iii) The amount of the Interest Draft accompanying this certificate is $__________. It was computed in compliance with the terms and conditions of the Bonds and the Trust Agreement and does not include any amount of interest which is included in any Tender Draft, Partial Prepayment Draft or Final Draft presented on or prior to the date of this certificate.

3. Partial Prepayment Drawing.

☐ (i) The Trustee is making a drawing under the Letter of Credit with respect to the payment, upon redemption or prepayment of less than all of the Bonds, of the unpaid principal amount of, and up to __ days' accrued and unpaid interest on, Bonds which are Outstanding within the meaning of the Trust Agreement (other than Bonds presently held of record by the Authority or the City or by the Trustee for the account of the Authority or the City), which payment is due on the day on which this certificate and the Partial Prepayment Draft it accompanies are being presented to the Bank, if presented before 9:00 A.M. (Pacific Time), or on the next Banking Day after such day unless a later date is specified as follows for payment: ________________.

(ii) The amount of the Partial Prepayment Draft accompanying this certificate is equal to the sum of (i) $_________ being drawn in respect of the payment of unpaid principal of Bonds (other than Bonds presently held of record by the Authority or the City or by the Trustee for the account of the Authority or the City) to be redeemed or prepaid and (ii) $_______ being drawn in respect of the payment of accrued and unpaid interest on such Bonds, and does not include any amount of interest on the Bonds which is included in any Interest Draft or Tender Draft or Partial Prepayment Draft presented on or prior to the date of this certificate.

(iii) The amount of the Partial Prepayment Draft accompanying this certificate was computed in accordance with the terms and conditions of the Bonds and the Trust Agreement and does not exceed the amount available to be drawn under the Letter of Credit.

(iv) The Trustee acknowledges that pursuant to the terms of the Letter of Credit, upon the Bank's honoring the Partial Prepayment Draft accompanying this certificate, the amount of the Letter of Credit and the amounts available to be drawn by the Trustee thereunder by any subsequent Partial Prepayment Draft or Tender Draft or Final Draft are automatically decreased by an amount equal to the amount of such Partial Prepayment Draft.

4. Final Drawing.

☐ (i) The Trustee is making a drawing under the Letter of Credit with respect to the payment, either at stated maturity or as a result of a prepayment, redemption or mandatory tender, of the unpaid principal amount of, and up to ____ days' accrued and unpaid interest on, all of the Bonds which are Outstanding within the meaning of the Trust Agreement (other than Bonds presently held of record by the

Authority or the City or by the Trustee for the account of the Authority or the City) but which are not to be remarketed again with the support of the Letter of Credit, which payment is due on the day on which this certificate and the Final Draft it accompanies are being presented to the Bank, if presented before 9:00 A.M. (Pacific Time), or on the next Banking Day after such day unless a later date is specified as follows for payment: _____________.

(ii) The amount of the Final Draft accompanying this certificate is equal to the sum of (i) $_________ being drawn in respect of the payment of unpaid principal of Bonds (other than Bonds presently held of record by the Authority or the City or by the Trustee for the account of the Authority or the City) and (ii) $___________ being drawn in respect of the payment of accrued and unpaid interest on such Bonds, and does not include any amount of interest on the Bonds which is included in any Interest Draft or Tender Draft or Partial Prepayment Draft presented on or prior to the date of this certificate.

(iii) The amount of the Final Draft accompanying this certificate was computed in compliance with the terms and conditions of the Bonds and the Trust Agreement and does not exceed the amount available to be drawn by the Trustee under the Letter of Credit.

The terms used herein which are not specifically defined herein are defined in the Letter of Credit.

IN WITNESS WHEREOF, the Trustee has executed and delivered this certificate as of the __ day of __________.

____
____
as Trustee

By____________________________
[Name and Title]

cc: Public Finance Unit
445 South Figueroa Street, G08-268
Los Angeles, California 90071
(Failure to deliver this copy will
not invalidate the Draft)

Annex B

TENDER DRAFT

To: Union Bank of California, N.A.
1980 Saturn Street
Monterey Park, California 91755-7417
Attention: SC-TSO, Standby Letters of Credit

Irrevocable Letter of Credit No. ___________

The undersigned, a duly authorized officer of the Trustee (the "Trustee"), hereby certifies to Union Bank of California, N.A. (the "Bank"), with reference to irrevocable Letter of Credit No. _____ (the "Letter of Credit"), issued by the Bank in favor of the Trustee, as follows:

(1) The undersigned is the Trustee under the Trust Agreement for the holders of the Bonds.

(2) The undersigned is making a drawing under the Letter of Credit with respect to the payment, upon a tender, of the unpaid principal amount of, and accrued and unpaid interest on, all or less than all of the Bonds which are Outstanding within the meaning of the Trust Agreement and which are to be purchased as a result of such tender (other than Bonds presently held of record by the Authority or the City or by the Trustee for the account of the Authority or the City), which payment is due on the day on which this certificate and the Tender Draft it accompanies are being presented to the Bank, if presented before 9:00 A.M. (Pacific Time), or on the next Banking Day after such day unless a later date is specified as follows for payment: _______________.

(3) The amount of the Tender Draft accompanying this certificate is equal to the sum of (i) $_________ being drawn in respect of the payment of unpaid principal of Bonds (other than Bonds presently held of record by the Authority or the City or by the Trustee for the account of the Authority or the City) to be purchased as a result of a tender and (ii) $________ being drawn in respect of the payment of accrued and unpaid interest on such Bonds, and does not include any amount of interest which is included in any Interest Draft or Partial Prepayment Draft presented on or prior to the date of this certificate.

(4) The amount of the Tender Draft accompanying this certificate was computed in compliance with the terms and conditions of the Bonds and the Trust Agreement and does not exceed the amount available to be drawn under the Letter of Credit.

The undersigned acknowledges that pursuant to the terms of the Letter of Credit, upon the Bank's honoring of the Tender Draft accompanying this certificate, the amount of the Letter of Credit and the amounts available to be drawn thereunder by any subsequent Tender Draft or Partial Prepayment Draft or Final Draft are automatically decreased by an amount equal to the amount of such Tender Draft.

The terms used herein which are not specifically defined herein are defined in the Letter of Credit.

IN WITNESS WHEREOF, the undersigned has executed and delivered this certificate as of the ____ day of _________.

____

____
as Trustee

By___________________________
[Name and Title]

cc: Public Finance Unit
445 South Figueroa Street, G08-268
Los Angeles, California 90071
(Failure to deliver this copy will not invalidate the Draft)

Annex C

CERTIFICATE FOR REDUCTION

To: Union Bank of California, N.A.
1980 Saturn Street
Monterey Park, California 91755-7417
Attention: SC-TSO, Standby Letters of Credit

Irrevocable Letter of Credit No. ___________

The undersigned, a duly authorized officer of the undersigned Trustee (the "Trustee"), hereby certifies to Union Bank of California, N.A. (the "Bank"), with reference to Irrevocable Letter of Credit No. _______________ (the "Letter of Credit"), issued by the Bank in favor of the Trustee, as follows:

(1) The Trustee is the Trustee under the Trust Agreement for the holders of the Bonds.

(2) The Trustee hereby notifies you that on or prior to the date hereof $_______ principal amount of the Bonds has been redeemed and paid or has been defeased pursuant to the Trust Agreement.

(3) Following the redemption, payment or defeasance referred to in paragraph (2) above, the aggregate principal amount of all of the Bonds which are "Outstanding" within the meaning of the Trust Agreement is $_________.

(4) The maximum amount of interest, computed in accordance with the terms and conditions of the Bonds and the Trust Agreement, which could accrue on the Bonds referred to in paragraph (3) above is $________

(5) The amount available to be drawn by the Trustee under the Letter of Credit by any Interest Draft is reduced to $_________ (such amount being equal to the amount specified in paragraph (4) above) upon receipt by the Bank of this certificate.

(6) The amount available to be drawn by the Trustee under the Letter of Credit by any Tender Draft or Partial Prepayment Draft or Final Draft is reduced to $___________ (such amount being equal to the sum of the amounts specified in paragraphs (3) and (4) above) upon receipt by the Bank of this certificate.

(7) The amount of the Letter of Credit is reduced to $_____________ (such amount equal to the sum of the amounts specified in paragraph (6)) above upon receipt by the Bank of this certificate.

The terms used herein which are not specifically defined herein are defined in the Letter of Credit.

IN WITNESS WHEREOF, the Trustee has executed and delivered this certificate this __day of ___________.

____

____
as Trustee

By_____________________________
[Name and Title]

cc: Public Finance Unit
445 South Figueroa Street, G08-268
Los Angeles, California 90071
(Failure to deliver this copy will
not invalidate the Draft)

Annex D

CERTIFICATE FOR REINSTATEMENT

To: Union Bank of California, N.A.
1980 Saturn Street
Monterey Park, California 91755-7417
Attention: SC-TSO, Standby Letters of Credit

Irrevocable Letter of Credit No. ___________

The undersigned, a duly authorized officer of the undersigned Trustee (the "Trustee"), hereby certifies to Union Bank of California, N.A. (the "Bank"), with reference to Irrevocable Letter of Credit No. ____________ (the "Letter of Credit"), issued by the Bank in favor of the Trustee, as follows:

(1) The Trustee is the Trustee under the Trust Agreement for the holders of the Bonds.

(2) The amount of $________ paid to you today by the City or by the Trustee on behalf of the City is a payment made to reimburse you for amounts drawn under the Letter of Credit by Tender Drafts and is the amount by which the Letter of Credit is to be reinstated.

(3) Of the amount referred to in paragraph (2), $_______ represents the aggregate principal amount of Bonds resold or to be resold on behalf of the City.

(4) Of the amount referred to in paragraph (2), $_______ represents accrued and unpaid interest on Bonds calculated, in accordance with the Trust Agreement.

The terms used herein which are not specifically defined herein are defined in the Letter of Credit.

IN WITNESS WHEREOF, the Trustee has executed and delivered this certificate this ___day of ___________.

____
____
as Trustee

By____________________________
[Name and Title]

cc: Public Finance Unit
445 South Figueroa Street, G08-268
Los Angeles, California 90071
(Failure to deliver this copy
will not invalidate the Draft)

Annex E

INSTRUCTION TO TRANSFER

____________ 20__

Union Bank of California, N.A.
445 South Figueroa Street, G08-268
Los Angeles, California 90071
Attention: Public Finance

Re: Irrevocable Letter of Credit No. ___________

Gentlemen:

For value received, the undersigned beneficiary hereby irrevocably transfers to:

____
[Name of Transferee]

____
[Address]

all rights of the undersigned beneficiary to draw under the above-captioned Letter of Credit (the "Letter of Credit"). The transferee has succeeded the undersigned as Trustee under the Trust Agreement (as defined in the Letter of Credit).

By this transfer, all rights of the undersigned beneficiary in the Letter of Credit are transferred to the transferee and the transferee shall hereafter have the sole rights as beneficiary thereof; *provided, however*, that no rights shall be deemed to have been transferred to the transferee until the transfer fee of $____ is paid to you.

The Letter of Credit is returned herewith and in accordance therewith we ask that this transfer be effective and that you issue a new irrevocable letter of credit in favor of the transferee with provisions consistent with the Letter of Credit.

____
____
as predecessor Trustee

By______________________________
[Name and Title]

cc: International Operations Center
1980 Saturn Street, V01-519
Monterey Park, California 91755-7471
(Failure to deliver this copy
will not invalidate the Draft)

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APPENDIX F

SPECIMEN BOND INSURANCE POLICY

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Ambac

Financial Guaranty Insurance Policy

Ambac Assurance Corporation
One State Street Plaza, 15th Floor
New York, New York 10004
Telephone: (212) 668-0340

Obligor: Policy Number:

Obligations: Premium:

Ambac Assurance Corporation (Ambac), a Wisconsin stock insurance corporation, in consideration of the payment of the premium and subject to the terms of this Policy, hereby agrees to pay to The Bank of New York, as trustee, or its successor (the "Insurance Trustee"), for the benefit of the Holders, that portion of the principal of and interest on the above-described obligations (the "Obligations") which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Obligor.

Ambac will make such payments to the Insurance Trustee within one (1) business day following written notification to Ambac of Nonpayment. Upon a Holder's presentation and surrender to the Insurance Trustee of such unpaid Obligations or related coupons, uncanceled and in bearer form and free of any adverse claim, the Insurance Trustee will disburse to the Holder the amount of principal and interest which is then Due for Payment but is unpaid. Upon such disbursement, Ambac shall become the owner of the surrendered Obligations and/or coupons and shall be fully subrogated to all of the Holder's rights to payment thereon.

In cases where the Obligations are issued in registered form, the Insurance Trustee shall disburse principal to a Holder only upon presentation and surrender to the Insurance Trustee of the unpaid Obligation, uncanceled and free of any adverse claim, together with an instrument of assignment, in form satisfactory to Ambac and the Insurance Trustee duly executed by the Holder or such Holder's duly authorized representative, so as to permit ownership of such Obligation to be registered in the name of Ambac or its nominee. The Insurance Trustee shall disburse interest to a Holder of a registered Obligation only upon presentation to the Insurance Trustee of proof that the claimant is the person entitled to the payment of interest on the Obligation and delivery to the Insurance Trustee of an instrument of assignment, in form satisfactory to Ambac and the Insurance Trustee, duly executed by the Holder or such Holder's duly authorized representative, transferring to Ambac all rights under such Obligation to receive the interest in respect of which the insurance disbursement was made. Ambac shall be subrogated to all of the Holders' rights to payment on registered Obligations to the extent of any insurance disbursements so made.

In the event that a trustee or paying agent for the Obligations has notice that any payment of principal of or interest on an Obligation which has become Due for Payment and which is made to a Holder by or on behalf of the Obligor has been deemed a preferential transfer and theretofore recovered from the Holder pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court of competent jurisdiction, such Holder will be entitled to payment from Ambac to the extent of such recovery if sufficient funds are not otherwise available.

As used herein, the term "Holder" means any person other than (i) the Obligor or (ii) any person whose obligations constitute the underlying security or source of payment for the Obligations who, at the time of Nonpayment, is the owner of an Obligation or of a coupon relating to an Obligation. As used herein, "Due for Payment", when referring to the principal of Obligations, is when the scheduled maturity date or mandatory redemption date for the application of a required sinking fund installment has been reached and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by application of required sinking fund installments), acceleration or other advancement of maturity; and, when referring to interest on the Obligations, is when the scheduled date for payment of interest has been reached. As used herein, "Nonpayment" means the failure of the Obligor to have provided sufficient funds to the trustee or paying agent for payment in full of all principal of and interest on the Obligations which are Due for Payment.

This Policy is noncancelable. The premium on this Policy is not refundable for any reason, including payment of the Obligations prior to maturity. This Policy does not insure against loss of any prepayment or other acceleration payment which at any time may become due in respect of any Obligation, other than at the sole option of Ambac, nor against any risk other than Nonpayment.

In witness whereof, Ambac has caused this Policy to be affixed with a facsimile of its corporate seal and to be signed by its duly authorized officers in facsimile to become effective as its original seal and signatures and binding upon Ambac by virtue of the countersignature of its duly authorized representative.

President

AMBAC ASSURANCE CORPORATION
CORPORATE
SEAL
WISCONSIN

Secretary

Effective Date:

Authorized Representative

THE BANK OF NEW YORK acknowledges that it has agreed to perform the duties of Insurance Trustee under this Policy.

Authorized Officer of Insurance Trustee

Form No.: 2B-0012 (1/01)

Ambac

Ambac Assurance Corporation
One State Street Plaza,
New York, New York 10004
Telephone: (212) 668-0340

Endorsement

Policy for:

Attached to and forming part of Policy No.:

Effective Date of Endorsement:

In the event that Ambac Assurance Corporation were to become insolvent, any claims arising under the Policy would be excluded from coverage by the California Insurance Guaranty Association, established pursuant to the laws of the State of California.

Nothing herein contained shall be held to vary, alter, waive or extend any of the terms, conditions, provisions, agreements or limitations of the above mentioned Policy other than as above stated.

In Witness Whereof, Ambac has caused this Endorsement to be affixed with a facsimile of its corporate seal and to be signed by its duly authorized officers in facsimile to become effective as its original seal and signatures and binding upon Ambac by virtue of the countersignature of its duly authorized representative.

Ambac Assurance Corporation

AMBAC ASSURANCE CORPORATION CORPORATE SEAL WISCONSIN

President

Secretary

Authorized Representative

Form No.: 2B-0004 (7/97)

Ambac

Ambac Assurance Corporation
One State Street Plaza, 15th Floor
New York, New York 10004
Telephone: (212) 668-0340

Endorsement

Policy for:

Attached to and forming part of Policy No.:

Effective Date of Endorsement:

The endorsement to the Policy to which this endorsement is attached, dated as of ______, insuring certain payments pursuant to a Standby Agreement (as defined therein), is hereby cancelled as of the date hereof and replaced with this endorsement.

The Policy to which this endorsement is attached and of which it forms a part is hereby amended to provide that the payment by Ambac to the Insurance Trustee, for the benefit of the Holders, of the principal of and interest on the Obligations which shall become Due for Payment but which are unpaid by reason of Nonpayment by the Obligor shall include any scheduled interest payment at the Bank Rate, as defined in the Indenture, dated as of __________ (the "Original Indenture"), by and between the Obligor and ____________, as trustee (the "Trustee"), as supplemented by a ____________, dated as of ______________ (collectively with the Original Indenture, the "Indenture"), each by and between the Obligor and the Trustee.

While the Obligations are outstanding under the Indenture, "Holders" shall include Union Bank of California, N.A. (the "Bank"), to the extent (a) the Bank has made a payment to any other Holder of regularly scheduled principal of or interest on the Obligations (but not any payment on acceleration, as a result of any mandatory tender, full or partial prepayment, other than scheduled mandatory sinking fund payments, or optional redemptions, or as a result of any other advancement of maturity of the Obligations), (b) reimbursement of such amounts is due and payable by the Obligor under Section ____ of the Letter of Credit and Reimbursement Agreement, dated as of ______, 2008 by and among the Obligor and the Bank and (c) an event of Nonpayment by the Obligor has occurred with respect to such amounts.

Nothing herein contained shall be held to vary, alter, waive or extend any of the terms, conditions, provisions, agreements or limitations of the above mentioned Policy other than as above stated.

In Witness Whereof, Ambac has caused this Endorsement to be affixed with a facsimile of its corporate seal and to be signed by its duly authorized officers in facsimile to become effective as its original seal and signatures and binding upon Ambac by virtue of the countersignature of its duly authorized representative.

Ambac Assurance Corporation

AMBAC ASSURANCE CORPORATION
CORPORATE
SEAL
WISCONSIN

President

Secretary

Authorized Representative

Form No.: 2B-0076 (7/97)

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MISCELLANEOUS

The purpose of this Reoffering Memorandum is to supply information to prospective buyers of the Bonds. Quotations from and summaries and explanations of the Bonds and of statutes and other documents contained in this Reoffering Memorandum do not purport to be complete and reference is made to such statutes and documents for full and complete statements of their provisions.

The preparation and distribution of this Reoffering Memorandum have been duly authorized and approved by the City and the Authority.

CITY OF OXNARD FINANCING AUTHORITY

By: /s/ James Cameron James Cameron
Controller